Ethiopia Humanitarian Fund
Operational Manual

October 2020
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<th>Full Form</th>
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<tr>
<td>AB</td>
<td>Advisory Board</td>
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<td>ABTWG</td>
<td>Advisory Board Technical Working Group</td>
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<td>BoA</td>
<td>Board of Auditors</td>
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<td>CBPF</td>
<td>Country-based Pooled Fund</td>
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<td>CERF</td>
<td>Central Emergency Response Fund</td>
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<td>ECHO</td>
<td>European Commission for Humanitarian Aid and Civil Protection</td>
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<td>EHCT</td>
<td>Ethiopia Humanitarian Country Team</td>
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<td>EHF</td>
<td>Ethiopia Humanitarian Fund</td>
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<td>ERC</td>
<td>Emergency Relief Coordinator</td>
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<td>GMS</td>
<td>Grant Management System</td>
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<td>FCS</td>
<td>Funding Coordination Section</td>
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<td>FTS</td>
<td>Financial Tracking Service</td>
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<td>HACT</td>
<td>Harmonized Approach to Cash Transfers</td>
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<td>HC</td>
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<td>HFU</td>
<td>OCHA Humanitarian Financing Unit</td>
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<td>HINGO</td>
<td>Humanitarian International NGOs</td>
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<td>HNO</td>
<td>Humanitarian Needs Overview</td>
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<td>HRP</td>
<td>Humanitarian Response Plan</td>
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<tr>
<td>INGO</td>
<td>International Non-Governmental Organization</td>
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<tr>
<td>LTA</td>
<td>Long Term Agreement</td>
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<tr>
<td>MOU</td>
<td>Memorandum of Understanding</td>
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<td>NCE</td>
<td>No-Cost Extension</td>
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<td>NGO</td>
<td>Non-Governmental Organization</td>
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<td>NDRMC</td>
<td>National Disaster Risk Management Commission</td>
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<td>OCHA</td>
<td>Office for the Coordination of Humanitarian Affairs</td>
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<td>OIOS</td>
<td>Office of Internal Oversight Services</td>
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<tr>
<td>PRMB</td>
<td>Partnerships and Resource Mobilization Branch</td>
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<td>UN</td>
<td>United Nations</td>
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<td>UNHCR</td>
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1. Introduction

1. The Operational Manual for the Ethiopia Humanitarian Fund (EHF) is issued by the Humanitarian Coordinator (HC) and endorsed by the Advisory Board (AB) to set the general direction and programmatic focus of the Ethiopia Humanitarian Fund (hereafter “EHF” or “the Fund”).

2. The HC and the AB will revisit this Manual on an annual basis or as needed to adjust the general direction and programmatic focus of the Fund, thereby ensuring its relevance and effectiveness.

1.1 Purpose

3. The purpose of the EHF Operational Manual is to describe the governance arrangements, objectives, allocation modalities, and accountability mechanisms of the Fund, and to detail the roles and responsibilities of the stakeholders involved.

4. Under the direction of the HC, the EHF aims to support the timely disbursement of funds to the most critical humanitarian needs as defined by the Humanitarian Response Plan (HRP) as well as to unforeseen emergency needs.

5. In this regard, this Manual will provide guidance to partners and facilitate the role of OCHA, members of the respective review teams, and cluster/sectoral experts.

1.2 Scope

6. The EHF Operational Manual defines the country-specific regulations that govern the Fund. It is designed within the framework provided by the Operational Handbook for Country-Based Pooled Funds (CBPFs)\(^1\), which describes the global set of rules that apply to all CBPFs worldwide, and adapts specific aspects of these global guidelines to the humanitarian context in Ethiopia.

7. Adherence to the guidance provided in the two documents is mandatory to ensure standard and transparent processes.

2. Objectives of the EHF

8. The EHF will be primarily aligned to support the delivery of humanitarian response identified under the HRP and supporting cluster strategies while retaining the flexibility to allocate funds to unforeseen events or special requirements.

9. In the event of a serious refugee crisis/influx, the EHF engages to provide seed money to projects supported by the Office of the United Nations High Commissioner for Refugees (UNHCR) which are in line with its strategic goals to kick start the response. UNHCR is the agency coordinating the response to refugee situations in the country. The EHF does not engage in “care and stabilization” of refugee camps.

10. The EHF will reinforce the leadership and coordination role of the HC by driving funding to needs-based priority sectors and geographic areas. The EHF will also aim for a more inclusive approach by working with a variety of partners in a complex operational environment. The EHF has the following main objectives:

i. Support adequate, timely, flexible and effective humanitarian financing;
ii. Promote needs-based assistance in accordance with humanitarian principles;
iii. Strengthen coordination and leadership primarily through the function of the HC and the cluster system;
iv. Improve the relevance and coherence of humanitarian response by strategically funding priorities as identified under the HRP and emerging unforeseen needs;
v. Improve partnerships between UN & non-UN actors.

11. Further, the EHF aims to ensure that humanitarian needs are addressed in a collaborative manner, fostering cooperation and coordination within and between clusters and humanitarian organizations. As such, the EHF contributes to improving needs assessments, strengthening coordination mechanisms, in particular the cluster system, and improving accountability through an enhanced monitoring and reporting framework.

12. Interventions supported by the EHF are to be consistent with the core humanitarian principles of humanity, neutrality, impartiality and independence.

13. The EHF is committed to promoting gender-sensitive and protection-oriented programmatic responses.

3. Governance and management

3.1 Global Governance

● UN Emergency Relief Coordinator

14. The Emergency Relief Coordinator (ERC) holds authority over and is accountable for all CBPFs. The ERC monitors the performance of each fund through OCHA Headquarters/Funding Coordination Section (FCS) at OCHA Headquarters (HQ) and makes decisions on their establishment, re-organization and closure.

● OCHA Headquarters

15. OCHA Donor Relations Section (DRS) in Geneva signs agreements with contributing donors to the EHF and ensures timely transfer of contributions to FCS to disburse funds.

16. OCHA FCS provides substantive support to OCHA Country Offices in managing pooled funds, ensuring harmonization and standardization of practices and procedures. FCS has dedicated units that cover different responsibilities and work in concert to ensure that OCHA delivers on its core function of humanitarian financing.

3.2 Local Governance

17. The activities of the EHF will be carried out under the overall stewardship of the Humanitarian Coordinator (HC). The HC will be advised by an Advisory Board (AB), an Advisory Board Technical Working Group (ABTWG) and an OCHA-led Humanitarian Financing Unit (HFU) fulfilling the EHF’s secretariat functions. The EHF AB will be chaired by the HC and with senior-level participation of donors, UN organizations (in their capacity as cluster lead agencies) and NGO representatives. The ABTWG will be chaired by OCHA and have a technical profile composition similar to the AB. Cluster Coordinators (CCs) play a key role in prioritization as well as project review both at strategic and technical levels in consultation with government counterparts.
The Humanitarian Coordinator

18. The overall management of the Fund on behalf of the ERC rests with the HC. The HC decides the strategy for the use of the Fund and ensures that it is delivering on its key objectives and is managed in accordance with the Operational Manual which is prepared based on the CBPF Handbook. The AB advises the HC on the allocation of funds and other strategic issues.

19. The HC’s responsibilities in managing the EHF are explicitly stated in the HC Compact with the ERC. The HC is specifically responsible for:
   i. Approval of direct cost for the HFU;
   ii. Approving, reviewing and updating the EHF Operational Manual, which outlines the Fund’s scope and objectives, programmatic focus, governance structures and membership, allocation modalities and processes, accountability mechanisms and operational modalities;
   iii. Chairing the AB and providing strategic direction for the Fund;
   iv. Leading country-level resource mobilization for the Fund supported by the Ethiopia Humanitarian Country Team (EHCT), OCHA Country Office (CO) and in coordination with relevant OCHA entities at HQ;
   v. Approving the use of and defining the strategic focus and amounts of fund allocations;
   vi. Ensuring that the AB and the strategic and technical review teams function in accordance with the guidelines outlined in this Operational Manual;
   vii. Making final decisions on projects recommended for funding. This responsibility is exclusive that of the HC and cannot be delegated. Funding decisions can be made at the discretion of the HC, without a recommendation from the Advisory Board and/or the Advisory Board Technical Working Group for circumstances which require an immediate response. In addition, the HC has the authority to overrule recommendations from the review committee(s).
   viii. Approving projects, initiating disbursement and approving revisions (changes in budget and duration);
   ix. Ensuring complementary use of EHF funding with other funding sources, including the Central Emergency Response Fund (CERF).

Advisory Board

Background and Purpose

20. The EHF AB supports the HC in developing an overall strategy and overseeing the performance of the Fund. It will advise the HC on strategic and policy issues and ensure the views of donors, UN agencies and the NGO community are represented. The AB will be consulted in the development of allocation strategies and will serve as a forum to share information on funding coverage, to strengthen donor coordination and discuss funding priorities that fall within and outside of the HRP. In addition, the AB shall advise the HC in setting funding targets and support resource mobilization efforts. The AB also reviews direct costs of the fund\(^2\) prior to HC’s approval.

Main Functions and Focus

21. The AB plays a consultative role and has responsibilities in four key areas:
   i. Strategic focus: The AB should support the HC in ensuring that the main objectives of the Fund are met. The AB should advise the HC on strategic elements of the Fund such as the allocation strategies and the operational manual. The scope and objectives of the

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\(^2\) E.g. annual budget of the Humanitarian Financing Unit (HFU); monitoring costs; capacity assessments (where relevant); etc.
EHF, outlined in the operational manual, will be reviewed at least once a year. The AB shall advise the HC on fund allocation to appropriate priorities as recommended by clusters or the ABTWG. The AB is also consulted on the amount to be allocated through the two allocation modalities i.e. Standard Allocation and Reserve Allocation (see Chapter 5).

ii. **Risk management:** The AB endorses the Fund-level risk analysis and risk management plan in accordance with the EHF’s Accountability Framework (see Chapter 6). The AB supports the HC and the HFU in undertaking periodic risk analyses and reviewing the EHF’s Risk Management Framework (see Table 3, Risk Management Framework);

iii. **Transparency of overall process:** The AB should monitor Fund processes with the objective of ensuring that all stakeholders are treated fairly, and that the management of the Fund abides by established policies;

iv. **Review of operational activities:** The AB monitors the operational performance of the Fund, providing advice to the HC.

**Membership**

22. The composition of the AB is determined by the HC in consultation with the EHCT, contributing donors and NGOs.

23. Membership of the AB will be on rotational basis with duration to be determined by the HC. The HC and the OCHA Head of Office (HoO) are the only permanent members. AB members must be at the senior leadership (head of agency, etc.) level. To ensure continuity, the replacement of AB members is staggered. Board members serve as technical or strategic experts from their constituencies or stakeholder groups and do not represent the interests of their organizations or broader constituencies. Board members make a commitment to attend all meetings and to be fully engaged in all tasks required by the AB. AB membership will be limited to 12 representatives (excluding observers) to ensure efficient decision-making.

24. AB members are nominated by their constituencies: i.e. the Humanitarian International NGO (HINGO) forum will be responsible in choosing representatives, and the Humanitarian Donors Group (HRDG) will be nominating donor representatives. The composition of the AB will be:
   i. Humanitarian Coordinator (Chairperson)
   ii. Four contributing donor representatives (members)
   iii. Two NGO representatives as selected by the HINGO group (members)
   iv. One National NGO representative (member)
   v. Two Humanitarian response-engaged UN Agency representatives (members)
   vi. OCHA Head of Office (member)
   vii. One non-contributing donor representative (observer)
   viii. AB Secretariat (member, OCHA HFU)

25. The Chairperson may invite other stakeholders deemed necessary to improve discussions and recommendations.

**Frequency of Meetings**

26. The AB meets at least four times a year to review operational activities. These meetings cover a range of the above tasks, including but not limited to endorsing budgets for the HFU, reviewing the Operational Manual, reviewing Allocation decisions, or to discuss changes to the humanitarian context. A higher frequency and/or ad hoc meetings may be requested by the HC for example, when the AB is required to support or review complex allocation decisions, or to meet as the AB with visiting officials and missions as s/he deems necessary.
• **Advisory Board Technical Working Group**

**Background and Purpose**

27. The ABTWG will have a similar composition to the AB with technical profile representation. The ABTWG will have a cluster representation (relevant) during project review. Agencies with specific expertise in gender should be included in the ABTWG. Observers from other donors are welcome.

28. The ABTWG primarily reviews proposals submitted through the clusters/review committees after passing through the technical review. The review process will be carried out in the ABTWG’s regular and extraordinary meetings, as well as by email exchange.

**Main Functions and Focus**

29. Key functions of the ABTWG are to provide timely advice to the HC in relation to:
   i. That proposals considered have been subject to adequate review by technical and strategic review committees (cluster and government counterparts);
   ii. That proposals considered merit recommendation for funding, in the context of strategic directions endorsed by the AB and adequately address:
      • The humanitarian situation at national level;
      • Fund availability;
      • The quality and cost effectiveness of the applications in hand;
      • The degree to which gender and other cross cutting themes have been considered;
      • Organizational past performance and risk rating.

**Procedure and Frequency of Meetings**

33. Decision making will be by consensus. In a situation where consensus cannot be reached decisions may be reached by a majority vote (one vote per agency present). The chairperson will have a casting vote should the vote be tied. Board members, who wish to, may have their disagreement with a decision recorded in the minutes. For a meeting to be quorate at least six agency representatives must be present, of which at least two should be representatives of non-UN agencies.

34. Board member agencies nominate their one standing representative with an alternate. Each agency has the right to invite one observer. However, the total number of observers may not exceed three at any meeting. If more than three observers are invited priority will go first to Government representatives and then to NGO agencies in determining who may stay.

