



OCHA

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for the Coordination of
Humanitarian Affairs

Myanmar Humanitarian Fund Operational Manual

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Acronyms

AB	Advisory Board
CBPF	Country-based Pooled Fund
CPF	Common Performance Framework
CN	Concept Note
EO	Executive Officer
FCS	Funding Coordination Section
FFR	Final Financial Report
GA	Grant Agreement
GMS	Grant Management System
HACT	Harmonized Approach to Cash Transfers
HC	Humanitarian Coordinator
HCT	Humanitarian Country Team
HFU	Humanitarian Financing Unit
HoO	Head of Office
HPC	Humanitarian Program Cycle
HRP	Humanitarian Response Plan
HQ	Headquarters
ICA	Internal Capacity Assessment
ICCG	Inter Cluster/Sector Coordination Group
IPSAS	International Public Sector Accounting Standards
LTA	Long Term Agreement
M&E	Monitoring and Evaluation
M&R	Monitoring and Reporting
MHF	Myanmar Humanitarian Fund
MOU	Memorandum of Understanding
NCE	No-Cost Extension
NGO	Non-Governmental Organization
OCHA	Office for the Coordination of Humanitarian Affairs

OIOS	Office of Internal Oversight Services
PCA	Proxy Capacity Assessment
PP	Project Proposal
PSC	Programme Support Costs
RC	Review Committee
RMU	Risk Management Unit
SRC	Strategic Review Committee
TOR	Terms of Reference
TRC	Technical Review Committee
UN	United Nations

1. Introduction

1.1. Purpose

The purpose of the Operational Manual for the Myanmar Humanitarian Fund (MHF) 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 MHF aims to support the timely allocation and disbursement of donor resources to the most critical humanitarian needs as defined by the Humanitarian Response Plan (HRP). To meet this goal, this Manual is issued by the HC and endorsed by the Advisory Board to:

- provide clarification and instructions for all stakeholders involved in the management of the MHF on effective management and governance practices;
- describe the steps and requirements of the allocation processes with the aim of enhancing timely and strategic allocation decisions; and
- provide an overview of the general direction and programmatic focus of the MHF.

The goal of this Manual is to guide implementing partners and facilitate the role of OCHA, members of the Review Committees, and sectoral experts.

This version replaces the Myanmar Emergency Response Fund (ERF) Operational Manual dated July 2015.

1.2. Scope

The Manual should be read in conjunction with the Operational Handbook¹ for Country-based Pooled Funds (CBPFs). This document defines the country-specific regulations that govern the MHF. 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 adapt specific aspects of the global regulations to the context of humanitarian response.

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

¹ The global Operational Handbook for CBPFs can be found here:
https://www.unocha.org/sites/unocha/files/Operational_Handbook_for_OCHA_CBPFs_Version1.2.pdf

2. Scope and Objectives of the MHF

2.1. Objectives

The MHF aims to ensure that humanitarian needs are addressed in a collaborative manner, fostering cooperation and coordination within and between clusters, sectors and humanitarian organizations. As such, the MHF promotes joint needs assessments; use of the Humanitarian Response Plan (HRP) as the basis for strategic planning; close coordination with sectors, clusters, the HCT and regional coordination bodies; and accountability through an monitoring and reporting framework. Allocations target both internally displaced people and other vulnerable people, working through regular response systems as well as rapid response mechanisms.

Through this strategy, the MHF aims to achieve three main objectives:

- to address acute unmet emergency needs;
- to fill highest priority gaps in protracted crisis situations, ensuring the application of minimum humanitarian standards (depending on the local context) particularly in displacement sites; and
- to prevent a worsening of the situation and increased vulnerability.

OCHA will continue to take steps to strengthen coordination of MHF allocations with other existing in-country funds including the Three Millennium Development Goals Fund (3 MDGs), the Livelihoods and Food Security Trust Fund (LIFT), the Global Fund to Fight AIDS, Tuberculosis and Malaria, the Paung Sie Facility (PSF), the Joint Peace Fund (JPF), and the Humanitarian and Resilience Programme (HARP). The aim is to increase the effectiveness of resource allocation in line with the commitments made at the World Humanitarian Summit to strengthen the humanitarian-development-peace nexus and to improve efficiencies in humanitarian funding.

