

Introduction

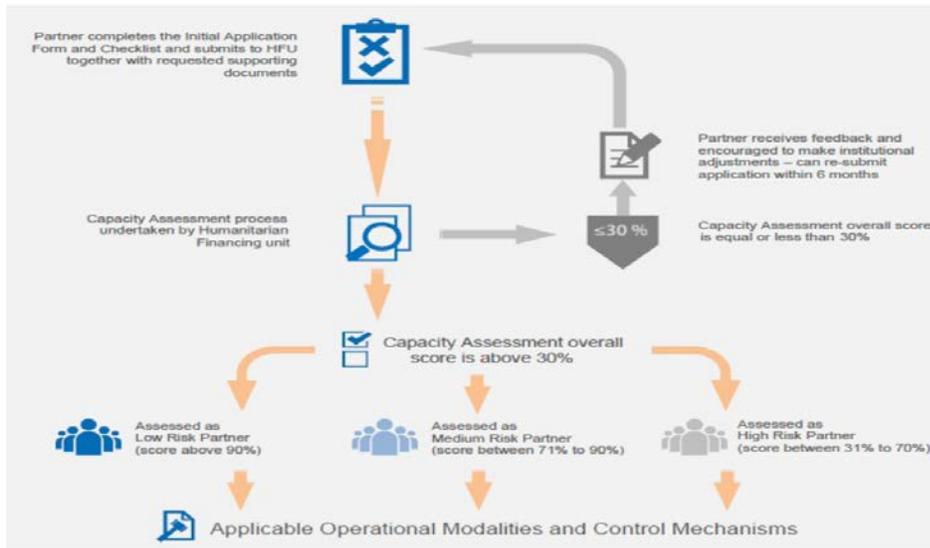
The capacity review process is an essential part of the fund's accountability framework, and a fundamental element of all OCHA-managed pooled fund. Its strength lies in its adaptability to specific contexts as well as in its inclusivity. It encourages a dialogue between OCHA and prospective NGO partners to highlight areas where capacity-building efforts can best be directed to continue raising the quality and timeliness of humanitarian aid responses.

The IHPF capacity assessment's main aim is to ensure that the HFU possesses the necessary information about the capacities of the non-governmental partners that seek access to IHF funding in order to make an informed decision on eligibility.

The IHPF's capacity assessment is considered as one of the tools used to strengthen the fund level risk management. The IHPF's capacity assessment process and tools are informed by IHPF's operational manual and the Country Based Pooled Fund Operational Handbook.

It is the IHPF's desire to inform its stakeholder on processes and tools used in the fund; to enhance transparency of the IHPF's capacity assessment process and to introduce the tools to the IHPF's potential partners. It is also desirable to document the process and tools used to undertake the IHPF's initial capacity assessment and establish the initial risk levels associated with IHPF's partners, together with the associated control measures and operational modalities. The below diagram depicts the overall workflow of IHPF's capacity assessment process:

Capacity review workflow



Whilst there are more in-depth and fully-fledged capacity assessment tools and procedures that are available to use (please note annex 5 for a sample of the fully-fledged tool), the IHPF's process is fit for purpose, desk based, and dependent on the documentation of partners' previous experience in relation to IPs' institutional, managerial/administrative, technical and financial capacity.

- **Capacity Assessment Windows**

IHPF will open two windows in December and June each year for capacity assessments during which new partners will have the chance to apply for capacity assessment. In each window partners will be given two weeks to submit their application and IHPF will similarly conduct the assessment in two weeks and by early January and early July each year's results are announced. IHPF does not conduct capacity assessments on a rolling basis, and in particular does not encourage capacity assessment applications at allocation times. However, IHPF is open to receive expression of interest and provide documentation to partners at any time throughout the year so that potential partners can prepare before the actual window opens.