35. At meetings in which an application to the Fund from a member agency is being considered, that member is not eligible to sit so that any potential conflict of interest can be avoided.

36. Contributing donor agencies have the right to observe.

37. At all times, the HFU will take part in decision-making, and support the ABTWG in discharging its function.

**Membership**

38. The composition of the ABTWG:
   i. OCHA Head of Office or delegate (Chairperson)
   ii. Four contributing donor representatives (members)
   iii. Two NGO representatives as selected by the HINGO group (members)
   iv. Cluster Coordinators (members)
v. One National NGO consortium representative (member)
vi. Non-contributing donor representative (observer)
vii. ABTWG Secretariat (member, OCHA HFU)

3.2.1 Management

- **OCHA Head of Office**

39. The OCHA Head of Office (HoO) oversees the operation of the Fund to support the HC. As such, the HoO is responsible for the effective management of the EHF in accordance with CBPF Policy Instruction and the Global Handbook for CBPFs.

40. The responsibilities of the HoO with respect to the EHF are to:
   i. Support and advise the HC on strategic issues and resource mobilization;
   ii. Supervise the HFU and ensure that it is well integrated and coordinated with other units of the OCHA Country Office and sub-offices;
   iii. Ensure that OCHA has the capacity to fulfil its accountability requirements, including risk management and minimum operational modalities (as described in Chapter 6);
   iv. Promote active involvement of existing coordination structures in EHF processes and ensure that the Fund scope and objectives as outlined in the Operational Manual and/or allocation papers are aligned with the HRP;
   v. Approve project revisions within the scope of the delegation of authority granted by the HC (see below);
   vi. Interface with headquarters on policy issues related to the EHF;
   vii. Chair or delegate to Chair the ABTWG meeting;
   viii. Act as a permanent member of the AB.

- **Humanitarian Financing Unit**

41. The HFU is responsible for the daily management of all programmatic and financial aspects of the EHF on behalf of the HC and under the overall supervision of the OCHA HoO, in coordination with FCS. The OCHA HFU executes HC decisions and organizes the process of allocating funds according to the Handbook and corresponding Operations Manual.

42. In support of the HC, the Advisory Board and Advisory Board Technical Working Group, and with the assistance of relevant units at OCHA HQ, the three main functions of the HFU are summarized as follows:
   i. Management of CBPF operations and policy advice to the HC and OCHA HoO;
   ii. CBPF Project Cycle Management;
   iii. Implementation of the CBPF Accountability Framework including a monitoring system.

Functions of the HFU

43. **Management of EHF operations and policy advice to the HC and OCHA HoO:**
   i. Advise the HC and OCHA HoO on fund strategies and any other policy matters related to the EHF;
   ii. Facilitate the development of the EHF scope and objectives and allocation strategy papers;
   iii. Provide oversight to the entire funding cycle from the launch of an allocation to closure of projects;
   iv. Provide technical advice to the HC and EHF ABTWG on the allocation process, project implementation and monitoring;
   v. Ensure timely communication to partners on EHF standard allocation calendar of activities;
vi. Engage with EHF donors and coordinate with other humanitarian donors in the country;

vii. Draft the resource mobilization strategy and support its implementation in coordination with headquarters resource mobilization efforts;

viii. Support HC and HoO efforts to link the Fund with the Humanitarian Programme Cycle (HPC) by promoting allocations in alignment with the HRPs;

ix. Support and promote partner compliance with EHF procedures;

tax. Produce reports, analysis and other documents as necessary to support decision-making, coordination, communication and resource mobilization activities;

xi. Promote the complementary use of the EHF with funding from other sources, in particular the CERF;

xii. Serve as Secretariat to the EHF Advisory Board and Advisory Board Technical Working Group;

xiii. Facilitate public information sharing with all stakeholders;

xiv. Ensure governance and allocation documentation is available on relevant country page (www.humanitarianresponse.info/operations/ethiopia/ehf).

44. **Project Cycle Management:**

i. Facilitate and train stakeholders on the use of the Grant Management System (GMS);

ii. Ensure compliance with processes, systems, templates and tools as defined in the Handbook for CBPFs as well as EHF procedures;

iii. Provide support to all EHF recipients throughout the allocation process and promote a feedback system for continuous learning;

iv. Participate in decision making and facilitate activities associated with the strategic review (project prioritization);

v. Participate in decision making and facilitate activities associated with the technical review;

vi. Oversee project review and approval processes including administrative aspects of selected projects;

vii. Ensure follow up of fund disbursement and refunding;

viii. Ensure narrative and financial reporting compliance;

ix. Manage project revision requests (e.g. follow-up and support on budget revision, reprogramming, no-cost extensions, etc.);

x. Ensure Financial Tracking Service (FTS) reporting as required.

45. **Implementation of the EHF Accountability Framework:**

i. Support and advise the HC and OCHA HoO in the development and implementation of the Accountability Framework;

ii. Coordinate and facilitate capacity and performance assessments, risk management, monitoring, and reporting;

iii. Ensure compliance with the minimum requirements described in the operational modalities of the Operational Manual;

iv. Ensure compliance with audit requirements and follow up recommendations stemming from audits and monitoring findings;

v. Prepare the consolidated annual report of EHF operations.

3.2.2 Stakeholders

- **Cluster Coordinators and Co-coordinators**

46. Clusters operate according to the terms of reference agreed by the Inter Agency Standing Committee (IASC) and the Reference Module for Cluster Coordination at the Country Level. These documents contain few key references to the operation of CBPFs, but acknowledge that inter-cluster groups have a key role to play in prioritization and in providing recommendations for resource mobilization of the humanitarian operation as a whole.
47. Throughout the EHF process, each cluster will be coordinated by representatives of a cluster lead UN agency. OCHA encourages an NGO Cluster Co-coordinator to engage in the process when appropriate.

48. Cluster coordinators support the EHF at two levels: (i) at a strategic level, cluster coordinators should ensure that there are linkages between the Fund, the HRP and cluster strategies; and (ii) at an operational level, cluster coordinators should provide technical expertise to the process of project prioritization and to the technical review of projects including consultation in revision request.

49. The Cluster coordinator and co-coordinators will undertake the following activities in relation to the EHF:
   i. Facilitate all EHF related processes in consultation with cluster partners and government counterparts;
   ii. Establish needs-based priorities for EHF funding in consultation with cluster partners and government counterparts;
   iii. Facilitate cross-cluster coordination;
   iv. Lead a process to transparently identify, review and recommend priority humanitarian projects for funding based on agreed overall cluster priorities and strategies and document these processes;
   v. Ensure quality and timely submissions of all related cluster materials;
   vi. Promote the systematic use of relevant standard indicators for projects;
   vii. Participate in field monitoring visits to support technical assessment of implemented projects (as required);
   viii. Review and recommend revision requests when technical or strategic input is required;
   ix. Supported by the HFU, train and build capacity of cluster partners (national and international) on EHF procedures.

- **Partners**

50. The EHF promotes partnerships with humanitarian organizations to respond quickly and effectively to emergencies.

51. UN agencies, international and national NGOs, and organizations of the Red Cross/Red Crescent Movement, can apply for and receive funding from the EHF.

52. International and national NGOs must undergo the due diligence and capacity assessment process (described in Chapter 6) to become eligible to receive funding from the EHF. All UN agencies are eligible to receive funding.

53. In relation to the EHF, partners have the following responsibilities:
   i. **Application:** Partners must familiarize themselves with EHF processes and seek advice from the OCHA CO (i.e. HFU) before applying for funding. In close collaboration with the HFU and clusters, the applicant partner develops and submits a project proposal and budget to the Fund (through the GMS, https://cbpf.unocha.org) providing all necessary supporting documents, within the given deadlines, and in a responsive manner.
   ii. **Implementation:** After the approval process, the partner signs a grant agreement which specifies the terms and conditions applicable to the approved project. Partners commit to comply with all the requirements defined in the grant agreement. Grant agreements may be modified to accommodate necessary changes in projects (see section 7.3 for details on revision requests).

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3 For funds managed with the support of the United Nations Development Programme (UNDP) Multi Partner Trust Funds Office, UN agencies have already signed an MoU with UNDP and only have to sign a project document.
iii. **Monitoring:** Partners must have robust internal monitoring and reporting procedures in place. The monitoring and reporting capacity of each partner will be verified during the capacity assessment, the project approval process and finally during the project cycle. Partners shall facilitate the monitoring of the projects in collaboration with the OCHA CO, cluster coordinators and other relevant parties. The OCHA CO and headquarters reserve the right to organize visits with partners, external experts or donors to review completed or on-going project activities.

iv. **Reporting:** The Partner shall provide narrative and financial reports in line with the reporting requirements stipulated in the grant agreement or otherwise agreed in the accountability framework of the fund. In addition, any constraints (e.g. financial, logistical, security) that may lead to significant changes to the project must be communicated to the HC and/or OCHA immediately.

4. **Resource mobilization**

54. The HC is responsible for setting and reviewing the funding target for the Fund with support from the OCHA CO and advice from the AB.

55. By 2019, funding targets should be set at 15 per cent of the requirements articulated in the annual HRP. This is in accordance with the Secretary-General’s Agenda for Humanity which calls on donors to increase the portion of funding channelled through CBPFs to that level.

56. While the funds should reach the target set at the global level of 15 per cent of the corresponding HRP requirements, there might be instances in which the specific context makes this unattainable.

57. Targets should be set and communicated in a timely fashion to ensure donors have ample time to include the requirements in their funding decisions. HCs should also consider timing of broader resource mobilization efforts in the context of HRPs and explore preliminary donors’ interest to contribute, and factor in any other available sources of funding and/or humanitarian financing mechanisms.

58. The EHF maintains a country-specific Resource Mobilization Strategy (Annex 1) which incorporates the above guidelines to provide systematic support to the HC in leveraging, maintaining and securing sufficient and predictable contributions to the Fund. The resource mobilization strategy is a set of actions that are organized and planned around the following four pillars and indicative activities:

i. **Analysis:** With the fundraising target in mind for the Fund, understanding and mapping donor interest, policies and priorities.

ii. **Messaging and communication:** Developing key messages for general advocacy for the fund; managing correspondence with donors to seek and maintain their support; providing guidance to donors on how to contribute.

iii. **Donor outreach and engagement:** Maintaining periodic dialogue mechanisms with donors on the Fund such as regular (i.e. quarterly) briefings; organizing field visits with donors to project sites; including the Fund in Member States briefings organized at the headquarters level and participating in relevant global forums such as the Pooled Fund Working Group biannual meetings.

iv. **Reporting and public information:** Keeping updated with relevant information on the Fund’s website; producing and disseminating periodic bulletins, fact sheets or similar products of high quality that provide brief overviews and highlights of the Fund, including reflections on the perspective of partners and beneficiaries about the Fund’s operations; producing and disseminating the Fund’s annual report and complying with donors’ reporting requirements in general, as consigned in the contribution agreement.
59. The OCHA Ethiopia CO will assist the HC as required on all tasks related to resource mobilization for the Fund, including the preparation of all documents and material, and facilitating the development and implementation of the Resource Mobilization Strategy.

FCS will complement the resource mobilization efforts of OCHA country offices corporate-level communications and public advocacy in support of CBPFs.

5. Allocation Modalities

60. The EHF has two modalities to allocate funds: a Standard Allocation and a Reserve Allocation. The main funding modality for EHF is the Standard Allocation. A Standard Allocation is triggered following the launch of the HRP and its subsequent prioritization exercise (led by the Inter-Cluster Coordination Forum) that identifies acute relief needs and major gaps that require urgent response in the context of the HRP. The HC, in consultation with the AB, will determine the amount to be allocated through the Standard Allocation.

61. A Reserve Allocation will be issued on a periodic basis at the discretion of the HC for collectively identified strategic needs within the context of HRP, unforeseen emergencies such as conflicts and displacements and other emerging needs.

5.1 Standard Allocation

62. The HC uses the Standard Allocation process to support collectively identified strategic needs within the context of the HRP Projects funded through Standard Allocation/s should be implemented within a maximum of 12 months. Exceptions can be made by the HC when a longer duration is necessary to meet programmatic requirements. The grant ceilings are defined based on the partner risk level and project duration, as outlined in the Operational Modalities (see below).

63. Steps of the Standard Allocation process:
   i. Allocation strategy development & launch of the Allocation Paper
   ii. Submission of project proposals
   iii. Strategic review by Cluster Coordinators
   iv. ABTWG review and recommendation for HC consideration
   v. Technical and financial review
   vi. HC final approval and sharing of projects with AB
   vii. Disbursement

Step 1: Allocation strategy development

64. The Standard Allocation begins with an Allocation Paper. Following the launch of the HRP, the Inter-Cluster Coordination Forum undertakes a prioritization exercise that further identifies focused needs in main sectors along with geographic locations. Informed by the exercise, the HFU develops an allocation paper (Annex 5, Allocation Paper Sample and Template) which summarizes the analysis, strategy and intent of the Standard Allocation, as well as how the funding strategy was conceived.

The priorities of the allocation strategy should be as precise as possible to allow for effective prioritization by clusters. Efforts should be made to see complementarity with existing funding channels, including the CERF where applicable (Annex 6, CERF-CBPF complementarity guidance note).

65. The Allocation Paper includes information on:
   i. How the allocation fits into the humanitarian context;
   ii. Allocation strategy and related priorities;
   iii. Total amount to be allocated (detailed by priority/cluster/sector/region to the extent
iv. Criteria for project prioritization (reflected in a prioritization matrix or “scorecard”);  

v. Timeline.