2.2. Operating Principles

The MHF Advisory Board agrees that funding allocations will prioritize projects that are in line with the following operating principles:

- reinforce existing capacity in affected areas with operational partners already in place, considering current mandates and activities;
- target sectors, activities and geographical areas prioritized in allocation strategy papers;
- strengthen the humanitarian-development-peacebuilding nexus;
- prioritize protection of civilians, ensuring the centrality of protection in all humanitarian action;
- ensure a conflict-sensitive approach to all humanitarian action;
- encourage the use of cash-based programming activities, when possible and appropriate;
- advocate for direct funding to implementing agencies, particularly national NGOs;
- integrate sectoral responses, when possible, through consortia of different organizations; and
- encourage multi-sector proposals for the same target population and geographical areas.

Interventions must be consistent with basic humanitarian principles of humanity, neutrality, impartiality and operational independence. The principles of non-discrimination and “do no harm” are applied at all times.

2.3. Allocations Timeline

The MHF Advisory Board agrees on the following tentative allocation timeline, subject to the timely receipt of donor contributions:

- First Standard Allocation (by end of June / early July) – 50% of expected contributions
- Second Standard Allocation (by the end of September) – 20% of expected contributions
- Reserve Allocations (any time during the year) – 30% of expected contributions.

2.4. Promoting Localization

OCHA will continue its ongoing efforts to localize humanitarian response in Myanmar, with a focus on supporting the national staff of national and international organizations. This may include the following:

- Awareness-raising sessions on the MHF with potential partners, particularly national NGOs;
- Bilateral meetings and sessions in Myanmar language in Rakhine, Kachin, Shan and Yangon;
- Workshops on the MHF online Grant Management System (GMS) and project design with new partners (upon any new allocation);
- Refresher workshops on project implementation cycle with funded partners and implementing partners in English and Myanmar language in Yangon and other locations, as needed (any time after approval of grants within a specific allocation);
- After-action review in English and Myanmar language to discuss lessons learned, best practices and suggestions for improvement of MHF management; and
- Contacts with partners during the implementation period as needed.

3. Governance and Management

3.1. Humanitarian Coordinator

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

3.2. Advisory Board

The Advisory Board (AB) is a governance body with an advisory function that supports the HC to steer the strategy and oversees the performance of the MHF. 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 and in the annexed terms of reference (*Annex 01*).

The composition of the AB is determined by the HC in consultation with the HCT, contributing donors and NGOs. The AB should include an equal number of stakeholder representatives from donors, UN agencies, and NGOs. Inclusion of AB members with observer status, including non-contributing donors, is encouraged to improve transparency of the AB decision-making process and overall coordination of humanitarian response and aid flows. AB membership is limited to 12 representatives (excluding the HC, OCHA and observers) to ensure efficient decision-making.

The AB is chaired and convened by the HC. The OCHA HoO is part of the AB and represents OCHA. The OCHA Humanitarian Financing Unit (HFU) will ensure the AB secretariat. As mentioned above, the rest of the membership is limited to a maximum of 12 members, equally representing the contributing donors to the MHF, the UN System and the NGOs community (national and international), is as follows:

- Donors: A maximum of four (4) donors contributing to the MHF.
- UN Agencies: A maximum of four (4) UN agencies with humanitarian mandate.
- NGOs: A maximum of four (4) NGO distributed as follows: two (2) national NGOs, as nominated by Local Resource Centre (LRC) / Myanmar NGO Network (MNN)², and the Joint Strategic Team (JST); and two (2) international NGOs, as nominated by the INGO Forum.

A maximum of two (2) observers, including non-contributing donors and the Red Cross / Red Crescent Movement, could be proposed by the AB members. reserved

² By the end of 2018, one of the two memberships for national NGOs will be reserved for the Myanmar Civil Society Partnership for Aid Effectiveness Development (MCPAD). This coordination body is representative of CSOs/national NGOs and is recognized by the Government of Myanmar and is a member of the Development Assistance Policy Working Group at the national level.

Membership of the Board is for a one-year period and will be revised after this period or at any time as requested by members. The HC and the OCHA HoO are the only permanent members. AB members must be at the senior leadership level (head of agency, etc.). Alternate representatives can be also identified for each member.

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.

If the full membership of the AB is not present during a meeting of the AB, a quorum shall be considered reached with seven members in attendance, including at a minimum, the HC or OCHA, and at least one donor, one UN agency, one national NGO and one international NGO.

The AB should meet at least twice a year, and preferably four times a year. A higher frequency and/or ad-hoc meetings may be requested as deemed necessary, by the HC, to review the strategic direction of the Fund, to support or review complex allocation decisions, or to meet as the Advisory Board with visiting officials and missions and to evaluate the Fund's effectiveness including approving targets of the Common Performance Framework (CPF) at the beginning of the year and results at the end of the year.