Stage 1- Expression of Interest by Prospective NGOs & Submission of Documents

To begin the capacity assessment process, potential Implementing Partners (IPs) write to ihpf@un.org to express their interest to undergo a capacity assessment. Potential IPs are then provided with an application form where they provide key information related to their organisation and a check list for documents that they need to submit to the IHPF as well as instructions on

applying for eligibility. IHPF's Capacity Assessment Application form, Checklist and Instructions on applying are exhibited under Annex 1, 2 and 3 in a separate file. They are also all available online at <http://www.unocha.org/iraq/about-ocha-iraq/iraq-humanitarian-pooled-fund/eligibility-process>

- As per the checklist (note Annex 2 for the list of the documents to be submitted by the IP), potential partners submit a variety of documents for the HFU's review. These documents include: Government-provided registration certificate; list of Board of Directors, copy of financial manual, logistics and procurement guidelines, audit report, list of previously implemented projects. Further note the below extract for a sample list of document submission from an IP (note that this particular sample can be considered more exhaustive than more typical submissions).

Sample list of document submission:

- 01 Governance Documents**
- 02 Registration - International**
- 03 Description of accounting system**
- 04 Procurement and Logistics (1) Country Logistics Manual**
- 05 Procurement and Logistics (2) Store & Deliver**
- 06 Procurement and Logistics (3) Supply Planning & Sourcing**
- 07 Human Resources Iraq**
- 08 Finance Manual**
- 09 Monitoring & Evaluation Iraq**
- 10 Organisational Chart Iraq 2015**
- 11 List of membership to clusters, NGO groups and consortia**
- 12 Iraq 2015 annual report & financial report**
- 13 Iraq 2014 annual report & financial report**
- 14 Internal evaluation – project final evaluation**
- 15 External audit report_sample**
- 16 External evaluation project final_ December 2014**
- 17 Donors for last 3 years**
- 18 List of projects implemented and ongoing with funding per project**
- 19 List of current operational areas per governorate**
- 20 Sample report on a recently concluded needs assessment**
- 21 Sample budget review report**
- 22 Sample budget review report 2**

Stage 2- Review and scoring

Depending on the IP's submission of documents, the IHPF undertakes a targeted review and analysis of submitted documents to assess the various parameters identified under the capacity assessment scoring format (Please note the extract below and Annex 4 for the scoring parameters, and further note that the scoring system or parameters may be updated from time to time in line with evolving experience).

IHPF NGO capacity assessment scoring format:

Iraq Humanitarian Pooled Fund (IHPF) NGO Capacity Review		OCHA
Name of Organisation in English, Kurdish and Arabic (if applicable)		
Organisation Acronym in English		
Capacity Assessment Focal Point		
Capacity Assessment Outcome	Choose an item.	Total Points:
Submission Date	24-May-2015	
Review Date	25-May-2015	
Governance and Institutional Capacity		
1. Is your organization registered in Iraq if no, is it registered in another country?	Choose an item.	
2. Does the organization have a governance structure with clearly defined roles and responsibilities? (constitution, by-laws, operational policies, etc?)	Choose an item.	
3. Does the organization have a defined managerial structure in place, supported with an organization chart?	Choose an item.	
4. Does the organization have a bank account that can receive US\$ currency?	Choose an item.	
Technical and Response Capacity		
5. Does the organization have experience of implementing humanitarian activities in the context of the Iraq crisis?	Choose an item.	
6. Does the organization have experience of receiving funding from UN agencies, NGOs, and/or other donors?	Choose an item.	
7. Does the organization have geographical coverage in the identified hotspots or conflict areas in Iraq, as identified in the HNO severity of needs map?	Choose an item.	
8. Are the organization's programme priorities and services based on need assessments? (e.g. need assessment, reports)?	Choose an item.	
Coordination and Partnership Capacity		
9. Is the organization a member of any cluster, NGO groups/consortia, and/or technical working group?	Choose an item.	
Financial Management Capacity (Information to be collected from HACT)		
10. Does the organization produce budgets and record of expenditure against them?	Choose an item.	
11. Does the organization currently use a double entry accounting system?	Choose an item.	

Logistics Capacity (Information to be collected from HACT)		
12.	Does the organization have procurement policies and procedures?	Choose an item.
Monitoring Capacity		
13.	Does the organization monitor projects and record findings therefrom?	Choose an item.