**Step 2: Submission of project proposals**

66. Eligible partners prepare project proposals that address the priorities outlined in the Allocation Paper. All projects for EHF are submitted through the GMS. The HFU can request project concept notes as required.

**Step 3: Strategic review**

67. This step of the process aims at identifying and prioritizing project proposals considered best suited to address the needs identified in the allocation paper. The pre-selection of projects is intended to stimulate efficiency and allow for a strategic response that correctly targets identified needs.

68. The Strategic Review Committee (SRC), led by the CCs is responsible for the strategic review and shortlisting of proposals. Strategic review is carried out on the basis of criteria outlined in a prioritization matrix (scorecards), to be agreed before issuing the allocation paper. The SRC will apply prioritization matrices with scoring in each of the following key areas: (i) strategic relevance, (ii) programmatic relevance, (iii) cost effectiveness, (iv) management and monitoring, and (v) engagement with coordination structures (see Annex 9, Scorecards for Project Prioritization). Using globally standardized categories, specific criteria are agreed by OCHA in consultation with clusters/sectors. The same set of categories are applied by all clusters/sectors using a single scorecard for each allocation.

The review committees are comprised of groups of experts, per cluster/sector, that review project proposals according to their strategic/technical merit.

**Step 4: ABTWG review and recommendation to HC**

69. Cluster coordinators present their cluster portfolio that includes allocation strategy and list of proposals for the ABTWG’s consideration and recommendation. The exercise reviews proposals against set priorities of the Allocation Paper and the overall humanitarian response framework. Applications recommended for funding are then presented by the OCHA Head of Office to the HC.

**Step 5: Technical and financial review**

70. The objective of the technical and financial review process is to ensure that proposals are of the highest possible quality before final approval by the HC. Sufficient time and effort has to be dedicated to ensure that sub-standard projects are improved or rejected.

71. The technical review stage also includes financial review by OCHA Finance (OCHA/HFU and OCHA HQ/FCS). The financial review is part of the technical review, so that programmatic and financial feedback can be compiled by the HFU and shared with applicant jointly.

72. The technical review process involves two-way communication between the review committee and the proposing organization. Partners will be able to re-submit project proposals upon receiving written comments through the technical review process. If not feasible to arrange a meeting to conduct the technical review, other options may be considered as long as the quality of the process is maintained.
73. The scoring system for the technical review is embedded in the GMS which allows for tracking of the process until final technical clearance.

**Step 6: HC final approval and sharing of projects with AB**

74. If the ABTWG recommends and the project proposals have undergone the subsequent technical review process, the HC will officially approve it. The HC will share the list of projects with the AB.

75. The HFU will facilitate the finalization of the contractual arrangements and will liaise with the partner to determine the start date of the project. The agreed upon start date will be included in the Grant Agreement (Annex B). The start date on Annex B can be as early as the signature date of the partner to accommodate expenditure eligibility. If the signature of the Grant Agreement occurs after the agreed upon start date in Annex B, the date of the signature of the Grant Agreement takes precedence. The HC can then sign the Grant Agreement. Expenditures are eligible subsequent to partner signature date.

76. Upon signature by the HC, the HFU notifies the partner that the project has been approved and sends the agreement for counter-signature. Once the partner has countersigned, the agreement will be sent to OCHA/FCS Finance and Administration Unit for the final signature. Expenditures and obligations are eligible from the date of signature of the Agreement by the HC and the partner.

77. Consolidated information on allocation decisions is made available to all stakeholders.

**Step 7: Disbursement**

78. Following the signature of the grant agreement by all parties (the last signatory being the holder of the delegation of authority in OCHA HQ), funds are disbursed within ten working days.

### Table 1: Standard Allocation Workflow

<table>
<thead>
<tr>
<th>Step 1 Allocation Strategy Development</th>
<th>Activities</th>
<th>Stakeholders involved</th>
<th>Indicative duration (working days)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1.1 OCHA prepares Allocation Strategy Paper. Supervised by the HoO, the HFU prepares the Allocation Strategy Paper following the Inter-Cluster Prioritization exercise subsequent to the launch of the HRP.</td>
<td>* CCs</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>* OCHA/HFU</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>* HC</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1.2 Allocation Strategy Paper review by FCS</td>
<td>* FCS</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1.3 HC review and AB endorsement of Allocation Strategy Paper</td>
<td>* HC</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>* AB</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1.4 HFU launches Allocation Paper on behalf of HC</td>
<td>* HFU</td>
<td></td>
</tr>
</tbody>
</table>
### Step 2
Submission of project proposals

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1</td>
<td>Eligible partners submit project proposals through GMS</td>
</tr>
<tr>
<td>2.2</td>
<td>Proposal(s) are vetted by HFU (eligibility of partner, template/criteria, duplication of proposal, etc.)</td>
</tr>
</tbody>
</table>

### Step 3
Strategic Review

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1</td>
<td>The Strategic Review Committee (SRC), led by CCs use GMS-based unified allocation scorecard for projects in their respective clusters/sectors. SRC includes UN and NGO representatives and the HFU.</td>
</tr>
</tbody>
</table>

### Step 4
ABTWG review and recommendation to HC

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>4.1</td>
<td>CCs present the portfolio of proposed projects that includes the Allocation Strategy for ABTWG consideration and approval.</td>
</tr>
</tbody>
</table>

### Step 5
Technical and financial review

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>5.1</td>
<td>Partners re-submit proposals based on feedback from the ABTWG</td>
</tr>
<tr>
<td>5.2</td>
<td>Financial and technical review of pre-approved projects</td>
</tr>
<tr>
<td>5.3</td>
<td>The HFU consolidates and shares financial and technical comments with partners.</td>
</tr>
<tr>
<td>5.4</td>
<td>Partners revise project proposals</td>
</tr>
</tbody>
</table>

### Step 6
HC final approval and sharing of projects with AB

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>6.1</td>
<td>The HC will share the list of projects with the AB</td>
</tr>
<tr>
<td>6.2</td>
<td>HFU prepares Grant Agreement and sets start date and reporting timeline in consultation with Partner</td>
</tr>
<tr>
<td>6.3</td>
<td>HC signs Grant Agreement</td>
</tr>
<tr>
<td>6.4</td>
<td>Partners counter-sign Grant Agreement</td>
</tr>
<tr>
<td>6.5</td>
<td>OCHA HQ/EO signs Grant Agreement which is uploaded as final in GMS</td>
</tr>
</tbody>
</table>

### Step 7
Disbursement

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>7.1</td>
<td>OCHA FCS actions disbursement</td>
</tr>
</tbody>
</table>

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**Ethiopia Humanitarian Fund Operational Manual**

*Page 16 of 48*
5.2 **Reserve Allocation**

79. The Reserve Allocation is intended for rapid and flexible allocation of funds in the context of the HRP as well as in response to unforeseen circumstances, emergencies, or contextually relevant, systemic (pipelines, logistics, etc.) needs. The Reserve Allocation process is significantly quicker and lighter than the Standard Allocation process.

80. It is up to the HC to trigger a Reserve Allocation to respond to emergency and/or unforeseen needs. The decision to accept project proposals from the reserve rests with the HC. When the Reserve Allocation expect to receive more than one proposal, or when the HC calls for a limited competitive process, the proposals should undergo a competitive prioritization process through the use of scorecards in the GMS.5

81. Projects funded through Reserve Allocation should be implemented within a maximum of 12 months. Exceptions to this timeframe can be made by the HC based on prevailing circumstances. The grant ceilings are defined based on the partner risk level and project duration, as outlined by the Operational Modalities (see Chapter 6). The recommended minimum limit for reserve projects is $100,000, with exceptions to be determined by the HC.

82. **Steps of the Reserve Allocation process:**
   i. Allocation strategy development & launch of Allocation Paper
   ii. Submission of project proposals
   iii. Strategic, technical and financial review
   iv. HC final approval and sharing of projects with AB
   v. Disbursement

**Step 1: Allocation strategy development & launch of Allocation Paper**

83. OCHA prepares an Allocation Strategy Paper (strategic priorities, criteria, process and timeline) in consultation with Cluster Coordinators. For Reserve Allocations, an email communication may be used in lieu of a full Allocation Strategy Paper.

**Step 2: Submission of project proposals**

84. In consultation with the HFU and cluster coordinators, eligible partners can submit proposals that address the priorities outlined in the Allocation Strategy Paper and the Fund’s Operational Manual. These take the priorities of the HRP as the starting point and identify priority sectors/geographical locations/targets populations that the Fund will support. The Allocation Paper should also outline other criteria that will be used to select projects for funding.

85. All projects for EHF are submitted through the GMS. Partners are required to submit full project proposals.

**Step 3: Strategic, technical and financial review**

86. Project proposals are shared with the relevant CCs for review in collaboration with the HFU to ensure that it is in line with the cluster’s strategy and objectives. The strategic review is carried out by the cluster review committees comprised of groups of technical experts, per sector/cluster. Proposals are reviewed on the basis of criteria outlined in a prioritization matrix

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4 Prioritization process may be truncated based on expedited Reserve Allocation timeline.
5 Prioritization whenever possible will allow the maintenance of quantified scoring in order to explain rejected proposals to prospective partners and promote transparency. While prioritization is obviously not necessary in Reserve Allocations, where the HC directs funding to select partners, competitive, transparent processes should be promoted whenever possible and a simple Reserve Allocation scorecard preferred (see para 66).
and based on the following key areas: (i) strategic relevance, (ii) programmatic relevance, (iii) cost effectiveness, (iv) management and monitoring, and (v) engagement with coordination structures (see Annex 9, Scorecards for project prioritization). The same set of criteria will be applied by all clusters/sectors.

87. If the project is determined to warrant a Reserve Allocation and deemed to be strategically relevant by the cluster review committee, the project will be submitted for ABTWG review and recommendation. Subsequent to ABTWG recommendation, the partner will be requested to revise and resubmit project based on comments received, after which the technical and financial review will commence.

88. The objective of the technical and financial review process remains the same as for the Standard Allocation with the only difference being that the timeliness of the exercise for Reserve Allocations is normally a critical element of the process.

89. The technical review of the Reserve Allocation maintains the two-way communications between the review committee and the proposing organization to ensure the improvement of projects. If not feasible to arrange a meeting to conduct the review, other options may be considered as long as the quality of the processes is maintained.

90. The objective of this review processes is to ensure that proposals are of the highest possible quality before final approval by the HC.

91. The technical review stage also includes financial review by OCHA Finance (OCHA HFU and OCHA FCS – Finance Unit).

**Step 4: Final approval by the HC**

92. Following the clearance of the technical review process the HC will approve the project. The HFU will facilitate the finalization of the contractual arrangements.

93. The HFU will liaise with the partner to determine the project start date. The agreed upon start date will be included in the grant agreement (Annex B). The start date on Annex B can be as early as the signature date of the partner to accommodate expenditure eligibility. If the signature of the grant agreement occurs after the agreed upon start date in Annex B, the date of the signature of the grant agreement takes precedence. The HC can then sign the grant agreement.

94. Upon HC’s signature, the HFU notifies the partner that the project has been approved, and sends the agreement for counter signature. Once the partner has countersigned, the agreement will be sent to OCHA HQ/FCS Finance Unit for the final signature. Expenditures are eligible subsequent to partner signature date.

95. Consolidated information on allocation decisions will be shared with the AB and made available to all stakeholders.

**Step 5: Disbursement**

96. Following the signature of the grant agreement by all parties (the last signatory being the holder of the delegation of authority in OCHA HQ), funds will be disbursed within ten working days.
### Table 2: Reserve Allocation Workflow

<table>
<thead>
<tr>
<th>Steps/Activities</th>
<th>Stakeholders involved</th>
<th>Indicative duration (working days)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Step 1 Allocation Strategy Development</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1 OCHA HFU prepares Allocation Strategy (strategic priorities, criteria, process and timeline) in consultation with CCs. For Reserve Allocations, an email communication may be used in lieu of a full Allocation Strategy Paper.</td>
<td>* HFU * CCs</td>
<td></td>
</tr>
<tr>
<td>1.2 Review of Allocation Strategy Paper by OCHA HQ/FCS if time allows vis-à-vis needs on the ground</td>
<td>* FCS</td>
<td></td>
</tr>
<tr>
<td>1.3 HC review and AB endorsement of Allocation Strategy Paper</td>
<td>* HC * AB</td>
<td></td>
</tr>
<tr>
<td>1.4 HFU launches Allocation Paper on behalf of HC (or email notification)</td>
<td>* HFU</td>
<td></td>
</tr>
<tr>
<td><strong>Step 2 Submission of project proposals</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1 Eligible partners submit project proposals through GMS</td>
<td>* Partners</td>
<td>7 (if done in the form of a Call for Proposal)</td>
</tr>
<tr>
<td>2.2 HFU vets proposal(s) eligibility of partners, template/criteria, duplication of proposal, etc.</td>
<td>* HFU</td>
<td>1</td>
</tr>
<tr>
<td><strong>Step 3 Strategic, technical and financial review</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.1 Strategic, technical and financial review of proposals using GMS-based simplified scorecard</td>
<td>* HFU * CCs * ABTWG * Gender and other cross-cutting advisors *FCS</td>
<td>8</td>
</tr>
<tr>
<td>3.2 The HFU consolidates and shares financial and technical comments with partners</td>
<td>* HFU</td>
<td>1</td>
</tr>
<tr>
<td>3.3 Partners revise project proposals</td>
<td>* Partners</td>
<td>2</td>
</tr>
<tr>
<td><strong>Step 4 Final approval by HC</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.1 The HC will share the list of projects with the AB</td>
<td>* HC</td>
<td>2</td>
</tr>
<tr>
<td>4.2 HFU prepares draft Grant Agreement and decides start date in consultation with partner, and consequent reporting timeline</td>
<td>* HFU</td>
<td>1</td>
</tr>
<tr>
<td>4.4 HC signs Grant Agreement</td>
<td>* HC</td>
<td>1</td>
</tr>
<tr>
<td>3.5 Partners counter-signs Grant Agreement</td>
<td>* Partners</td>
<td>1</td>
</tr>
<tr>
<td>3.6 OCHA HQ/EO signs Grant Agreement which is uploaded as final in GMS</td>
<td>* FCS</td>
<td></td>
</tr>
</tbody>
</table>

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6 This step may be combined with Step 1.3., Table 1 (strategic review)
5.3 Grant Management System

97. The GMS is a web-based platform that supports the management of the entire grant lifecycle for all CBPFs. It is a mandatory tool for CBPFs and a fundamental management instrument for OCHA’s fund managers. The GMS promotes efficiency, effectiveness, supports risk management and harmonizes business processes.