3.3. Review Committees

The Review Committee(s) are responsible for the strategic and technical review of project proposals received by the MHF. Funding allocations pass through two types of project review: a strategic review—a first screening of project proposals in relation to the allocation paper determined by the HC and the AB and/or in relation to the Fund scope and objectives as outlined in the Operational Manual, and a technical and financial review—which assesses the technical soundness and quality of project proposals, including budget issues.

In line with the Operational Handbook for CBPFs, the **strategic reviews** are discharged by an inter cluster/sector review committee, including relevant thematic advisors and OCHA HFU. All cluster/sector coordinators, OCHA HFU and relevant thematic advisors, e.g. gender, cash-based programming, etc. depending on the allocation, take part of the Review Committee during strategic review. After revision of project proposals within the clusters and sectors with a balance representation (NNGO, INGO and UN), the inter cluster/sector review committee meets to have a common prioritization and discuss possible issues, particularly related to multi-sectoral projects.

The **technical and financial reviews** are conducted by respective review committees operating separately by cluster/sector, ensuring a balanced representation of partners (NNGO, INGO and UN) and including relevant advisors and other sectors/clusters when needed, particularly the protection sector. OCHA HFU also provides financial review of submitted budgets.

Prior the launch of any new call-for-proposal, members of the respective sectoral review committees are nominated from the active members of the relevant clusters/sectors, through a consultative process. The committees should ensure an equitable representation at a minimum of one cluster/sector coordinator (UN), one NNGO and one INGO, whenever possible.

When delivering the strategic function, the sector review committee should equitably represent the members of the cluster/sector and be knowledgeable of humanitarian operations. When delivering the technical function, the respective review committee should be composed of a small group of technical experts to review project proposals, with demonstrated technical knowledge of the specific cluster/sector. Thematic advisors should provide support and inputs to the technical review process. At all times, OCHA HFU will take part in decision making, and support review committees in discharging their functions.

During the technical review, partners which projects have been pre-selected during the strategic review will be given an adequate deadline for addressing the Review Committee's comments. This deadline, not superior to five (5) working days, will be agreed by the partner and OCHA HFU, considering the nature of the feedback provided. Any modification of the agreed deadline should be agreed between the partner and OCHA HFU. The failure in respecting the deadline and in addressing the comments provided by the Review Committee may result in a definitive rejection of the project proposal, after consultation with the HC.

3.4. OCHA Head of Office

The OCHA HoO oversees the operation of the Fund to support the HC. As such, the HoO is responsible for the effective management of the Fund according to CBPF Policy Instruction, the Operational Handbook for CBPFs and the MHF Operational Manual.

The HoO responsibilities with respect to the MHF are to:

- Support and advise the HC on strategic issues and resource mobilization.
- Supervise the OCHA HFU and ensure that the HFU is well integrated and coordinated with other units and sub-offices of OCHA Myanmar.
- Ensure that OCHA has the capacity to fulfil the MHF accountability requirements, including risk management and minimum operational modalities.
- Promote active involvement of existing coordination structures in MHF processes and ensure that MHF scope and objectives and allocation strategies are aligned with the HRP.
- Approve project revisions within the scope of the delegation of authority granted by the HC.
- Interface with headquarters on policy issues related to the MHF.
- Act as a permanent member of the AB.

3.5. OCHA Myanmar Humanitarian Financing Unit

The HFU responsible for the daily management of all programmatic and financial aspects of the MHF on behalf of the HC and under the supervision and guidance of the OCHA HoO, in coordination with CBPF section. The OCHA HFU executes HC decisions and organizes the process of allocating funds according to the Handbook and Myanmar Operational Manual.

The HFU supports the OCHA Myanmar in providing funding analysis on various aspects of the humanitarian operation. This includes support to the HRP process and processing of CERF grants. In support of the HC and AB, and with the assistance of other OCHA sections and units, the HFU will undertake the following tasks:

a) Management of MHF operations and policy advice to the HC and OCHA HoO:

