Iraq Humanitarian Fund
Operational Manual

October 2018
# TABLE OF CONTENTS

1 Introduction  
   1.1 Purpose  
   1.2 Scope  
1.2 Objectives of the Iraq Humanitarian Fund  
3 Governance  
   3.1 Humanitarian Coordinator  
   3.2 Advisory Board  
   3.3 Review Committees  
4 Allocation modalities  
   4.1 Eligibility  
   4.2 Allocation Criteria:  
   4.3 Grant Duration  
   4.4 Allocation Types  
     4.4.1 Standard Allocation  
     4.4.2 Reserve Allocation  
5 Accountability  
   5.1 Risk Management  
   5.2 Risk-based grant management  
   5.3 Monitoring  
   5.4 Reporting  
   5.5 Audit  
   5.6 Complaint mechanism  
6 Administration of the IHF  
   6.1 Budget preparation principles  
   6.2 Eligible and Ineligible Costs  
   6.3 Guidelines on requesting project changes  
   6.4 Project closure  
7 Contact information  
8 List of Annexes
## Acronyms

<table>
<thead>
<tr>
<th>AB</th>
<th>Advisory Board</th>
</tr>
</thead>
<tbody>
<tr>
<td>CBPF</td>
<td>Country-Based Pooled Fund</td>
</tr>
<tr>
<td>FCS</td>
<td>Funding Coordination Section</td>
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<tr>
<td>GA</td>
<td>Grant Agreement</td>
</tr>
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<td>GMS</td>
<td>Grant Management System</td>
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<td>HC</td>
<td>Humanitarian Coordinator</td>
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<td>HCT</td>
<td>Humanitarian Country Team</td>
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<td>HFU</td>
<td>Humanitarian Financing Unit</td>
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<td>HRP</td>
<td>Humanitarian Response Plan</td>
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<td>ICCG</td>
<td>Inter-Cluster Coordination Group</td>
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<td>IHF</td>
<td>Iraq Humanitarian Fund</td>
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<tr>
<td>IP</td>
<td>Implementing Partner</td>
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<td>NCE</td>
<td>No-Cost Extension</td>
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<tr>
<td>NGO</td>
<td>Non-Governmental Organization</td>
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<td>OCHA</td>
<td>Office for the Coordination of Humanitarian Affairs</td>
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<td>PI</td>
<td>Partner Index</td>
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<tr>
<td>SRC</td>
<td>Strategic Review Committee</td>
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<tr>
<td>TRC</td>
<td>Technical Review Committee</td>
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<td>UN</td>
<td>United Nations</td>
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1 Introduction

1.1 Purpose
The purpose of the Operational Manual for the Iraq Humanitarian Fund (IHF), is to describe the governance arrangements, allocation modalities and priorities, and accountability mechanisms of the fund, as well as to detail the roles and responsibilities of the stakeholders involved.

Under the direction of the Humanitarian Coordinator (HC), the IHF aims to support the timely allocation and disbursement of donor resources to the most critical humanitarian needs as defined by the Iraq Humanitarian Response Plan (HRP) or a similar joint response plan supported by inter-agency/cluster coordination mechanisms in the country. To meet this goal, this manual is issued by the HC and endorsed by the Fund’s Advisory Board (AB) to:

i. Provide clarification and instructions for all stakeholders involved in the management of the IHF on effective management and governance practices;

ii. Describe the steps and requirements of the allocation processes with the aim of enhancing timely and strategic allocation decisions;

iii. Provide an overview of the general direction and programmatic focus of the IHF

The goal of this manual is to guide implementing partners and facilitate the role of the United Nations (UN) Office for the Coordination of Humanitarian Affairs (OCHA), members of the review committees, and sectoral experts. This manual replaces the IHPF Operational Manual released in July 2015 and shall be updated on an annual basis.

1.2 Scope
This manual should be read in conjunction with the Operational Handbook for Country-Based Pooled Funds (CBPFs)\(^1\). The present document defines the country-specific regulations that govern the IHF. It is designed within the framework provided by the Operational Handbook for CBPFs, which describes the global set of rules that apply to all CBPFs worldwide, and adapts specific aspects of the global regulations to the context of Iraq.