98. The GMS streamlines allocations and facilitates interaction among all stakeholders involved in the grant management process, supporting them in discharging their functions. GMS allows grant recipients to submit project proposals online. Financial and narrative reporting can therefore be done in real time together with any project revisions. The system provides for real time tracking of processes, tasks, reminders and feedback.

99. The GMS is a robust mechanism allowing fund managers to oversee and monitor business processes. The system is integrated with other relevant online systems, including OCHA Contribution Tracking System, OCHA FTS, and other databases as necessary. This real time access to data allows OCHA to quickly provide information and analysis on questions raised both at the field and HQ levels.

100. The GMS strengthens OCHA’s capacity to effectively implement a risk-based management approach. The system supports fund managers in the implementation of the due diligence processes and agreed upon control mechanisms.

101. The GMS also allows for proper monitoring and accounting of fund management performance. The system monitors the speed and the quality of different processes, including allocations, disbursement of funds, monitoring, reporting and audits.

102. The GMS’ Business Intelligence modules are publicly accessible and will provide real time data, including commitments, contributions, allocations, recipient partners, geographical coverage, and the funding distribution among clusters.

6. Accountability and operational modalities

6.1 Accountability

103. Accountability of the EHF is articulated on two levels. The first measure of accountability is the ability of the Fund to achieve its objectives as a humanitarian financing mechanism. The HC is responsible for establishing a process which produces high-quality allocation strategies, selects appropriate and qualified Partners, monitors implementation and verifies that reported results are genuine and match those of approved project agreements.

104. The second level of accountability is articulated to Partners which relates to the ability of individual partners to achieve expected project results. This means that partners are ultimately responsible for project activities, project outputs and for reporting accurately on results.
6.2 Accountability Framework

105. Accountable use of EHF resources is ascertained through a set of different components which forms an accountability framework. The framework enables the HC, to ensure that: (i) partners are delivering intended programmatic results; (ii) the EHF is managed responsibly and according to established policies; and ultimately (iii) that the EHF is achieving its main objectives. The components are:
   1. Risk Management;
   2. Partner capacity and performance assessment and partner risk rating;
   3. Reporting (financial and programmatic);
   4. Project monitoring and financial spot-checks;
   5. Audits (project level);
   6. Evaluation of the EHF.

106. The accountability framework takes the risk-based approach to grant management as its starting point and is tailored around country-specific aspects and needs for accountability. The accountability framework provides the necessary conditions for ensuring accountability to EHF donors and beneficiaries by demonstrating results and enabling continuous learning for improvement of practices through systematic feedback mechanisms.

107. The HFU has an Accountability framework consisting of six pillars that enables the HC to ensure that partners are delivering intended programmatic results; the EHF is managed responsibly and according to established guidelines; and ultimately, the EHF is achieving its main objectives.

108. The HC, through the HFU, will take progressive actions to address non-compliance with any requirements stemming from the accountability framework of the relevant contractual agreements. The EHF has established a formal mechanism (facilitated by an email address for complaints) to allow stakeholders to express concerns about the conduct of EHF processes or decisions (see Section 8, Article 251).

6.3 Risk Management

109. Effective management of risk in CBPFs is a corporate priority for OCHA. The rationale for putting in place a risk management framework is to assist OCHA and the HC in making strategic decision that maximizes the ability of CBPFs to achieve their objectives.

110. At the fund level, risk management aims at providing a specific set of tools for the decision making process to support the achievement of strategic outcomes in a transparent manner. Risk management includes risk identification, risk analysis and the development of mitigation strategies to manage residual risks. Partner risk management is concerned with tailoring grant management procedures according to the capacity and performance of partners. Funding decisions should take into account risk analysis at both levels suggesting the appropriate assurance mechanisms.

111. The Risk Management Framework at the fund level identifies key risks that may prevent the EHF from attaining its objectives and/or lead to reputational risks (Table 3). This is a management tool which enables the HC, supported by the AB, to ensure strategic decision making and guarantee that the CBPF remains relevant in the context in which it is operating. The framework consolidates all activities and functions that mitigate key risks under one umbrella.

112. At the partner level, to the HFU assess the capacity of each NGO partner that seeks funding to determine eligibility. Eligible NGOs are categorized according to a specific risk rating which determines the minimum standard operational modalities applicable to the
partner. The principle is that the higher the risk the more stringent assurance mechanisms will apply. The system encourages improvements in capacity as partners can migrate to lower risk levels through good performance and by addressing capacity weaknesses.

113. The combination of the fund level and partner level risk should inform funding decisions, determine applicable assurances and spell out residual risk. Overall risk pertaining to a specific project should be determined by the partners’ level of risk combined with other contextual and operational factors. This could include the type of funded activity and the location/area in which the project is implemented. Country-specific factors, beyond partner risk level are part of the risk management framework and determined by the HC in consultation with the AB.

114. The Risk Management Framework is a living document that will be periodically updated depending on changing circumstances. OCHA will update the AB on the implementation progress of the risk treatment actions that have been taken. The AB will advise the HC accordingly on assessment of the critical risks and outstanding action plans.

### Table 3: Risk analysis and mitigation matrix

*Note: Risks are listed in order of severity (from the most to least critical)*

<table>
<thead>
<tr>
<th>Risk</th>
<th>Mitigation Strategy</th>
<th>Timeframe</th>
<th>Risk Owners</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk (19) Humanitarian access restrictions</td>
<td>Reduce Risk&lt;br&gt;• Apply the flexibility guideline provisions as per the provisions&lt;br&gt;• Improve communications between implementing partners and local government at time of project design&lt;br&gt;• Cluster Coordinators’ engagement with line Ministries to expedite approval of agreements with regional government&lt;br&gt;• Advocate with partners to put in place security management plan/costs in the projects&lt;br&gt;• Engage with the Access Working group to identify ‘no-go’ areas Implement ‘remote/peer-to-peer monitoring’ of supported projects</td>
<td>Ongoing</td>
<td>AB, OCHA</td>
</tr>
<tr>
<td>Risk (5) Diversion of resources from other pressing humanitarian priorities for COVID-19 response</td>
<td>Reduce Risk&lt;br&gt;• Ensure complimentary advocacy of resources with existing HRP priorities&lt;br&gt;• Provide separate resource allocations towards HRP and COVID-19 priorities to ensure clearly indicate needs and gaps</td>
<td>Ongoing</td>
<td>AB, HC, OCHA</td>
</tr>
<tr>
<td>Risk (12) Increased project implementation costs due to COVID-19 implications</td>
<td>Accept Risk&lt;br&gt;• Strategically plan allocations in due consideration of such increased resources&lt;br&gt;• Ensure the implementation of the CBPF Flexibility guideline for COVID response</td>
<td>Ongoing</td>
<td>HFU, CC, ABTWG</td>
</tr>
<tr>
<td>Risk</td>
<td>Reduce Risk</td>
<td>Accept Risk</td>
<td>Reduce Risk</td>
</tr>
<tr>
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</tr>
<tr>
<td>(18) Restricted/ no access to beneficiaries by partners and the EHF team</td>
<td>• Design and implement other resources for engagement with beneficiaries&lt;br&gt; • Utilize Remote Call Monitoring (RCM) with ensured engagement with regional authorities, beneficiaries and community leaders;&lt;br&gt; • Increase use of technologies (telephone, video discussions, GPS) etc</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(21) Loss of EHF assets</td>
<td></td>
<td>• Advocate and familiarize IPs with Standard Operating Procedures for Fraud/Incident Reporting&lt;br&gt; • Advocate for self-reporting of incidents by IPs</td>
<td></td>
</tr>
<tr>
<td>(1) Unpredictable and insufficient funding available for the EHF / donor fatigue</td>
<td>• Continue to advocate for (a) recognition of full scope of humanitarian needs and (b) quality and real-time information&lt;br&gt; • Maintain a strong resource mobilization document&lt;br&gt; • Advocate for multi-year commitments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(2) Policy changes &amp; impact on EHF resource mobilization</td>
<td>• Align the resource mobilization strategy with the new way of working</td>
<td></td>
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</tr>
<tr>
<td>(11) Misappropriation of EHF Funds (due to fraud, corruption or misuse of funds)</td>
<td>• Compliance with the Operational Manual oversight requirements, in line with agreed operational modalities&lt;br&gt; • Compliance with the Global Incident/Fraud reporting guideline/SoP&lt;br&gt; • Establish beneficiary complaint mechanisms/monitor the system and feedback&lt;br&gt; • Increased awareness and capacities of implementing partners to identify, prevent and address fraud&lt;br&gt; • Build inhouse capacity for timely identification, follow up and management</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(16) Coordination with clusters (uneven / inconsistent engagement)</td>
<td>• Improve and maintain on-going engagement with Cluster Leads&lt;br&gt; • Advocate for strengthened commitment from Cluster Lead agencies</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<p>| Ongoing | HFU, IPs | Ad-hoc | AB IPs | Ongoing | HC AB | Ongoing | HC AB (with support from OCHA &amp; the HFU) | Ongoing | HFU | Ongoing | HC HFU |</p>
<table>
<thead>
<tr>
<th>Risk (17) Sexual Exploitation and Abuse</th>
<th>Accept/reduce Risk</th>
<th>Ongoing</th>
<th>HFU</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advocate for improved staffing of Clusters</td>
<td>Ensure Partners' awareness and compliance with the associated article in the EHF Grant Agreement documents</td>
<td></td>
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</tr>
<tr>
<td>Improved training and communication between EHF and Cluster Coordinators</td>
<td>Ensure the existence of PSEA policies and code of conducts for staff during capacity assessment and financial spot checks of prospective partners</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Engage cluster coordinators in critical and required tasks only</td>
<td>Advocate for the inclusion of basic protection indicators in all proposals</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advocate for Cluster Coordinators to have the required resources</td>
<td>Increased support for standalone and/or integrated protection projects</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Include protection checklists in the EHF monitoring template</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Working with existing PSEA mechanisms in the country</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Risk (20) Unforeseen emergencies/ evolving and complex humanitarian needs</td>
<td>Accept Risk</td>
<td>Ongoing</td>
<td>HFU</td>
</tr>
<tr>
<td>Continue implementing flexible response approach to project management</td>
<td>Advocate for anticipatory funding</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Support for standalone and/or integrated protection projects</td>
<td>Flexibility to better align funding cycle to seasonality</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advocate for increase</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advocate for increase ed contingency planning</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Risk (15) Reduced engagement with stakeholders due to change in work modality</td>
<td>Reduce Risk</td>
<td>Ongoing</td>
<td>HFU</td>
</tr>
<tr>
<td>Ensure the establishment of alternative technologies for continued engagement – increased use of technologies</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expand use of the regular platforms ‘clinics’ – for GMS and Budget preparations</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Risk (3) Global imperatives and initiatives shaping pooled funds including country based pooled funds</td>
<td>Reduce Risk</td>
<td>Ongoing</td>
<td>HC</td>
</tr>
<tr>
<td>Strategic adaptation of the initiatives in consideration of the core mandate</td>
<td>Proactive lessons learned from other Funds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Continually engage with stakeholders</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Risk</td>
<td>Avoid/Reduce Risk</td>
<td>Ongoing Responsibility</td>
<td></td>
</tr>
<tr>
<td>------</td>
<td>-------------------</td>
<td>------------------------</td>
<td></td>
</tr>
<tr>
<td>(6) Inconsistent engagement with national government coordination structures</td>
<td>Regulate/manage the engagement of government to promote informed decision/s</td>
<td>Ongoing HC &amp; OCHA</td>
<td></td>
</tr>
<tr>
<td>(8) Lack of resources (financial/HR) to support the Fund’s operation</td>
<td>Engage with strategic resource mobilization throughout the year</td>
<td>Ongoing HC &amp; HFU</td>
<td></td>
</tr>
<tr>
<td>(22) Uncertain operating environment around national election</td>
<td>Closely work / monitor with UNDP election overseeing body</td>
<td>Since early 2020 Humanitarian Coordinator (HC), Advisory Board (AB) and Humanitarian Financing Unit (HFU)</td>
<td></td>
</tr>
<tr>
<td>(4) Undermined credibility of the EHF</td>
<td>During proposal development, promote the use of jointly developed HRP text to provide standardized templates</td>
<td>Ongoing HC &amp; HFU</td>
<td></td>
</tr>
<tr>
<td>(7) Lack of engagement/participation of Advisory Board Members in the Fund’s governance</td>
<td>Organize meetings at least four times in a fiscal year as per the guidance of the Operational Manual</td>
<td>Ongoing HC &amp; HFU</td>
<td></td>
</tr>
<tr>
<td>(9) Non-compliance of partners due to inadequate financial management partner capacity</td>
<td>Implement the full range of financial monitoring mechanisms including review of financial reports and audits</td>
<td>Ongoing HFU IPs</td>
<td></td>
</tr>
<tr>
<td>(13) EHF expanding scope of engagement with national NGOs</td>
<td>Prioritize Capacity Assessment in discussion with cluster coordinators</td>
<td>Ongoing HFU</td>
<td></td>
</tr>
</tbody>
</table>

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6.4 Risk-based grant management

115. An essential component of the accountability framework is the analysis of risk that is present when disbursing funds to each partner. Partner risk analysis is carried out by analysing partner capacity which determines eligibility. Eligible partners are rated according to risk based on assessed capacity. The risk level is translated into minimum control mechanisms (operational modalities) applicable to the grants issued by the Partner. Over time, as partners receive funding and implement projects, risk ratings will increasingly be determined by their performance.