- Advise the HC and OCHA HoO on Fund strategies and Fund-related matters.
- Facilitate the development of the MHF scope and objectives and allocation strategy papers.
- Provide oversight to the entire funding cycle from the launch of an allocation to closure of projects.
- Engage with MHF donors and coordinate with other humanitarian donors in the country.
- Draft the resource mobilization strategy and support its implementation in coordination with headquarters resource mobilization efforts.
- Support HC and HoO efforts to link the Fund with the Humanitarian Programme Cycle (HPC) by promoting allocations in alignment with the HRP.
- Support and promote partner compliance with MHF procedures.
- Produce reports, analysis and other documents as necessary to support decision-making, coordination, communication and resource mobilization activities. These may include funding updates, monthly reports, fact sheets, talking points, key messages, mission briefing kits.
- Promote the complementarity of the MHF and CERF.
- Serve as secretariat for the AB.
- Prepare the MHF Annual Report.
- Facilitate public information sharing with all stakeholders.
- Ensure governance and allocation documentation is available on relevant country page of www.unocha.org/myanmar/mhf-about.

b) CBPF Project Cycle Management

- Facilitate and train stakeholders on the use of the Grant Management System (GMS).
- Ensure compliance with processes, systems, templates and tools for CBPFs defined in the global Handbook, this Operational Manual and other MHF procedures.
- Provide support to all MHF recipients throughout the allocation process and promote a feedback system for continuous learning.
- Participate in decision making and facilitate activities associated with the strategic review (project prioritization).
- Participate in decision making and facilitate activities associated with the technical review.
- Ensure follow up of fund disbursement and refunding.
- Ensure narrative and financial reporting compliance.
- Manage project revision requests (e.g. follow-up and support on budget revision, reprogramming, no-cost extensions, etc.)
- Ensure Financial Tracking Service (FTS) reporting as required.

c) Implementation of the MHF Accountability Framework

- Support and advise the HC and OCHA HoO in the development and implementation of the MHF Accountability Framework.

- Coordinate and facilitate capacity and performance assessments, risk management, monitoring, and reporting.
- Ensure compliance with the minimum requirements described in the operational modalities of the Manual.
- Ensure compliance with audit requirements and follow up recommendations stemming from audits and monitoring findings.

The roles of other stakeholders including clusters and partners are detailed in the Operational Handbook for CBPFs.³

³ The global Operational Handbook for CBPFs can be found here:
https://www.unocha.org/sites/unocha/files/Operational_Handbook_for_OCHA_CBPFs_Version1.2.pdf

4. Allocation modalities

4.1. Allocation Types

4.1.1. Standard Allocation

The HC uses the standard allocation process to support targeted priorities within the Myanmar HRP, in clear linkage with the strategic objectives defined by the HRP, updated assessments and existing humanitarian coordination mechanisms. The process is informed by the AB and is conducted in close consultation with humanitarian partners to ensure the best possible use of resources. The process is transparent which is essential for the Fund to function properly. Transparency should be interpreted as the degree to which all relevant information is communicated to key stakeholders in a timely manner and whether allocation decisions can be documented and rationalized.

The process of the standard allocation is executed through a number of steps which are outlined below. The standard allocation begins with an allocation paper (strategic priorities, criteria, process and timeline) revised by the ICCG and presented to the HC and AB for approval. Projects funded through standard allocations should be implemented within a maximum of twelve 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 (Table 3).

Steps of the standard allocation process:

1. Allocation strategy development
2. Submission of project proposals
3. Strategic review
4. Preliminary approval by HC
5. Technical and financial review
6. Final approval by HC
7. Disbursement

4.1.2. Reserve Allocation

The reserve allocation is intended for rapid and flexible allocation of funds in response to unforeseen circumstances, emergencies, or contextually relevant needs. The reserve allocation process is significantly quicker and lighter than the standard allocation process.

The Fund is normally active and open to emergency funding based on discussions between the HFU, the ICCG and eligible partners. Reserve allocations require a strategy/case for funding which may of course be limited in scope and criteria when compared to standard allocations in order to ensure a rapid and flexible disbursement schedule. For reserve allocations an email communication may be used in lieu of a full Allocation Strategy Paper.

When reserve allocations expect to receive more than one proposal, or when the HC has called for a limited competitive process, the reserve allocation proposals should undergo a competitive prioritization⁴ process using scorecards in the GMS.⁵

It is up to the HC to activate the reserve allocation to respond to emergency and/or unforeseen needs. In such cases, the HC maintains a certain amount of available funding for the reserve. No specific percentage is recommended, and the general principle should be that any funding that is not programmed through standard allocations could be allocated through the reserve in case of need. Proposals will be not accepted on a rolling basis, but only after decision of the HC to trigger a reserve allocation through a call-for-proposals. The decision to accept project proposals from the reserve rests with the HC. If addressing emergency needs, the AB will be consulted and decision of the HC will be made with 48 hours. The HC, under exceptional circumstances, can approve reserve allocations and notify the AB post factum.