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

2 Objectives of the Iraq Humanitarian Fund
Globally, CBPFs have three main objectives:

I. To improve humanitarian response by increasing the extent to which funding is allocated to priority humanitarian needs through an inclusive and coordinated process at the field level.

II. To strengthen the leadership of the HC.

III. To contribute to the delivery of the HRP within the context of the Humanitarian Program Cycle.

Further, CBPFs aim 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 Iraq CBPF contributes to improving needs assessments, enhancing the HRP as the strategic planning document for humanitarian action, strengthening coordination mechanisms, in particular the cluster system, and improving accountability through an enhanced monitoring and reporting framework.

Within the above, specifically the IHF will focus on the following priorities during 2018.

1. Increase levels of funding allocated to national non-governmental organization (NGO) partners in line with the Grand Bargain commitments made at the world Humanitarian Summit. National NGOs will be further supported by the IHF and wider Humanitarian community to address capacity gaps identified during IHF Capacity Assessments.

2. Strengthen the quality of Allocation strategies and processes in Iraq by (i) supporting the HC and AB to identify strategic priorities for funding within approved response plans, (ii) supporting the Inter-Cluster

\(^1\) https://www.unocha.org/our-work/humanitarian-financing/country-based-pooled-funds-cbpfsguidelines
Coordination Group (ICCG) in identifying funding gaps in priority Clusters and locations, and (iii) ensuring complementarity with other funding sources such as the Central Emergency Response Fund (CERF).

3. Strengthen the accountability and risk management of the Fund through the adoption and implementation of (i) CBPF Performance Framework, (ii) CBPF Partner Performance Index (PI), (iii) IHF Monitoring and Reporting Framework and (iv) the IHF Communications Strategy².

The strategic linkages between the prioritization process of the IHF and the priority interventions reflected in the Iraq HRP will be embedded in each Allocation Strategy Paper. The prioritisation of needs supported by the IHF is revised annually in line with the Humanitarian Needs Overview/HRP. For each allocation, the IHF will issue an allocation paper further specifying the needs and locations prioritised by clusters and agreed at the ICCG.

All interventions supported by the IHF are to be consistent with basic humanitarian principles of humanity, neutrality, impartiality and independence.

3 Governance

3.1 Humanitarian Coordinator

The Humanitarian Coordinator leads the overall management and oversight of the IHF as detailed in the Operational Handbook for CBPFs, supported by the OCHA Head of Office and the OCHA Humanitarian Financing Unit (HFU), and advised by the IHF AB.

3.2 Advisory Board

The AB is a governance body with an advisory function that supports the HC to steer the strategy and oversees the performance of the IHF. The final decision-making authority rests entirely with the HC, who is the chair of the AB. The functions of the AB are defined in detail in the Operational Handbook for CBPFs. The HFU serves as the secretariat to the AB and provides them with regular and timely updates on the management of the Fund. The AB are to meet quarterly according to an arranged schedule, with ad hoc meetings as required. NGO and UN representatives to be rotated annually. Donor representatives to be rotated at discretion of the HC.

The composition of the AB, determined based on consultations between the HC, contributing donors and NGOs, is outlined below. It ensures equitable representation of the key stakeholders to the Fund (Donors, UN agencies, NGOs and OCHA). AB members sit in a representative capacity and are expected to consult their respective constituencies both before and after meetings to ensure an effective flow of information. The AB comprises 15 full members and 2 observer members:

- The Humanitarian Coordinator (Chairperson)
- Four representatives of contributing donors (rotating)³
- Four representatives of participating UN Cluster Lead Agencies (rotating)
- Two representatives of the international NGO community (rotating)
- Two representative of the national NGO community (rotating)
- OCHA Head of Office (as custodian of the Fund, non-rotating)
- OCHA Pooled Fund Manager (as AB secretariat, non-rotating)
- One representative of other contributing donors (as Observer, rotating)
- One representative of a non-contributing donor (as Observer, rotating)

² Documents referenced can be found in the Annexes of this Operational Manual
³ The HC may recommend the continuing membership of an existing donor as appropriate; for example, where the donor has made a high value contribution to the Fund or can add value due to its familiarity and engagement with Iraq’s humanitarian context or CBPFs globally.
3.3 Review Committees

Review committees are responsible for the strategic and technical review of project proposals received by the CBPF. The functions and composition of the review committees are defined in detail below, in line with the Operational Handbook for CBPFs.