116. The risk-based grant management approach aims at improving the management of projects by matching grant management and oversight requirements with assessed risk. Low risk partners are subject to fewer controls. Additionally, it helps partners identify areas for improvement and provides tangible incentives for capacity building, in turn allowing for a wider range of partners, especially national NGOs, to access funds more easily.

117. The partner-based risk analysis only applies to NGO partners. These entities are not part of the UN system and do not have the legal standing of UN agencies. UN agencies are intergovernmental organizations that are accountable to UN Member States. Each UN agency has its own governance and control framework which applies also to their management of CBPF grants.

118. Capacity assessments are coordinated by the OCHA Country Office (see Annex 10.1, Eligibility and Performance Management Guidance). The assessment is aimed at determining whether the NGO has sufficient capacity in terms of institutional, managerial, financial and technical expertise. This analysis determines eligibility for CBPF funding (see Annex 7, Eligibility, Capacity Assessment and Performance Management Documents).

119. Currently, every NGO is assessed at the national level. Capacity assessments should take place before an application for funding is submitted. Ineligible partners can re-apply for capacity assessment six months after having failed, provided that they can demonstrate that the elements that caused the rejection have been addressed.

120. Eligible partners are rated as (i) High Risk, (ii) Medium Risk, or (iii) Low Risk. Risk levels determine the minimum set of control mechanisms applied throughout the grant management

<table>
<thead>
<tr>
<th>Risk (10) Locally assigned partner risk−rating damaged due to an international risk event</th>
<th>Reduce risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Engaging through national NGO consortia / umbrella entities to mitigate limitations in EHF operational capacity to process eligibility requirements and applications for partnership.</td>
<td>Ongoing AB</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Risk (14) CERF preparation and reporting staff/time requirements</th>
<th>Accept/Reduce risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Strategic organization of CERF and EHF allocation timelines</td>
<td>Ongoing HFU</td>
</tr>
<tr>
<td>• Manage workload with inhouse existing capacity</td>
<td></td>
</tr>
</tbody>
</table>

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<tr>
<th>Risk (10) Locally assigned partner risk−rating damaged due to an international risk event</th>
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</tr>
<tr>
<td>• Manage workload with inhouse existing capacity</td>
<td></td>
</tr>
</tbody>
</table>
cycle. As a partner implements projects, its risk level will be determined by its Performance Index (PI) score and capacity assessment score as outlined in Table 4 below, Performance Index. The Operational Modalities table (see Table 5 below) provides an overview of the modulation of the control mechanisms based on the three elements of partner’s risk level, budget amount and project duration. The modulation of control mechanisms outlined in the Operational Modalities table represents a globally-mandatory minimum standard. Each CBPF can, in light of the country context and upon approval from the AB and the HC, include additional and/or more stringent controls.

6.4.1 Steps for eligibility and risk rating of NGO partners

The partnership between OCHA and NGOs is governed by the EHF accountability framework which include the following steps:

Step 1: Registration

Prospective partners initiate the process to become a partner and request access to the Grant Management System (GMS) by contacting the HFU and submitting a copy of their registration certificate (preferably in English) that indicates the full name of the partner. The registration certificate is required, and is submitted prior to granting access to the GMS to avoid a possible naming discrepancy in the GMS that will create delays in generating and preparing the grant agreement and the disbursement process.

Step 2: Due diligence

Once the registration process is concluded, the partner is granted access to the GMS (gms.unocha.org) and the Due Diligence (DD) process begins. The HFU will perform a thorough review of DD applications and documents to ensure that partners meet the minimum requirements listed below and is a key initial step to safeguard the accountability of the Fund. Once access to the GMS is granted, the partner must complete the DD requirements and forms in the GMS. DD documents are Annexed 10.2a – 10.2c.

The EHF has the discretion to add any mandatory or optional requirements to the registration and due diligence stage (see Annexes 10.2b for an offline version of the Due Diligence documents).

Step 3: Capacity assessment

In order to be considered eligible for funding, NGOs must undergo a capacity assessment to determine their eligibility for funding and risk rating. The objective of the capacity assessment is to systematically review the institutional, technical, management and financial capacities of the Partner, and to ensure that the Fund has the necessary information to make an informed decision about eligibility and initial risk rating.

The EHF has devised a context-appropriate approach to assess the capacity of each potential NGO Partner. The EHF undertakes an Internal Capacity Assessment (ICA).

Partners will be required to submit documents listed in the ICA checklist (see Annex 7.3a) via email or in hard copy as agreed with the HFU. The assessment and scoring will be done in the GMS using the EHF ICA feature (see Annex 10.1 Eligibility Process Guidance).

Key elements of partner capacity in the following categories: a) DD; b) Governance and Institutional Capacity; c) Programmatic Response Capacity; d) Coordination and Partnership Capacity; and e) Financial Capacity will be captured (see Annex 10.3b).
130. The assessment includes a desk-based review of the documents provided by the partner; interviews with the organization’s staff members; where possible visits to the partner’s offices, and interviews with key informants such as previous/existing donors and partners, as well as cluster leads and members.

131. The ICA takes into account and, whenever possible, encompasses existing assessment such as Harmonized Approach to Cash Transfers (HACT). An NGO’s HACT result will be used to score the fourth category of the ICA.

132. On conclusion of the ICA, the HFU will let the organization know if the application can proceed to the next step of the process.

133. If conducting an ICA is not possible due to extenuating circumstances - security concerns or lack of access for example, then two alternative capacity assessment types (see Annexes 10.3c, d and e) may be considered following AB and HC approval for modality and costs.7

**Step 4: Risk Rating**

134. Based on the score obtained during the capacity assessment, eligible partners will be categorized in three risk-level categories (low, medium and high). The HC, in consultation with the AB, sets the threshold for eligibility as well as score bands of each risk level. The score, and resulting risk level will determine the operational modalities and control mechanisms that are applicable as defined in the Fund’s Accountability Framework. These include disbursement modalities, frequency of narrative and financial reporting, and planning for monitoring visits and spot checks, in accordance with the various risk levels, as well as with the duration and budget of the project.

135. Partner capacity assessments reflect the capacity of a partner at one particular point in time. As a partner implements projects, OCHA will review and score the partner on the implementation and the performance alongside the original capacity assessment to determine and adjust the risk level.

136. Partners who do not qualify and are considered ineligible would be given another opportunity to submit required documents for a Capacity Assessment to the HFU after six months, provided that they can demonstrate that the elements that caused the rejection have been addressed.

**6.4.2 Performance Index**

137. The PI tool is a key component of the accountability framework, and will allow OCHA to have an up-to-date rating of partner performance. The rating of the performance of partners in the implementation of projects will be used alongside the original capacity assessment to determine and adjust as necessary, partner risk levels.

138. The HFU has developed a PI tool to support the HFU to score the performance of partners on EHF supported projects from submission to closeout. During project implementation, the HFU will track and score partner performance in the following categories: i) quality and timeliness of submissions of project documents (proposals and budgets); ii) quality and timeliness of implementation against approved targets; iii) quality and timeliness of reporting; iv) frequency, timeliness and justification of project revision requests; v) quality of

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7 In cases where an entity has been brought on board to support the contracting processes under the EHF, assessments undertaken by this entity, should be in line with the approaches outlined in the document.
financial management reporting; vi) audit findings; (see Annex 10.4, Performance Index Tool). The scores assigned to each project on the above categories will be summarized in a partner Performance Index (PI) as described in Table 4, below

<table>
<thead>
<tr>
<th>(PI)</th>
<th>Description</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>Outstanding Performance (85-100)</td>
<td>To be considered favourably when more than one application is received for a similar intervention. HFU will improve the risk rating in order to decrease the control measures that apply to the partner.</td>
</tr>
<tr>
<td>3</td>
<td>Good Performance (65-84)</td>
<td>To be considered favourably during the review process.</td>
</tr>
<tr>
<td>2</td>
<td>Satisfactory Performance (40-64)</td>
<td>Allocation possible. HFU to review risk rating and control measures that apply to the partner.</td>
</tr>
<tr>
<td>1</td>
<td>Performance needs improvement (20-39)</td>
<td>Allocation possible if accepted by the HC. HFU will decrease the risk rating in order to increase control measures that apply to the partner.</td>
</tr>
<tr>
<td>0</td>
<td>Poor Performance (0-19)</td>
<td>No further funding allocation.</td>
</tr>
</tbody>
</table>

Table 4: Performance Index

139. The PI score is captured in GMS and is used along with the original capacity assessment score to determine the performance score and risk level. In order to reward sound project implementation, the score from PI will progressively be given more weight and the capacity assessment score will become less significant as partners implement more projects. (see Annex 10.4, Performance Index Tool, tab 2 - PI and Capacity Assessment).

140. The partners’ scores on the most recent projects will be considered the most important and given the most weight in calculating the overall risk rating score. The calculation and relative weighting of project scores and the original capacity assessment is explained in Annex 10.4, Performance Index Tool, tab 2 - PPI and Capacity Assessment. The scoring and the weighting are standardized across funds and the GMS will make the calculations.

141. If the overall risk score of a partner reaches a threshold at which the risk level of the partner should be adjusted, the Fund Manager will be notified automatically through the GMS. It should be noted that GMS will not automatically revise the risk level of a partner. Following the GMS notification, the Fund Manager should notify the partner about the adjustment and adjust the risk level manually.

142. Eligible partners that have not implemented CBPF-funded projects for more than three consecutive years will be required to undergo a new capacity assessment.

143. If a partner consistently performs poorly and its risk rating score moves from high risk to the threshold of ineligibility it will be rendered ineligible on the basis of poor performance. Ineligible partners can re-apply for capacity assessment one year after being rendered ineligible, provided that they can demonstrate that the elements that caused the poor performance have been addressed.

144. UN Agency projects must also be scored for performance in all areas with the exception of the audit. The PI score can be used to assess future funding decisions and frequency of monitoring. The monitoring mechanism can be tailored to the type of project such as stakeholder satisfaction survey for pipeline projects.

6.5 Operational modalities for NGOs
145. The identification of the level of risk presented by the NGO partner determines the operational modalities that apply to the management of the partner’s EHF project. These include disbursement modalities, frequency of narrative and financial reporting, and prioritization for monitoring visits, in accordance with the various risk level, as well as with the duration and budget amount of the project. Table 5 below provides an overview of these modalities based on three elements: (i) partner risk level; (ii) value of the project; and (iii) project duration.

146. These “operational modalities” are applied by OCHA as a minimum standard for EHF, and consist of adjusting the following elements:

i. Disbursement policy (i.e. number and percentage of disbursements);
ii. Funding ceiling;
iii. Field monitoring visits;
iv. Financial spot checks;
v. Narrative reporting requirements;
vi. Financial reporting requirements;
vii. Project audit.

147. The operational modalities in table 5 below set a minimum standard:

i. **Disbursements**: The implementing partner will receive a first instalment at the beginning of the project and will be entitled to request the next disbursement(s), by submitting a financial statement, as soon as the implementing partner has spent 70 per cent of the funds previously received.

ii. **Fund ceiling**: This determines the maximum amount that a partner can receive per project.8

iii. **Financial reporting**:
   - Partners will submit financial statements when requesting the next disbursement.
   - All partners will have to submit a report by the dates specified in the Grant Agreement.
   - All partners will submit a financial statement within two months of the end of the project.

iv. **Audits**: partners will be audited according to the audit plan established by headquarters in coordination with the OCHA Country Office.9

v. **Narrative reporting**: Type (progress, final) and schedule of narrative reports will be determined based on the risk level of the partner, the duration and the size of the project.

vi. **Financial spot check**: These checks assess the soundness of internal controls and the accuracy of the financial records for cash transfers of partners. Financial spot checks are determined on the basis of partner risk level.

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8 Ceiling for high-risk partners can be optionally introduced in-country.
9 OCHA is developing the guidance for partner-based audits. For the time being every NGO project funded by OCHA will be subject to an audit.
<table>
<thead>
<tr>
<th>Risk level</th>
<th>Project duration (months)</th>
<th>Project value (thousand USD)</th>
<th>Maximum amount per project (thousand USD)</th>
<th>Disbursements (in % of total)</th>
<th>Financial reporting</th>
<th>Narrative reporting</th>
<th>Monitoring</th>
<th>Audit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>For disbursements</td>
<td>31 - Jan</td>
<td>Final</td>
<td>Progress</td>
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<td></td>
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<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>1 mid</td>
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<td></td>
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<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>1 mid</td>
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<td></td>
<td></td>
<td></td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>2-3*</td>
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<td></td>
<td></td>
<td></td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>1 mid</td>
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<td></td>
<td></td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>0-1**</td>
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<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>0-1**</td>
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<td></td>
<td></td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>1 / partner</td>
</tr>
</tbody>
</table>

**NGOs**

- Less than 7 months:
  - ≤ 250 thousand USD: 60-40% disbursement, 31-Jan, Final Progress, 1 mid.
  - > 250 thousand USD: 50-50% disbursement, 31-Jan, Final Progress, 1 mid.