Risk Levels based on Capacity Assessment Results

Category	Points	Recommendation
Category A	91 - 100	Organisation is <u>eligible</u> as a low risk partner.
Category B	71 - 90	Organisation is <u>eligible</u> as a medium risk partner.
Category C	31 - 70	Organisation is <u>eligible</u> as a high risk partner.
Category D	0 - 30	Organization is <u>not eligible</u> . A new submission for capacity assessment can be considered by the IHPF six (6) months after this review has been undertaken.

Depending on the outcomes of the desk review, information analysis and total scoring result, IPs are grouped under four risk categories (as indicated below). Organisations identified as ineligible in a given capacity assessment window are encouraged to make institutional adjustments and resubmit their application during the next window.

Risk Category:

Category	Points	Recommendation
Category A	91 - 100	Organisation is <u>eligible</u> as a low risk partner.
Category B	71 - 90	Organisation is <u>eligible</u> as a medium risk partner.
Category C	31 - 70	Organisation is <u>eligible</u> as a high risk partner.
Category D	0 - 30	Organization is <u>not eligible</u> . A new submission for capacity assessment can be considered by the IHPF in the next capacity assessment window.

The risk category result is used to determine the operational modalities and control mechanism applicable to the management of the partner’s IHPF project. These include disbursement modalities, frequency of narrative and financial reporting, and prioritization for financial spot checking and monitoring visits in accordance with the various risk levels, as well as the duration and budget amount of the project. Note the below table which provides an overview of these modalities based on three elements: (i) partner’s risk level, (ii) project value, and (iii) project duration.

Risk level	Project duration (months)	Project value (thousand USD)	Maximum amount per project (thousand USD)	Disbursements (in % of total)	Financial reporting			Narrative reporting		Monitoring		Audit
					For disbursements	31 January	Final	Progress	Final	Outcome spot check	Financial spot check	
H	Less than 7	≤ 250		60-40	Yes	Yes	Yes	Yes (1 mid)	Yes	1	1	projects will be audited by external firm
		> 250	500	50-50	Yes	Yes	Yes	Yes (1 mid)	Yes	1	1	
	Between 7-12	≤ 250		40-40-20	Yes	Yes	Yes	Yes (2)	Yes	1	1	
		> 250	800	40-30-30	Yes	Yes	Yes	Yes (2-3*)	Yes	1-2**	1	
M	Less than 7	≤ 250		100	-	Yes	Yes	Yes (1 mid)	Yes	-	-	
		> 250	700	80-20	Yes	Yes	Yes	Yes (1 mid)	Yes	1	-	
	Between 7-12	≤ 250		80-20	Yes	Yes	Yes	Yes (1 mid)	Yes	0-1**	-	
		> 250	1,200	60-40	Yes	Yes	Yes	Yes (1 mid)	Yes	1	0-1	
L	Less than 7	≤ 400		100	-	Yes	Yes	No	Yes	-	-	
		> 400		80-20	Yes	Yes	Yes	No	Yes	-	-	
	Between 7-12	≤ 400		100	-	Yes	Yes	Yes (1 mid)	Yes	-	-	
		> 400		80-20	Yes	Yes	Yes	Yes (1 mid)	Yes	1	1 / partner	

Due diligence procedure:

Following the completion of the capacity assessment where eligibility to the IHPF and risk level applicable to the potential partner is determined, partners are then required to register and provide relevant documents on the OCHA-managed online grant management system (GMS). Completion of the due diligence application and the uploading of relevant document is a prerequisite to accessing the online grant management system and submit proposals online. Information provided on the GMS will also be used to process grant agreements in case an organisation succeeds in receiving a funding from the IHPF.

On GMS potential partners are required to provide information concerning their organisation profile including the organisation name, registration number, contact details of key personnel; to upload a copy of Government-provided registration certificate, bank statement and signed copies of mandatory UN declarations. Some of the information required here is in duplication of documentation already submitted at the earlier Capacity Assessment stage, but must be resubmitted online here. Furthermore, partners are required to provide information on their sector of operation, geographic area of operation and membership to coordination body.

Capacity Assessment and Performance Index

Performance Index (PI) is part of a country-based pooled fund accountability mechanism used to provide continuous partner-related performance data.