1. The strategic and technical reviews are discharged by respective review committees operating separately by cluster.

2. Members of the review committees should be nominated from active members of relevant clusters. There should be an equitable representation of UN agencies, national and international NGOs. At all times, the HFU will take part in decision making, and support committees in discharging their functions.

3. Review committees should be established through a consultative process with a limited number of cluster members. The review committees should, to the extent possible, have different compositions for each of their functions.

4. For strategic reviews, the committee should represent the diverse members of the cluster and have a broad knowledge of Iraq humanitarian context. For technical reviews, the committee should be composed of technical experts with in depth knowledge of the sectoral context in Iraq.

5. Members of the review committee involved in technical reviews should be selected based on demonstrated technical knowledge of the specific sector/cluster. Specialized advisors should provide support and inputs to the technical review process.

4 Allocation modalities

4.1 Eligibility

Donor contributions to the Iraq CBPF will be utilized to fund projects carried out by:

i. UN organizations

ii. National and international NGOs and organizations of the Red Cross/Red Crescent movement

UN eligibility: To become eligible for funding from the IHF, UN agencies must fill out the Registration Form on the Grants Management System of the Fund (http://gms.unocha.org/). UN agencies are required to provide names and contact information for the focal point(s) and the legal representative of the organization, address of main office, and bank information. Once the registration and due diligence form duly filled out has been submitted, OCHA will proceed with its review and approval. Approval of the registration form by OCHA determines the eligibility of the UN agency.

NGO and Red Cross/Red Crescent eligibility: OCHA, as the Fund’s managing agent, will carry out a due diligence process and an assessment of the capacity of potential NGO implementing partners. The outcomes of the due diligence and capacity assessment processes will determine partners’ eligibility, and the risk level of the partners considered eligible. The risk rating will in turn influence the control mechanisms (Operational Modalities) that apply to the management of partners’ grants, as described in the Operational Handbook for CBPFs. The process for due diligence is described in detail in the Operational Handbook for CBPFs. The procedures that will be utilized to assess the capacity of implementing partners in the context of the Iraq CBPF are described in detail in the IHF Capacity Assessment Instructions document, annexed to this manual.

4.2 Allocation Criteria:

The review and approval of project proposals is made in accordance with the programmatic framework and focus described above and on the basis of the following criteria:

i. Partner eligibility and capacity verified through a due diligence and capacity assessment process

ii. Access: Partners’ accessibility to and/or physical presence in areas of prioritized humanitarian operation

iii. Strategic relevance: Clear linkages to the HRP strategic and cluster objectives, compliance with the terms of the allocation strategy, and alignment of proposed activities with the objectives of the Fund

iv. Needs-based: Humanitarian needs to be addressed through the project are well explained and documented and beneficiaries are clearly defined
v. Appropriateness: Proposed activities are adequate to respond to the identified needs
vi. Technical soundness and cost effectiveness: The proposal meets technical requirements to implement the planned activities; the budget is fair and proportionate in relation to the context
vii. Risk management: Assumptions and risks are comprehensively and clearly spelled out, along with risk management strategies
viii. Monitoring: A realistic monitoring and reporting strategy is built into the proposal

4.3 Grant Duration
Implementation of projects funded by the IHF should not exceed 12 months from the project start date as indicated in the final approved project documents. The HFU 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 project-implementing 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.

If necessary, implementing partners can request project revisions and/or no-cost extension to re-programme and/or extend the duration of the grant. Requests must be made no less than one month prior to the project end date.