- Between 7-12 months:
  - ≤ 250 thousand USD: 40-40% disbursement, 31-Jan, Final Progress, 1 mid.
  - > 250 thousand USD: 80-40% disbursement, 31-Jan, Final Progress, 1 mid.

**Financial reporting**

- As per the plan for NGOs.

**UN Agencies**

- < 7 months: 100% disbursement, 31-Jan, Final Progress, 1 mid.
- 7 - 12 months: 100% disbursement, 31-Jan, Final Progress, 1 mid.

* Three progress reports are only required for projects of 10 months or more.
** Additional field visits are only required for projects of 10 months or more.
*** Monitoring arrangements for projects implemented by UN agencies will be determined at the country level according to specific agreements outlined by the HC and the AB. Monitoring of UN agency projects is mandatory and should be based on a sampling methodology considering country-specific factors as required (see 6.6 Monitoring below).
148. In line with the operational modalities described above, the number and percentage of each disbursement, as well as the narrative and financial reporting requirements will be clearly stipulated in the grant agreement between OCHA and the partner.  

149. Depending on the partner risk level and/or spot-check findings, the HFU may request for additional financial reporting. The frequency of additional reporting is based on risk level and/or financial spot-check findings.  

150. Under exceptional circumstances the limits on the “Maximum amount per project” and the number of “Disbursements” can be modified. Only solid programmatic reasons, duly explained and documented can justify such exceptions. Exceptions to the operational modalities shall be submitted through FCS for approval to the EO (or a duly delegated officer).  

151. In the case of projects implemented by UN agencies, 100 per cent of the approved budget will be disbursed upon signature of the grant agreement.  

6.6 Monitoring  

152. Monitoring is defined as the systematic and regular process of collecting, verifying and triangulating information to assess progress made against project outputs and activities; bearing in mind accountability to affected populations and donors. Information gathered is used to make informed decisions and strengthen partnership and coordination.  

Monitoring objectives**  

153. The main purpose of monitoring is to assess progress made towards set targets and to verify the accuracy of reporting submitted by partners. Building on the principles, monitoring and reporting has the following key objectives:  

i. Verify partner progress in delivering of project outputs and activities (as per log frame and work plan), the beneficiary targeting process, the use of resources (as per budget) and internal monitoring and reporting systems  

ii. Triangulate information collected through other means, identify gaps and trends in humanitarian operations and reflect on best practices and lessons learned using findings and recommendations for results management, risk mitigation and public information.  

iii. Strengthen partnership and coordination between OCHA, the partner and the local authorities, and to engage and seek feedback from affected communities.  

154. The main principle for monitoring is that all recipient organizations, UN agencies and NGOs are subject to monitoring by the Fund. While requirements will not be identical, it should be recognized that the HC needs reassurance of project performance, regardless of implementing entity.  

Roles and Responsibilities  

a. EHF partners are expected to have adequate internal mechanisms for project management, reporting and monitoring. The capacity of each organization will be verified during the capacity assessment, during the project approval process and, finally, during the monitoring and reporting phase. Project performance information is effectively generated through internal mechanisms developed by partners.  

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10 When the contracting of partners is not managed by OCHA, the same provisions should be incorporated into the contractual agreements with partners.  
11 As articulated by the thematic workshop “Monitoring in high risk environments” held in Beirut, June 2016 (organized by FCS and Fund Managers).
b. The HC will be responsible for ensuring that a representative sample of EHF-funded projects are effectively monitored through appropriate monitoring modalities. The HFU is further responsible for coordinating monitoring efforts and ensuring that context-appropriate monitoring of projects is undertaken.

c. The HFU shall calculate the expected costs of monitoring and reporting activities based on the target and timeframe. These costs shall become part of the OCHA Country Office cost plan, and are a direct cost of the fund.

d. Minimum monitoring arrangements for projects implemented by NGOs will be determined based on the risk level assigned to the partner, the duration of project activities and the size of the project budget as articulated in the EHF’s operational modalities (see Table 5 above).

e. UN implemented projects will be monitored. Arrangements will be determined according to the nature of the project and specific agreements outlined by the HC and the AB. The monitoring mechanism can be tailored to the type of projects to be implemented (for example: stakeholder satisfaction survey for pipeline projects).

155. Monitoring results will feed into the PI of a partner, impacting the risk level of NGO partners and future funding decisions of UN partners.

Process and Monitoring Tools

156. Taking into consideration that partners’ project management systems is the backbone of monitoring, one of the objectives of EHF monitoring tools is to provide an additional level of verification of project results. Partners describe the tools they intend to use for project monitoring in the project proposal.

The HFU develops a detailed Monitoring and Reporting Plan defining appropriate monitoring methodologies, calendar and templates following each allocation considering the nature of the projects, risk level of partners and location.

157. The monitoring plan should describe what type of monitoring tools will be used to satisfy the minimum standards set out in the operational modalities. The most commonly used monitoring tools for CBPFs include:

158. **Field site monitoring** - Field site monitoring, implemented by OCHA and supported by clusters, is a critical component of the overall framework in order to verify that EHF funded projects are delivering against targeted outputs, and to allow the HC and clusters to assess the qualitative aspects of programme implementation. As there are limitations to what can be observed through site visits, additional information will still need to be collected through other means. While field monitoring will not attempt to make evaluative assessments of projects, it will be essential to select an approach that covers issues beyond the delivery of project outputs. A field monitoring visit should, at a minimum, collect information that (i) makes an assessment of the timeliness of overall project implementation; ii) verifies reported results; iii) assesses progress on key project activities; iv) assesses the monitoring and reporting set up of the partner v) carry out financial spot checks.

159. **Financial Spot Check** – Financial spot checks will be conducted to assess the soundness of the internal controls and the accuracy of the financial records of the partner. A financial spot check should be conducted based on the risk level of the partner and the Operational Modality of the Fund. On-site financial spot checks by HFU staff and special audits by audit firms may be conducted on the basis of Operational Modality, or when warranted due to concerns about the functioning of the partner’s internal controls. It is advisable that at least one spot check per partner per year be conducted.
160. Remote monitoring occurs in instances when it is not feasible to conduct physical project visits. This is not uncommon, as other OCHA managed CBPFs tend to operate in insecure and highly volatile environments with restricted access. Remote monitoring should only be used as a last resort in cases where there are no other options; the principle is to use enough sources of information to allow for meaningful monitoring. For those situations where it is not possible to undertake any form of monitoring (physical or remote), funding projects should be considered in light of the urgency of the needs they address. The risks involved in such a decision should be communicated to the Advisory Board.

161. **Peer monitoring** – Peer monitoring is a process where recipients of EHF funding monitor each other’s work so as to share lessons as well as improve response. Peer monitoring is considered a promising remote monitoring tool. It can be cost-effective and provide the necessary external assessment of a project. However, it requires careful planning, negotiation, briefing and clarity in order to be effectively administered.

### 6.7 Reporting

**By the EHF**

162. **EHF Annual Reports and Periodic Updates**: The HC, supported by the HFU and in close consultation with the cluster coordinators, will prepare a narrative Annual Report of the EHF activities based on information provided through the HFU by each UN and NGO partner. The Annual Report will feature trends, best practices, lessons learned and challenges, and showcase success stories and achievements. The EHF Annual Report will be issued by the end of April each year covering the previous calendar year. In addition, the HFU will generate periodic dashboards to update donor contributions and allocation breakdowns by cluster, location and partner type.

163. **Transparency**: Annual Reports, periodic dashboards, and related documents on EHF activities in Ethiopia will be posted on the official EHF website http://www.unocha.org/ethiopia.

**By the Partner**

164. Narrative and financial reporting requirements for NGOs are determined according to the Operational Modalities described in Table 6 above.

165. UN agencies will submit an **interim financial statement** to reflect expenditure incurred for project activities up to 31 December of each year by 31 January of the following year. Interim financial statements will be submitted every calendar year until the submission of the final financial statement. Upon completion of the project a **final financial statement** covering the period between inception and completion of the project will be due no later than 30 June of the following year. Financial statements for UN agencies and NGOs are collected through the GMS according to the templates annexed to the Handbook (see Annex 13, Project Budget and Financial Reporting Tool).

166. UN agencies will submit a **final narrative report** within two months of completion of the project. If the duration of the project is between 7-12 months, UN agencies will also submit a progress **narrative report** to reflect achievements at midpoint of the project implementation. Narrative reports and financial statements for UN agencies and NGOs will be submitted through GMS and will follow the templates annexed to this Handbook (see Annexes 14a and 14b, Progress and Final narrative reporting templates).

167. Reporting results, timeliness and quality will feed into the PI of a partner, impacting the risk level of NGO partners and future funding decisions of UN partners.
168. The EHF’s annual programmatic report will be made public and available to all stakeholders.

6.8 Evaluation of CBPFs

169. Evaluations are an important component of the accountability framework as they enable independent (external) assessments of CBPFs at the fund level as well as the CBPF mechanism at a global level. The next global external evaluation will take place in 2018 and will collectively assess all active CBPFs. The external evaluation will focus on how CBPFs have performed as humanitarian funding mechanisms as assessed against the main objectives. Specific evaluation questions and methodologies and a list of countries to be visited will be developed as part of the process of conducting the evaluation. The evaluation will also consider the timing and scope of the next evaluation.

170. External evaluations of CBPFs are not inter-agency mandated and are considered internal OCHA evaluations that are managed by OCHA in agreement with CBPFs donors. Ad hoc reviews of specific aspects of CBPF performance can be considered beyond the mandatory global evaluation. Such reviews should be planned and carried out in close consultation between the HC, the AB and OCHA at the country level and be subject to clearance from FCS.

6.9 Audits

171. UN agencies are subject to internal audit systems and other mechanisms established by their respective governing bodies.

172. NGO partners receiving EHF funds are subject to external audit by the Fund. The costs of such an exercise will be borne by OCHA.

173. The external audit is an oversight mechanism and an essential component of the accountability framework. It enhances the transparency and sound financial management of resources allocated through CBPFs. More information on audit process including the timeline for performing audits is detailed in the audit process (7.4) and project closure section (7.3.4).

174. External audits allow the HC to obtain evidence-based assurances on the use of funds transferred to NGOs. In particular, external audits help to mitigate financial risks; including misuse of resources and fraud; identify weaknesses in financial and operational management and recommend critical improvements; identify ineligible expenditures.

175. OCHA will develop a risk-based approach to audits which will replace the current project-based approach. The risk-based approach will set the criteria to prioritize which partners will be audited on the basis of partner risk level and financial volumes transferred to NGOs. The EHF will implement this approach as it is rolled out globally.

176. The HFU will keep a log of all audit findings to ensure that partners address previous findings on management weaknesses before applying for new EHF funding. The audit performance will feed into the Performance Index of a partner which will impact the risk level of NGO partners.

177. Internal UN oversight bodies (OIOS - Office of Internal Oversight Services and the BOA - Board of Auditors) regularly audit OCHA operations. Audits performed by these entities are subject to the single audit principle. The BoA, comprising Auditors-Generals of three Member
States, provides external audit serves for the United Nations and its funds and programmes with the exception of the World Food Programme, which has its own external auditor.

6.10 Compliance measures

178. Through the aforementioned accountability mechanisms, the HC will aim to safeguard programmatic and financial management of the EHF. Compliance measures enable the HC to address non-compliance with the legal terms agreed between the Fund and the recipient organization, especially related to the following types of situations:

i. Overdue financial or narrative reports.
ii. Non refund of unspent funds.
iii. Critical (high risk) audit findings/qualified audit opinion (especially on lack of critical internal controls, serious weaknesses in internal controls, lack of bank reconciliation; lack of double-entry accounting system; lack of supporting documents, lack of authentic receipts).
iv. Critical findings from monitoring and financial spot checks.
v. Violation of humanitarian principles and code of conduct\(^\text{12}\).
vi. Indication of possible fraud, corruption or misuse of funds.

179. OIOS performs internal audits of OCHA, and adheres to the single audit principle, whereby it cannot audit UN funds and programs which have their own internal audit function. OIOS and BoA audits regularly cover OCHA management of pooled funds, and consider whether procedures for management of CBPFs are appropriate. These audits cover all parts of the CBPFs (advisory boards, allocations, risk management, etc.), look at compliance with rules and guidelines and are publicly available (https://oios.un.org/page?slug=report).

180. When a partner does not comply with the requirements described in this handbook and reflected in the contractual agreement or violates any other obligations stemming from the contractual agreement OCHA will progressively take corrective actions commonly referred to as compliance measures (Annex 15, Compliance Measures). In line with the single audit principle, donors and member states should not carry out additional audits and should respect the single audit principle to avoid duplication of efforts, minimize disruption and costs to all parties and conflicting recommendations that could result in widespread confusion and misunderstanding of CBPF operations.

181. The general principle underpinning the application of compliance measures is that whenever a partner does not comply with requirements stemming from the accountability framework described above or in relevant contractual agreements, the HC, through OCHA, will take progressive actions to address the partners’ behaviour. Solutions will be pursued as and when deemed appropriate by OCHA.

7. Fund Administration

8.1 Basic definitions and guidance on the project budget preparation process

182. This guideline provides partners with a common framework to facilitate appropriate preparation of project budgets. It focuses on defining eligible and ineligible costs, direct and indirect costs (e.g. Programme Support Costs – PSC), shared costs, budget categories and the adequate breakdown of budget lines. This guidance applies to all partners.