Once a partner has successfully passed the capacity assessment and completed due diligence and applied for IHPF funding and successfully received funding through the IHPF, it will be assessed progressively on its performance (implementation, reporting etc.) and cumulative performance data is compiled. Cumulative performance data is then used to revise a partner's risk category initially established during their capacity assessment.

Once a partner has received a grant, the HFU will begin reviewing their performance throughout project implementation. In particular, the HFU will monitor and score partner performance in relation to i) quality and timeliness of submissions of project documents (proposals, budget); ii) quality and timeliness of implementation against approved targets and this is often established through monitoring; iii) quality and timeliness of reporting; iv) frequency, timeliness and justification of project revision requests; v) quality of financial management; vi) audit findings.

The scores assigned to the partner for each of these factors will be summarized in a partner Performance Index (PI) as described in the table below. A partner will also receive a cumulative PI score taking into consideration all projects implemented over the course of a year. The PI will have an impact on the risk level determined through the initial capacity review, and might result in a change of the operational modality and control mechanism applicable to the IP and consideration during allocation. Please note the below table for details on applicable operational modalities.

Table: Performance Index

Performance Index (PI)	Description	Action
4	Outstanding Performance	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.
3	Good Performance	To be considered favourably during the review process.
2	Satisfactory Performance	Allocation possible. HFU to review risk rating and control measures that apply to the partner.
1	Performance needs improvement	Allocation possible if accepted by the HC. HFU will decrease the risk rating in order to increase control measures that apply to the partner.
0	Poor Performance	No further funding allocation.

Removal of eligibility and the need to undergo a new capacity assessment.

When a partner with a high risk rating scores poor performance (0) in the PI, the partner will not be considered eligible for funding for the next 12 month period.

Other circumstances which might result in an immediate barring of an IP include an unfavorable audit report or evidence of fraud cases.

To be considered eligible again, an ineligible partner will have to demonstrate improvements in the areas of weakness and apply again one year following barring.

Validity period of the capacity assessment

Partners that have been assessed but have not implemented IHPF projects within three years following capacity assessment will undergo a re-assessment prior to being considered for grants.

IHPF's Capacity Assessment Result

So far IHPF has conducted a thorough review and analysis of partner submitted capacity assessment documents and identified 61 International and 44 national NGOs; a total of 105 eligible partners to access IHPF's funding. This included 16 low risk partners; 43 medium and 46 high risk partners. Please note Annex 6 for IHPF's current eligible partners list. The IHPF led capacity assessment experience has been generally smooth, less time consuming and less costly than other capacity assessment experiences where an external service provider is contracted to do assessments.

Sharing Capacity Assessment Results

Following the conclusion of each capacity assessment window, results are announced in writing to each potential IP individually.

The Advisory Board (AB) has full disclosure of the capacity assessment results.

Further, individual detailed capacity assessment results (including the risk level) can be made accessible to external stakeholders, in particular other donors, as required, but only with the full consent of the IP.

The list of the IHPF's eligible partners is accessible for internal and external users including the HCT and cluster, but without stating the risk rating.

Twice a year the updated eligible partners list is shared with the HCT and clusters. Other users may also access the list at any time of year upon request. Further, the list will be updated and made available on the OCHA IHPF website and on humanitarianresponse.info.

Nonetheless, the particular details of the assessment, documents shared with the IHPF by the partner for the capacity assessment and scoring and information on risk categories pertinent to a particular partner remain confidential and are not shared outside OCHA and the AB. However, organisations who are members of the AB will have a privileged access to details related to the capacity assessment results, including the risk level presented to each partner.

Further, IHPF aspires to consolidate and harmonize its capacity assessment process with HACT-UN's harmonized approach to cash transfer systems, where capacity assessment processes are coordinated and information is shared among subscribing UN partners.

Useful resources:

<https://www.ochaopt.org/documents/globalerfguidelines.pdf>

<http://reliefweb.int/report/iraq/iraq-humanitarian-pooled-fund-operational-manual>

IHPF Contacts:

Ms. Olga Prorovskaya, IHPF Manager, OCHA: prorovskaya@un.org

Mr. Fekadu Tafa, Humanitarian Affairs Officer: tafa@un.org

Mr. Craig Anderson, Humanitarian Affairs Officer: anderson17@un.org