4.4 Allocation Types
The IHF has two modalities to allocate funds: 1) Standard Allocation and 2) Reserve Allocation. The HC, in consultation with the AB, determines the appropriate use of the two modalities given the context. Both allocation modalities must be based on the HRP or comparative coordinated response strategies developed by the ICCG/clusters and approved by the HC to ensure the strategic use of funds. The CBPF Global Guidelines provide a detailed guide to the use of both the allocation modalities and a summary is provided below with an optimal timeline for their use in the context of Iraq. The steps and their sequence are mandatory and must also adhere to the five global CBPF principles of inclusiveness, flexibility, timeliness, efficiency and accountability by which performance of the Funds is measured.

4.4.1 Standard Allocation
The most common use of the Standard Allocation in Iraq is to support targeted priorities within the Iraq HRP, though the HC in consultation with the AB may decide to use it to fund other response plans endorsed by the Humanitarian Country Team (HCT). The allocation process is led by the HFU, informed by the AB, and conducted in close consultation with clusters and humanitarian partners to ensure the best possible use of resources. The process contains the following mandatory steps and transparency is ensured throughout.

Standard Allocation - Mandatory Steps and Timeline

<table>
<thead>
<tr>
<th>Step</th>
<th>Activity</th>
<th>Responsible Body</th>
<th>Time Required</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALLOCATION PRIORITY &amp; STRATEGY DEVELOPMENT</td>
<td>Agree on Strategic Priorities for the Allocation</td>
<td>HC, OCHA, AB</td>
<td>1 day</td>
</tr>
<tr>
<td></td>
<td>Agree on Allocation Timeline with ICCG &amp; share HC Guidance on Strategic Priorities, Cluster Prioritization Tool and Scorecard</td>
<td>ICCG, OCHA HFU</td>
<td>1 day</td>
</tr>
<tr>
<td></td>
<td>Cluster Prioritization Process</td>
<td>Clusters</td>
<td>Up to 2 weeks</td>
</tr>
<tr>
<td></td>
<td>Development of the Draft Allocation Strategy Paper</td>
<td>OCHA HFU</td>
<td>3 days</td>
</tr>
<tr>
<td></td>
<td>Cluster Feedback on Allocation Strategic Scorecard and Updating of Draft Strategy Paper</td>
<td>ICCG, OCHA HFU</td>
<td>3 days</td>
</tr>
<tr>
<td></td>
<td>Advisory Board Meeting to provide feedback and endorse Allocation Strategy</td>
<td>HC, AB, OCHA</td>
<td>1 day</td>
</tr>
<tr>
<td></td>
<td>Allocation Strategy Paper Finalized</td>
<td>OCHA HFU</td>
<td>1 day</td>
</tr>
<tr>
<td>PROPOSAL DEVELOPMENT</td>
<td>Launch of Allocation Strategy paper – Call for Proposals</td>
<td>HC, OCHA HFU</td>
<td>1 day</td>
</tr>
</tbody>
</table>
**Step 1: Allocation strategy development**

The HC defines the allocation priorities and financial envelope. Supported by the HFU, the HC consults the AB and ICCG to establish a process that produces credible, unbiased information to develop an allocation strategy. The HFU and clusters provide an analysis to support the development of the allocation strategy. This process results in an allocation paper which summarizes the analysis, strategy and intent of the standard allocation. The strategic focus of the allocation paper should be as precise as possible to allow for effective prioritization and development of cluster envelopes.

The allocation paper includes information on:

- How the allocation fits into the humanitarian context
- Allocation strategy, related priorities and timeline
- Total amount to be allocated (detailed by priority/cluster/sector/region)
- Criteria for project prioritization (reflected in a prioritization matrix or “scorecard”).

The draft produced by HFU is reviewed by the ICCG and presented by the HC to the AB for inputs. The HFU collects inputs and finalizes the strategy.

**Step 2: Submission of project proposals**

Eligible partners prepare project submissions that address the priorities outlined in the allocation paper. Project proposals are submitted for consideration by the Fund through the GMS. Partners are encouraged to consult with the HFU and clusters during the development of proposals.

**Step 3: Strategic review**

Strategic review aims to identify and prioritize project proposals best suited to address needs identified in the allocation paper. The pre-selection of projects is intended to stimulate efficiency and allow for a rapid process that correctly targets identified needs. The strategic review stage applies to all standard allocations.