7.1.1 Rationale and basic principles of the project budget

183. A clear segregation of duties underpins the preparation, review and clearance of the project budget. This is critical to preserve the country-driven nature of CBPFs and necessary to ensure central and internal controls to reduce the risk of approving erroneous or inappropriate project budgets (e.g. miscalculations, inconsistency, and lack of transparency or admission of ineligible costs). In this regard, fund managers in the field, certifying finance officers at headquarters, and partners have specific roles and responsibilities, as follows:

184. Fund managers are responsible to ensure that:
   i. The principles of economy, efficiency, effectiveness, transparency and accountability are adhered to in the sense that the project budget inputs are commensurate with the planned activities and the expected outputs, more specifically, that the project budget is a correct, fair and reasonable reflection of the project proposal/logical framework
   ii. The cost estimates are reasonable in the specific country context so that funding will be used in the most efficient way.

185. The role of certifying finance officers in headquarters is to:
   i. Verify the budget’s factual correctness, checking coherence with the project proposal and logical framework.
   ii. Flag concerns and seek clarification from fund managers on issues that may compromise compliance with UN rules and affect financial transparency and accountability.

186. In the budgeting process partners are expected to:
   i. Provide a correct and fair budget breakdown of the planned costs that are necessary to implement activities and achieve the objectives of the project.
   ii. Use and comply with the budget template (Annex 13a and b) provided by OCHA for the classification and itemization of planned costs.
   iii. Provide a budget narrative (as an essential component of the budget) that clearly explains the object and the rationale of every budget line. For example, shared costs, expensive assets, and costs/equipment required to support the regular operation of the partner, are clear cases that require a budget narrative.

7.1.2 Eligible and Ineligible costs

- **Eligible costs**

187. The following attributes define the nature of eligible costs:
   i. Must be necessary and reasonable for the delivery of the objectives of the project.
   ii. Must comply with the principles of sound financial management, in particular the principles of economy, efficiency, effectiveness, transparency and accountability.
   iii. Must be identifiable in the accounting records and backed by original supporting evidence as incurred in accordance with the approved project proposal and period.

188. These may include:
   i. All staff costs (including salaries, social security contributions, medical insurance, hazard pay (when applicable) and any other cost included as part of the salary benefits package of the organization. Salaries and costs may not exceed the costs normally borne by the partner in other projects.
   ii. Costs for consultancies involved in the implementation of the project.
   iii. Support staff costs at country-level directly related to the project.
   iv. Travel and subsistence costs directly linked to the project implementation for project staff, consultants, and other personnel that may also be eligible, provided the costs do not exceed those normally borne by the partner.
v. A contribution to the partner’s Country Office costs, as shared costs charged on the basis of a well explained calculation and a reasonable allocation system. Shared costs must be itemized.

vi. The financial support to beneficiaries, including cash and voucher-based distribution.

vii. Purchase costs for goods and services delivered to the beneficiaries of the project, including quality control, transport, storage and distribution costs.

viii. Costs related to non-expendable items (assets) such as equipment, information and technology equipment for registration and similar field activities, medical equipment, water pumps and generators.

ix. Expenditure incurred by the partner related to the award of contracts required for the implementation of the project, such as expenses for the tendering process.

x. Costs incurred by sub-implementing partners, directly attributable to the implementation of the project.

xi. Other costs deriving directly from the requirements of the grant agreement such as monitoring, reporting, evaluation, dissemination of information, translation, insurance etc., including financial service costs (in particular bank fees for transfers).

- Ineligible costs

189. The following costs are ineligible:

i. Costs not included in the approved budget (taking into consideration duly approved budget revisions).

ii. Costs incurred outside the approved implementation period of the project (taking into consideration duly approved no-cost extensions).

iii. Debts and provisions for possible future losses or debts.

iv. Interest owed by the partner to any third party.

v. Items already financed from other sources.

vi. Purchases of land or buildings.


viii. Cessions and rebates by the partner, contractors or staff of the partner of part of declared costs for the project.

ix. Government staff salaries.

x. Hospitality expenses, provision of food/refreshments for project staff (not including water and hospitality for trainings, events and meeting directly related to project implementation).

xi. Incentives, mark-ups, gifts to staff.

xii. Fines and penalties.

xiii. Duties, charges, taxes (including VAT) recoverable by the partner.


xv. Audit fees/system audit fees – these costs are paid directly by the fund\(^{13}\).

- Other Types of costs

190. On a case-by-case basis and depending on the objectives of the fund, the fund manager retains the flexibility to consider the following costs as eligible:

i. Government staff training as a component of a project activity that contributes to the achievement of the overall project objectives.

ii. Visibility material of the partner directly related to projects funded by CBPFs.

iii. International travel costs when directly linked to the delivery of the project objectives. When international travel costs are requested to support additional activities outside those of the project, such costs can only be considered if they are well justified and in the

\(^{13}\) Those costs are charged as a direct cost for the management of the Fund.
iv. Vehicles.
v. Depreciation costs for non-expendable/durable equipment used for the project for which the cost is not funded in the current budget or prior CBPF funding.
vi. Equipment for the regular operations of the partner.
vii. Recurrent costs for the partner’s current operations.

7.1.3 Direct and Indirect Costs

191. There are two categories of eligible expenditures: direct costs and indirect costs.

- **Direct Costs**

192. Direct costs have to be clearly linked to the project activities described in the project proposal and the logical framework. They are defined as actual costs directly related to the implementation of the project to cover the costs of goods and services delivered to beneficiaries, and the costs related to the support activities (even partial, such as a security guard or a logistician partially working for the project), required for the delivery of services and the achievement of the project objectives.

193. Direct costs include:
   i. Staff and related personnel costs, including consultants and other personnel.
   ii. Supplies, commodities, materials.
   iii. Equipment.
   iv. Contractual services.
   v. Travel costs, including transportation, fuel, and daily subsistence allowances for staff, consultants and other personnel linked to the project.
   vi. Transfers and grants to counterparts.
   vii. General operating and other direct costs including security expenses, office stationary, utilities such as telecommunications, internet, office rental and other direct costs, including expenses for monitoring, evaluation and reporting, related to the implementation of the project.

- **Indirect Costs**

194. Indirect costs are referred to as Programme Support Costs (PSC). PSC are all costs that are incurred by the partner regardless of the scope and level of its activities and which cannot be traced unequivocally to specific activities, projects or programmes. These costs typically include corporate costs (i.e. headquarters and statutory bodies, legal services, general procurement and recruitment etc.) not related to service provision to a particular project. PSC is charged as a maximum seven per cent of the approved direct expenditures incurred by the partner.

195. PSCs of sub-IPs associated to the implementation of a specific project must be covered by the overall maximum seven per cent of the actual project expenditures.

196. Indirect costs do not have to be itemized in the project budget.

7.1.4 Shared Costs

197. Sharing costs between different donors and projects under a country programme of a partner is an acceptable practice for CBPFs. The partner may share certain Country Office costs to different uses and projects, for example staff, office rent, utilities and rented vehicles.

198. The following guidance applies to shared costs in the project budget:
i. All shared costs must be directly linked to project implementation.

ii. All shared costs must be itemized in the budget, following standard accounting practice and based on a well-justified, reasonable and fair allocation system, to be clearly explained in the budget narrative of the project and assessed and approved by the HFU.

iii. The partner should always be able to demonstrate how costs were derived and explain in the project proposal/logical framework how the calculation was made (e.g. pro-rata, averages).

iv. If a position is cost-shared, the percentage of the monthly cost corresponding to the time that the person will dedicate to the project shall be budgeted. Portions of a unit may not be budgeted as staff costs; only percentages are acceptable.

v. Non-staff shared costs must be shared on the basis of an equitable cost allocation system. Accordingly, the percentages in the budget are to be assessed and approved by the HFU.

vi. Shared costs, including staff-related costs, should be charged for the entire duration of the project. If this is not possible, the rationale of the apportionment must be explained in the budget narrative.

7.1.5 Guidance on the itemization of budget lines

199. Each budget line requires the cost breakdown:

i. Itemize each national and international staff, consultant and other personnel by function and provide unit quantity and unit cost (monthly or daily rates) for each staff position.

ii. Any budget line whose total value exceeds $10,000 (as cumulative value) requires a clear explanation of the calculation in the budget narrative.

iii. When budget lines contain costs of multiple items (exceeding $10,000) a budget breakdown should be included in excel listing item, unit, quantity, value or cost (per unit and total cost. Documentation must be uploaded in the GMS.

iv. Provide unit or quantity (e.g., 10 kits, 1000 metric tons) and unit cost for commodities, supplies and materials to be purchased. The budget narrative should properly reference unit measures (length, volume, weight, area, etc.).

v. Provide technical specifications for items whose unit cost is greater than $10,000.

vi. Provide technical specifications for items whose unit costs can greatly vary (e.g., for generators, a reference to the possible range of power would be sufficient to properly evaluate the accuracy of the estimated cost).

vii. Provide details in the budget narrative so that the objective of the budget line can be clearly identified.

viii. Itemize general operating costs (e.g. office rent, telecommunications, internet, utilities) for project implementation providing quantity and unit cost. A lump sum for operating costs is not acceptable.

ix. Travel costs can be estimated as long as the calculation modality is accurately described in the budget narrative (e.g., providing estimates on the number of trips and average duration in days, daily subsistence allowance rates, etc.).

x. Travel (in-country and international) or international travel: estimate number of trips and cost per trip.

14 Cost-shared staff positions that are intended to last the entire duration of the project should be charged for the entire period and charged as a percentage against the project (e.g., half of the cost of a guard in a 12 months project should be budgeted at 50 per cent of the monthly salary for 12 months). Durations shorter than the project are acceptable only if the position is not intended to last for the entire duration of the project. Partners have the option to record expenditures within the budgeted amount according to modalities that better suit their preferences (e.g. charging 100 per cent for guard for 6 months).

17 This should be calculated as a percentage against the overall amount of the shared cost and charged as a percentage of the project value. It is preferable to charge shared costs for the entire duration of the project. Partners have the option to record expenditures within the budgeted amount, according to modalities that better suit their requirements (e.g. to cover half of the rent of an office in a 12 months project, the partner should budget the rent for 50 per cent of the monthly cost for 12 months period. The partner may pay the full rent of the office for 6 months with the allocated budget).
xi. Provide list\(^\text{16}\) of items and estimated cost per item for kits when the cumulative budget line value exceeds $10,000.

xii. Provide the list of items for globally standardized kits (such as Post-Exposure Prophylaxis kits and Interagency Emergency Health Kit). This does not include standard kits agreed upon in each country.

xiii. In the case of construction works exceeding $10,000, only labor costs and known essential materials may be budgeted and itemized, providing unit/quantity and unit cost. The budget narrative should explain how construction costs have been estimated on the basis of a standard prototype of building (e.g. latrine, health post, or shelter), type of materials (e.g. wood, prefabricated, or brick/cement/concrete) and the formula or rationale used to estimate construction cost (e.g. per square foot or meter or previous experiences).

xiv. The partner is responsible and accountable to ensure the budget(s) of the sub-implementing partner(s) adheres to the principles of economy, efficiency, effectiveness and transparency. The partner must ensure the sub-implementing partner(s) budget(s) are commensurate with the planned activities and outputs, and is reasonable in the specific country context. The sub-implementing partner budget may be provided as a single line under the budget category Transfers and Grants to Counterparts at the discretion of the HFU. The breakdown details are not required to be provided in GMS. However, at the request of OCHA and/or the auditors, the partner is responsible and accountable to provide the necessary detailed documentation to support the budget and expenditure incurred by the sub-implementing partner. The sub implementing partner’s budget and expenditure details must be available, if requested, at the same level of detail and format applicable to the main implementing partner. These documents must remain available for at least a period of five years after the project termination.

### 7.2 Signature of Grant Agreements

200. Standard Grant Agreement templates (see Annexes 16 and 17, Grant Agreements with NGOs and UN agencies) must be used for contracting. No changes in the articles of the Grant Agreement are allowed.

201. The use of the GMS is the pre-requisite for implementing the process described below. The GMS supports the full implementation of standard procedures and due diligence processes, it provides support throughout the entire project cycle management, it is the repository of necessary supporting project documents and it ensures timely and effective implementation of control mechanisms to manage and mitigate risks associated with the fund management.

202. Grant Agreements with UN agencies, NGOs, and the Red Cross and Red Crescent Movement are prepared by OCHA Country Offices (normally the Humanitarian Financing Unit). Grant agreements are signed by the HC and counter signed by the authorized representative of the partner as recorded in the Due Diligence module of the GMS. Grant agreements are then sent to OCHA HQ/FCS for final approval and signature by the EO (or a duly delegated officer).

203. Grant Agreements must be submitted to OCHA HQ/FCS by the fund manager, through the GMS. The following supporting documents (all annexed) must be submitted:

   a. Copy of the Grant Agreement signed by the HC and partner\(^\text{17}\)

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\(^\text{16}\) The list should be provided as an annex to the budget.

\(^\text{17}\) For funds managed with the support of the United Nations Development Program (UNDP) Multi-Partner Trust Funds Office, Allocation paper and Fund Transfer Request (FRT) will be used (see Annex 24a and b).
b. Project proposal (as approved by the HC).
c. Project budget (as approved by the HC).

204. Signature of grant agreements has a processing time of up to three business days, provided that the documentation submitted to OCHA HQ/FCS is complete, accurate and consistent.