Strategic review is carried out on the basis of criteria outlined in a prioritization scorecard on the GMS. Scores are recorded 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. The HFU plays an active role in providing oversight and support to clusters in conducting strategic reviews.

**Step 4: AB feedback and preliminary approval by the HC**

A project shortlist is shared by the HFU with the HC and AB to allow them to raise critical concerns, questions, or alerts concerning risks and provide feedback. Whilst the HC and AB are reviewing the list of projects and partners, the technical and financial review can commence. However, no project can be approved at technical review stage until feedback on the strategic review and endorsement for the project is received from the HC and AB.

**Step 5: Technical and financial review**

The review committees are comprised of groups of technical experts, per sector/cluster, that review project proposals according to their technical merit and the appropriateness of budget provisions. Technical review committees must develop their own scorecards which should be shared with the HFU and uploaded on the GMS at the conclusion of the review to promote transparency.

The technical review stage includes financial review by OCHA Finance (HFU and the Headquarters’ Finance Coordination Section (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 the applicant on the GMS jointly. The technical review involves two-way communication between the review committee and the proposing organization. Partners will be able to re-submit project proposals (at the most) two times upon receiving written comments through the technical review process.

**Step 6: Final approval by HC**

If the technical review recommends a project, the HC will officially approve it. The HFU will facilitate the finalization of the contractual arrangements and the AB is informed that the project has been approved. Upon signature by the HC, the HFU sends the agreement to the partner for counter-signature. Once countersigned, the agreement will be sent to OCHA FCS Finance and Administration Unit for the final signature. Expenditure and obligations are eligible from the date of counter signature by the partner.

**Step 7: Disbursement**

Following the signature of the grant agreement by all parties (the last signatory being the holder of the delegation of authority in OCHA Headquarters), funds are disbursed within 10 working days.

### 4.4.2 Reserve Allocation

The Reserve Allocation in Iraq is used to support humanitarian response projects for unplanned or rapid onset emergencies that are not included in the HRP. Whilst this modality is used for unplanned emergencies, allocation strategies must be based on response or contingency plans endorsed by the HC. As with the Standard Allocation, the process is led by the HFU and informed by clusters and humanitarian partners to ensure the best possible use of resources. The HC should inform the AB of the intention to launch a Reserve Allocation either through an emergency meeting of the AB or via email.

The Reserve Allocation process contains less mandatory steps than the Standard Allocation (see below) and emphasis is based on timeliness and efficiency rather than broad partner participation. As such the strategy development, technical and financial review phases are shortened with no need for an independent Strategic Review. Additionally, clusters can, with the approval of the HC, select a shortlist of partners for the allocation based on a set of transparent and objective operational criteria rather than opening the allocation to all, thereby greatly reducing the time taken to review and process the allocation.

**Reserve Allocation – Mandatory Steps and timeline**

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<th>Step</th>
<th>Activity</th>
<th>Responsible Body</th>
<th>Time Required</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALLOCATION STRATEGY</td>
<td>Agree on Strategic Priorities &amp; Timeline for the Allocation</td>
<td>HC, OCHA, ICCG</td>
<td>1 day</td>
</tr>
<tr>
<td>ALLOCATION STRATEGY</td>
<td>Cluster Prioritization Process &amp; Development of Allocation Paper based on an existing response plan</td>
<td>Clusters, OCHA HFU</td>
<td>3 days</td>
</tr>
<tr>
<td>ALLOCATION STRATEGY</td>
<td>Advisory Board review and endorsement of Allocation Strategy &amp; Allocation Paper Finalized</td>
<td>HC, AB, OCHA</td>
<td>1 day</td>
</tr>
<tr>
<td>PROPOSAL DEVELOPMENT</td>
<td>Launch of Allocation Strategy paper – Call for Proposals</td>
<td>HC, OCHA HFU</td>
<td>1 day</td>
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<tr>
<td></td>
<td>Proposal Development Phase</td>
<td>IPs</td>
<td>1 week</td>
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<tr>
<td></td>
<td>Deadline for submission of Project Proposals</td>
<td>IPs</td>
<td>Midnight of last day</td>
</tr>
<tr>
<td>REVIEW PROCESS</td>
<td>Strategic &amp; Technical Review</td>
<td>S/TRCs and OCHA HFU</td>
<td>2 days</td>
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<tr>
<td></td>
<td>Partner Proposal Revision and Adjustments</td>
<td>IPs</td>
<td>2 days</td>
</tr>
<tr>
<td>APPROVAL PHASE</td>
<td>Final check</td>
<td>S/TRCs, OCHA HFU</td>
<td>2 days</td>
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<td></td>
<td>GA preparation</td>
<td>OCHA</td>
<td>1 day</td>
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<tr>
<td>DISBURSEMENT</td>
<td>HC signs GA / Final approval &amp; IP Counter Signature</td>
<td>HC</td>
<td>1 day</td>
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<td></td>
<td>GA final signature</td>
<td>OCHA</td>
<td>2 days</td>
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<tr>
<td></td>
<td>First disbursements</td>
<td>OCHA</td>
<td>Up to 5 days</td>
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<tr>
<td></td>
<td>Payments Received</td>
<td>Bank</td>
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</table>

**Step 1: Allocation strategy development**

The HC will define the allocation priorities and financial envelope based on priorities outlined in a response plan developed by relevant clusters or the ICCG. The response plan provides an analysis to support the rapid development of an allocation strategy. The allocation paper includes information on:

- How the allocation fits into the response plan
- Allocation strategy, related priorities and timeline
- Total amount to be allocated (detailed by priority/cluster/sector/region)
- Criteria for project and partner prioritization (reflected in a prioritization matrix or “scorecard”).

The draft produced by HFU is shared by the HC with the AB for inputs. HFU collects inputs and finalizes the strategy.

**Step 2: Submission of project proposals**

Identified partners prepare project submissions that address the priorities outlined in the allocation paper. Project proposals are submitted for technical review through the GMS.

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

The review committees are comprised of groups of technical experts, per sector/cluster, that review project proposals according to their technical merit and the appropriateness of budget provisions. Technical review committees must develop their own criteria including strategic components. The technical review stage also includes financial review by OCHA Finance (HFU and FCS).

**Step 4: Final approval by HC**

Once the technical review recommends a project, the HC will officially approve it. Upon signature by the HC, the HFU sends the agreement to the partner for counter-signature. Once countersigned, the agreement will be sent to OCHA FCS Finance and Administration Unit for the final signature. Expenditure and obligations are eligible from the date of counter signature by the partner.

**Step 5: Disbursement**

Following the signature of the grant agreement by all parties (the last signatory being the holder of the delegation of authority in OCHA Headquarters), funds are disbursed within 10 working days.
5 Accountability

Accountability is the foundation of effective management of the IHF. It is exercised through a set of different components enabling the HC to ensure that: 1) implementing partners are delivering intended programmatic results; 2) the IHF is managed responsibly and according to established guidelines; and, ultimately, 3) the IHF is achieving its main objectives.

The accountability framework provides an overview of the four pillars around which accountability of the IHF is structured: risk management; monitoring and reporting; capacity assessment and performance management; and auditing. The objective is to manage risk and verify performance in line with the IHF strategy and approved project plans. The accountability framework is annexed to this manual, with a summary of components listed below.

5.1 Risk Management

The management of the IHF uses a risk-based approach to ensure that a thorough analysis of risks is undertaken and that adequate assurance modalities are identified to mitigate these risks. Risks will be analysed at the level of the partner by undertaking due diligence activities and a comprehensive capacity assessment, as well as at the level of the CBPFs locally and globally.

Fund Level Risk Management
A number of strategic, programmatic, financial and management risks are inherent as part of the administration of the IHF. The fund-level risk analysis and management based on OCHA’s Global Guidelines for Risk Management, is designed to assist the HC in making strategic decisions to mitigate the risks faced by the IHF and enable the Fund to achieve its objectives. An updated IHF Risk Management Framework, a comprehensive risk analysis matrix developed by the AB, updated by the HFU and endorsed by the AB, is annexed to this manual.