205. The Grant Agreement is only valid upon signature by both the HC and the partner. The start date, agreed by the HFU in consultation with the partner, is indicated in Annex B of the Grant Agreement. The start date on Annex B can be as early as the signature date of the Partner to accommodate expenditure eligibility. If the signature of the Grant Agreement by the partner occurs after the agreed upon start date, the date of the signature of the Grant Agreement will determine the official start date of the project.

206. Expenditure is eligible from the date of signature by the partner, which marks the entry into effect of the Grant Agreement.

7.3 Revisions: no-cost extensions, budget modifications and project changes

207. Changes in a project may be required due to various reasons and may have different consequences to the project’s scope, duration and budget. Variations of all forms must be brought to the fund manager’s attention. The fund manager in consultation with cluster/sector coordinators will assess whether the proposed changes need formal written authorization, whether an amendment to the initial grant agreement is necessary (see Annex 18, Amendment to Grant Agreement with NGOs, and Annex 19, Amendment to Grant Agreement with UN agencies) or whether the breadth of the proposed changes is such that the project needs to be terminated.

208. Annexes 20 (Project Revision Request Form and 13a and b (Budget Tool for Amendments) of these guidelines provide the format to request an NCE/Budget Revision.

209. To initiate a revision request, the partner sends an email to ehf-eth@un.org with the title “Revision request for project [GMS project code]”.

210. Depending on the nature of the revision and when received within the allowed time frame (four weeks prior to the end of the project) the HFU will activate relevant GMS workflows allowing partners to request the required amendments.

211. The partner then specifies the details of the request and it is then forwarded to the cluster coordinator.

212. The cluster coordinator is to state his/her approval or objection for every revision request within one week, before the HFU makes its recommendation to the HC.

213. The HC, or the OCHA HoO, if delegated to do so (see Annex 21, Delegation of Authority for revision approval), will respond to the implementing partner in writing, accepting modifying or rejecting the request (see Annex 20, Project Revision Request Form). If accepted, this amendment becomes an integral part of the agreement and must be cleared by OCHA HQ.

214. A signed Grant Agreement Amendment will be required in the following circumstances:
   i. Changes to the project budget exceeding the 15 per cent tolerance allowed for each Budget Category
ii. Addition of a new budget line, irrespective of whether it is below or over the 15 per cent tolerance allowed for each Budget Category

iii. Change in duration of the project

iv. Change of banking information relevant to the project

v. Any other changes that have financial or legal implications and are part of the Grant Agreement

217. The following changes do not require a Grant Agreement Amendment and will be approved in GMS through the ‘approval without GA amendment’ feature.

i. Change in project location, unless the entire project area has been changed.

ii. Change in number of beneficiaries, unless this changes the nature of the project.

iii. Change in approved project activity, unless this changes the project objective and key result.

7.3.1 No-Cost Extensions

218. No-Cost Extension (NCE) requests will be considered on a case-by-case basis, depending on the reasons justifying the request and evidence of progress collected through narrative and financial reports (i.e. progress/interim), or through field monitoring visits and financial spot checks.

219. Project Revision Requests should be submitted at least four weeks prior to the end of the project. Later submissions will not be considered.

220. The NCE can modify the agreement to extend the duration of the project, with or without any changes to the project’s budget or activities. To extend the duration, an amendment to the original agreement must be signed by both parties.

7.3.2 Budget Modification

221. There are three types of acceptable budget revisions:

1. Budget revision not exceeding 15 per cent of the approved budget:
   i. This type of modification does not require formal authorization by the HC, which means that within this limit the partner has the flexibility to make adjustments to the project budget as needed throughout the implementation.
   
   ii. Cost redeployments to budget categories not exceeding 15 per cent of the originally approved budget category are acceptable for all categories except the “Staff and other Personnel Costs” category. Any variation in “Staff and other Personnel Costs” should be approved in writing by OCHA.

   iii. Redeployment must be done against existing budget lines.
   
   - Budget variations of this type, without prior consent, are acceptable as long as the activities retain the same scope and nature of the original grant.

2. Budget revision exceeding 15 per cent:
   i. Cost redeployments to budget categories exceeding 15 per cent of the amount originally approved require the HC authorization.
   
   ii. The partner will make the request to the HC (Annexes 20 Project Revision Request Form and 13a and b, tab 7, Budget Tool for Amendments), after prior consultation with the fund manager.

   iii. Should the budget modifications imply programmatic changes (within the scope and nature of the original grant) the partner will also submit a revised logical framework.
iv. The HC approval of such modification will be formalized through an amendment to the original grant agreement (inclusive of all necessary supporting documents, project proposal, and project budget).

3. **Addition of a new budget line.**

222. Under no circumstances should budget revisions increase the approved total budget.

223. Budget line variations within the same category, not affecting the total value of the category are acceptable without previous consent.

224. Any additional budget lines within a category, even if they have no impact of the total amount of the category, require prior written consent of OCHA.

225. Interest income earned on project funds must be reported in the Financial Statements.

226. Interest income up to $10,000 can be used in line with previously approved project budget and activities with prior approval from OCHA. However, total expenditure of the project must not exceed the total approved budget.

**7.3.3 Project Changes**

227. Deviations from the original project objectives, including changes in the geographic location of the project, the target population, or the scope of project activities will be assessed on case-by-case basis by the HC through the OCHA HoO.

228. Major changes may require a project revision and subsequent amendment of the grant agreement. Project revisions are subject to the approval of the governing entities. Requests for project revision must be formally submitted to the HC by the recipient organization. The request should clearly explain why the grant agreement needs to be amended and indicate the current operational status of the project. A financial statement detailing expenditures incurred to date should be submitted. See paragraph 217 for revision requests that may not require Grant Agreement Amendment and which will be approved in GMS through the ‘approval without GA amendment’ feature.

**7.3.4 Project Closure**

229. A project will be considered closed when the following conditions are met:
   
   i. Final narrative report received and cleared by the fund manager. Partners must submit the final narrative report within two calendar months after the end of the project implementation (including NCEs). The fund manager has up to one calendar month from receipt to review and clear the final narrative report.
   
   ii. Partners must submit the final financial statement (including an inventory of assets purchased under the grant with purchase value over $10,000 per asset) within 2 calendar months after the end of the project implementation (including NCEs). Once the final financial statement has been received, it will be pre-cleared by the fund manager and cleared by OCHA HQ/FCS (within one month).
   
   iii. After clearance of the final financial report, projects will be audited within 2 months.
   
   iv. OCHA HFU and FCS will review and close the project within 2 months from receipt of the audit report.
   
   v. Following the closure of a project and its audit (when applicable), partners will be notified by OCHA about the exact amount to be refunded. Partners have one month from the date of notification to refund amounts due. Non-compliance with the request will be subject to
specific measures (Annex 15, Compliance Measures). Proof of payment needs to be received and acknowledged by OCHA.

230. OCHA reserves the right to audit NGO partners (see Audit process, 7.4 below). On this basis, OCHA may also request the reimbursement of unspent of qualified expenditures. Upon written notification from OCHA, the partner shall refund the requested amount within one calendar month.

7.4 Audit process

231. OCHA will apply a risk-based approach\(^\text{18}\) to audit partners by sampling a certain volume of resources for high, medium and low risk NGO partners. Data on global allocation of resources are analysed at OCHA HQ to determine (i) the size and composition of the sample (i.e. percentage of the total amount allocated that should be audited; focus on specific countries) and (ii) propose country audit plans for each CBPF.

232. The composition of the sample must include high, medium and low-risk partners. This maximizes the objective of the audit as an oversight mechanism (to manage financial risks where they are likelier to materialize); while also signalling partners that they can be randomly audited, to further mitigate residual risks.

233. Partner-risk level and allocation amounts will not be the sole basis to determine the sample. Safeguards will be applied while defining audit plans. Criteria such as the size of a specific partner portfolio, or a specific percentage allocated versus available resources in a year would be used to sample partners beyond the risk-based approach. Specific thresholds and percentages will be determined between the OCHA CO and headquarters.

234. Within a three-years period, all NGO partners who have received funding through a CBPF must be audited.

235. The HFU will provide inputs and recommendations to inform the establishment of the country audit plan to ensure adequate consideration of contextual elements. The country audit plans are drafted by OCHA HQ/FCS in discussion with the Country Office and approved by the EO (or delegated officer).

236. Once the audit plan is agreed upon, the HFU will inform the selected NGOs and trigger the audits.

237. Audit plans will be formulated every year by 15 February.

238. The procurement of audit services must be initiated by the OCHA Country Office and coordinated by the OCHA Administrative Services Branch in accordance with the UN’s prevailing rules. This will ensure the capacity to implement the audit plan on a timely basis.

239. OCHA Country Offices shall maintain the validity of the audit service LTA to ensure it does not expire before a new LTA has been obtained, or that the existing LTA has been extended.

240. The costs of auditing services will be covered by the EHF as a direct cost of the Fund.

\(^{18}\) While developing detailed guidelines to introduce partner risk-based audit, OCHA will continue to maintain a project-based audit.
7.5 Fraud and other incidents involving loss

241. OCHA HQ (Chief of FCS) should immediately be informed by the OCHA HoO whenever there is a credible indication of possible fraud, corruption or misuse of funds related to CBPF projects. Individual cases should be reported to determine whether an investigation process is warranted. The CBPF Report Form on Suspected Fraudulent Acts by Partners should be used to document the facts of the case (see Annex 22a. Fraud Report Form). The decision to trigger an investigation is made by the OCHA HQ/EO after a consultative process involving FCS and the OCHA CO while keeping the HC informed. OCHA will apply appropriate conservative measures (e.g. suspension) to partners that are being investigated.

242. OCHA Standard Operating Procedure (SOP) on Suspected Fraud and Misuse of Funds (see Annex 22b) which describes the successive steps that OCHA will take in the event of an investigation into a partner contracted under a CBPF. Information sharing and communication should be handled on a confidential basis.

243. Other incidents: Incidents during the project cycle that affect a partners’ ability to account for the use of funds of goods, must be reported to HFU in writing as soon as they occur. An Incident Report and supporting documents should be submitted by the HFU to OCHA HQ/FCS within 30 days (see Annex 22 c and d, Incident Reporting Guidelines and Incident Report Form). Incidents include theft by third parties, diversions of humanitarian assistance by a third party, looting of offices or warehouses, or loss of documents. These incidents should be reported to the Funds’ Advisory Board at a minimum on a six months’ basis.

8. Cross-cutting issues

8.1 Gender

244. There is universal acceptance that humanitarian assistance must meet the distinct needs of women, girls, boys and men in order to ensure equal opportunities and access to assistance. It is recognized that in order for humanitarian action to effectively promote gender equality, focused action and deliberate attention are needed by all actors of the humanitarian community at the local, national and international levels. Integration of gender considerations and actions to prevent and respond to Gender-Based Violence (GBV) into projects will generate positive and sustainable outcomes.

245. EHF partners should ensure that projects are designed, implemented, monitored and evaluated considering the specific needs and constraints faced by women, girls, boys and men. In order to do so, the EHF encourage the use of existing tools that are available at the systemic level to promote sound gender analysis and gender integration in project. In this regard, partners should ensure routine collection, collation and utilization of sex and age disaggregated data and information in the whole project cycle.

246. The IASC Gender Marker is utilized by all CBPFs throughout the programme cycle: prospective partners are required to indicate the Gender Marker code as part of the project proposal, and to report on how gender and GBV was addressed during implementation. Beneficiary numbers should be broken down by sex, age and other diversifying factors whenever possible. If there are challenges and barriers to collecting disaggregated data and information, mechanisms should be put in place to address the gap during implementation. At the reporting stage, partners are required to describe how projects have contributed to promoting gender equality, including the prevention and response to GBV.

247. Gender equality perspectives, including the Gender Marker code, are part of the assessment criteria used by Review Committees during project appraisal (see Annex 23,
IASC Gender Marker FAQs). CBPF monitoring further assesses the extent to which gender considerations have been made as part of project implementation.

248. EHF Review Committees should benefit of a Gender Advisor support or available gender expertise if possible, to ensure that gender analysis forms the core of the needs identification and that the Gender Marker is accurately assessed. Partners are ultimately responsible for ensuring that gender considerations are operationalized in project activities, and that there is adequate capacity to address gender issues during the life of the project and the implementation of the Gender Marker is accurately reported on.

8.2 Accountability to affected populations (AAP)

249. CBPFs are committed to ensuring that funded projects adhere to the highest possible quality standards. As part of this effort, all EHF partners are encouraged to incorporate the various existing Accountability to Affected Populations (AAP) modalities into the design, implementation, management and monitoring of projects. At the project proposal stage, partners are asked to describe how affected populations and specific beneficiaries have been and will be involved throughout the project cycle. EHF reporting and monitoring procedures will seek to verify how this has been applied throughout the project implementation. This will include, for the projects that will be monitored, making an assessment of the level of participation and access to information by project beneficiaries.

250. Partners are encouraged to seek guidance from existing resources on AAP. In particular, the following documents are important: (i) the five IASC Commitments to Accountability to Affected Populations (CAAP), (ii) the IASC-Operational Framework on Accountability to Affected Populations, and (iii) the IASC Tools to assist in implementing the IASC AAP Commitments.

251. Feedback and complaints mechanism: The following email address, feedback-ehf@un.org, is available to receive feedback from stakeholders regarding the EHF allocation process and any allegations of misuse of funds. OCHA HoO addresses and (if necessary) raises the issues to the HC, who will then take a decision on necessary action. Such emails can be anonymously submitted in local language.

9. Additional Information

252. EHF contact: all correspondences regarding Fund should be addressed to ehf-eth@un.org.

253. Relevant OCHA policies and guidelines on CPBFs can be found at http://www.unocha.org/what-we-do/humanitarian-financing/country-based-pooled-funds.
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