5.2 Risk-based grant management

Partner Capacity Assessment
NGOs interested in applying for funding under the IHF must undergo a capacity assessment process to become eligible as partners. The main aim of this assessment is to ensure that the HFU possesses basic information about the NGO and necessary information regarding their capacities.

The capacity assessment methodology includes a desk review of the documentation received from the organisation and visits to the organisation’s main office where interviews will be conducted with staff members, financial and organisational systems verified and additional documents requested. The capacity assessment determines whether an NGO has a sufficient level of institutional, managerial, financial and technical capacity to be considered for funding. Organizations are categorized according to a specific risk level. 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 (see PI below) and by addressing capacity weaknesses.

More details of the capacity assessment process can be found in the Capacity Assessment Instructions document annexed to this manual.

Partner Risk Rating and Operational Modalities
Based on the score obtained during the capacity assessment, eligible partners will be categorized in three risk-level categories (low, medium and high). The resulting risk level, along with the duration and budget of the project, will determine the eligibility thresholds and control mechanisms that are applicable as defined in the Fund’s Operational Modalities. These include funding ceiling and disbursement modalities, frequency of narrative and financial reporting, and requirements for field monitoring visits and financial spot checks.
The PI tool, introduced in 2017, is a key part of the CBPF accountability framework, for it allows OCHA to aggregate an updated rating of partner performance. A systematic evaluation of partner performance in their project implementation will be used alongside the original capacity assessment results to determine and adjust as necessary partner risk levels.4

The PI tool scores the performance of partners from project submission to closure. During project implementation, the following categories of partner performance are tracked and scored: i) quality and timeliness of submissions of project documents (proposals, budget and concept notes); 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 financial management; and vi) audit findings.

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. The partners’ scores on the most recent projects will be considered most important and given the most weight in calculating the overall risk rating. The calculation and relative weighting of project scores and the original capacity assessment is explained in Annex 7, Performance Management Tool, tab 2 – Partner PI and Capacity Assessment. The scoring and weighting are standardized across funds and calculated by the GMS.

If a partner performs poorly consistently 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.

UN Agency projects must also be scored for performance in all areas with the exception of financial spot check and audit. The PI score can be used to inform 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.

4 The PI tool is new and currently being piloted in Iraq. PI-integrated partner scores generated on the GMS will not be used to change partners’ risk rating until the system has been properly tested.
5.3 Monitoring
The IHF Monitoring and Reporting Framework, summarised below and annexed to this manual, defines the Fund’s monitoring strategy and clarifies its objectives, processes, approaches and tools. As part of the Fund’s accountability framework, the Monitoring and Reporting Framework ensures the Fund’s accountability to its donors and beneficiaries by evaluating partner performance through systematic feedback mechanisms. Results and observations from the completed monitoring missions, the review of partners’ narrative and financial reports, and audit findings all feed into the partners’ PI.

Monitoring objectives
The main objective of monitoring is to assess progress made towards the set activities, targets and indicators, as well as to verify the accuracy of reports submitted by partners. Building on this concept, the IHF has the following monitoring objectives:

1) Verify partner’s progress in delivering project outputs and activities (as per proposed log frame and work plan), the beneficiary targeting process, and the use of resources (as per budget).
2) Contribute to strengthen partners’ internal monitoring and reporting systems.
3) Assist partners to achieve quality and timely delivery of assistance through the sharing of monitoring findings in feedback sessions.

Identification of projects for monitoring
The IHF’s minimum monitoring arrangements for projects implemented by NGOs is determined as per the Fund’s Operational Modalities (see page 12), based on the risk level assigned to the partner, the duration of project implementation and the size of the project budget. For projects implemented by UN agencies, the monitoring modality applicable to low-risk NGO partners is applied. Furthermore, the IHF monitors:

1) All cash assistance projects
2) Projects with total individual project values exceeding US$2 million
3) Supply-intensive projects with kits/supplies inputs exceeding $800,000

Monitoring approaches
The IHF has adopted the following contextually relevant monitoring approaches based on factors including access and security.

1) Support and follow-up on IP-led internal monitoring
2) OCHA-led on-site monitoring
3) Third Party Monitoring, i.e. using an independent service provider to monitor projects
4) Financial spot check
5) Remote call monitoring – currently not in use but to be piloted in 2018
6) Peer-to-peer monitoring of IHF supported projects by mobilizing IPs

5.4 Reporting
All IHF-funded partners are required to report on their project implementation so as to ensure that activities carried out are on track to achieve or have achieved proposed project objectives. Narrative and financial reporting requirements for partners are determined according to the Operational Modalities (see page 12).

UN agencies are required to 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 are 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.

5.5 Audit
Audit of UN Organizations: Participating UN Organizations are audited in accordance with their own financial rules and regulations and the framework for auditing multi-donor trust funds (agreed to by the Internal Audit Services of Participating UN Organizations and endorsed by the UN Development Group in September 2007).
Audits of NGOs: NGO-implemented projects will be audited in compliance with applicable financial regulations, rules and directives as per the OCHA CBPF Grant Agreements. The costs of such an exercise will be borne by OCHA from the donor contributions to the IHF. One or several external auditing companies will be contacted by OCHA to deliver on the audit requirements of NGO partners.

The HFU will keep a log of all audit findings to ensure that partners address previous findings on management weaknesses before applying for new IHF funding. The audit performance will feed into the partner PI.

5.6 Complaint mechanism
Stakeholders with insufficiently addressed concerns or complaints regarding the IHF processes or decisions can at any point in time contact the OCHA Head of Office at feedback-ihpf@un.org. Concerns and complaints will be compiled, reviewed and raised to the HC, who will then take a decision on necessary action(s). The HC will share with the AB any such concerns or complaints and actions taken thereof.

6 Administration of the IHF
6.1 Budget preparation principles
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 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:

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.

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.

In the budgeting process, partners are expected to:

i. Provide a correct and fair budget breakdown of planned costs that are necessary to implement activities and achieve the objectives of the project.

ii. Use and comply with the budget template (Annex 13 a and b of the Operational Handbook for CBPFs: Project Budget and Financial Reporting Tool)

iii. Provide a budget narrative 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.

6.2 Eligible and Ineligible Costs
Eligible costs
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.
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 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 awarding 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 derived directly from the requirements of the grant agreement such as monitoring, reporting, evaluation, dissemination of information, translation and insurance, including financial service costs (in particular bank fees for transfers).

Ineligible costs

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 implementing partner to any third party.

v. Items already financed from other sources.

vi. Purchases of land or buildings.


viii. Cessions and rebates by the implementing partner, contractors or staff of the implementing 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 implementing partner.


xv. Audit fees/system audit fees – these costs are paid directly by the fund.

Other Types of costs

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 implementing 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 proportion attributable to the project.

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 implementing partner.

vii. Recurrent costs for the implementing partner’s current operations.

For more detailed guidance on budget preparation including direct and indirect costs, shared costs and itemization of budget lines, please refer to page 41 of the Operational Handbook for CBPFs.

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.

6.3 Guidelines on requesting project changes

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 or whether the breadth of the proposed changes is such that the project needs to be terminated.

Depending on the nature of the revision, relevant GMS workflows will be activated by the HFU allowing partners to request the required amendments. Partners will need to seek approval for the proposed changes from the relevant Cluster Coordinator.

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 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.

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

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.

For more detailed guidance on project changes including budget modifications and no-cost extensions (NCEs), please refer to page 46 of the Operational Handbook for CBPFs.
6.4 Project closure

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 two 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 Headquarters/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 (see Annex 15 of the Operational Handbook for CBPFs: Compliance Measures). Proof of payment needs to be received and acknowledged by OCHA.

OCHA reserves the right to audit NGO partners. On this basis, OCHA may also request the reimbursement of unspent or qualified expenditures. Upon written notification from OCHA, the implementing partner shall refund the requested amount within one calendar month.

For more detailed guidance on the audit process, please refer to chapter 5.5 (above) and to page 47 of the Operational Handbook for CBPFs.

7 Contact information

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8 List of Annexes

IHF Risk Management Framework (revised August 2018)
IHF Monitoring and Reporting Framework
IHF Communications Strategy and Action Plan (October 2018-December 2019)
IHF Capacity Assessment Instructions