The process of the reserve allocation is executed through several steps which are outlined below. Projects funded through reserve allocation should have a maximum grant duration 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 section 5.2.3). The recommended minimum limit for reserve projects is US\$100,000, with exceptions to be determined by the HC.

Steps of the reserve allocation process:

1. Allocation strategy development
2. Submission of project proposal
3. Strategic review
4. Technical and financial review (may be combined with step 3)
5. Final approval by HC
6. Disbursement

In-depth description of the allocation workflow, roles and responsibilities are contained in the Operational Handbook for CBPFs (October 2017).

⁴ Prioritization process may be truncated based on expedited reserve allocation timeline.

⁵ Prioritization whenever possible will allow the maintenance of quantified scoring 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 114 of the Operational Handbook for CBPFs).

4.2. Eligibility

Donor contributions to MHF will be utilized to fund projects carried out by:

- i. National and International Non-Governmental Organizations (NGOs)
- ii. Organizations of the Red Cross/Red Crescent Movement
- iii. UN Organizations (UNOs)

NGO and Red Cross/Red Crescent Movement eligibility

OCHA, as the Managing Agent, will carry out a due diligence process and an **Internal Capacity Assessment (ICA)** of potential NGO partners and organizations of the Red Cross/Red Crescent Movement. The outcomes of the due diligence and capacity assessment processes will determine the partner's 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 the partner's 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 MHF are described below.

Partner capacity assessments reflect the risk level of a partner at one point in time. The AB is required to review and, if necessary, revisit eligibility thresholds and corresponding risk levels.

Partners will be required to submit the documents listed in the ICA checklist (see *Annex 05*) via the GMS. The assessment and scoring will be done in the GMS using the MHF ICA feature (see *Annex 04 Eligibility Process Guidance*). An ICA global questionnaire (see *Annex 06, Global Questionnaire for ICA*) is used to capture key elements of partner capacity in the following categories:

- Due Diligence and Registration;
- Governance and Institutional Capacity;
- Programmatic Response Capacity;
- Coordination and Partnership Capacity; and
- Internal and Financial Capacity.

The MHF could include additional questions to the baseline questionnaire but may not remove or skip any of the core questions OCHA HQ requires for the assessment.

The assessment includes a desk-based review of the documents provided by the implementing partner; interviews with the organization's staff members; where possible visits to the implementing partner's offices, and interviews with key informants such as previous/existing donors and partners, as well as cluster leads and members. The ICA considers and, whenever possible, encompasses existing assessments such as Harmonized Approach to Cash Transfers (HACT). The HACT result will be used to score the fourth category of the ICA.

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

If conducting an ICA is not possible due to extenuating circumstances security concerns or lack of access, for example, a **Proxy Capacity Assessment (PCA)** modality may be considered following AB and HC approval. A variety of different proxies can be used to ascertain the level of capacity of partners, for instance:

- Past performance in the country
- Assessments carried out by other donors
- Existing partnership agreements with other UN agencies and/or bilateral donors,
- Demonstrated experience in the country
- Access to priority locations
- Recommendation from clusters/sectors regarding the capacity of partners.

The merit of each proxy should be assessed individually in terms of how well it satisfies the information requirements contained in the ICA. The HC, in consultation with the AB, approves the methodology used for capacity assessments using proxies. On an exceptional basis, particularly in time-sensitive situations PCAs may rely on existing documentation only (i.e. without new submissions from the partner). This requires AB approval following recommendation by the HC.

The MHF operates in highly volatile environments and often respond to sudden onset emergencies. In such circumstances, there may be situations where organizations that have not been subject to a formal capacity assessment require funding to carry out mission-critical or life-saving activities that no other organization can perform. In these exceptional cases, and in consultation with OCHA CBPF Section at HQs⁶ and with approval of OCHA's Executive Officer (EO), a capacity assessment may be not necessary (or can be carried out later). Nonetheless, it is important to ensure that minimum checks are performed to safeguard the accountability of the Fund. In extremis, the MHF may begin funding without a capacity assessment but must always carry out, at minimum, due diligence process for prospective partners. The MHF may add to these mandatory minimum standards by adding additional requirements, if needed. In this case, the concerned partner will be considered as high-risk level partner.

UN eligibility

To become eligible for funding from the MHF, **United Nations 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 name 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.

⁶ Fund Management Support Unit, Pooled Fund Management Branch, Country Based Pooled Fund Section (CBPF Section).

4.3. Allocation criteria

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

- Partner eligibility and capacity: verified initially through a due diligence and capacity assessment process and complement later, for partner already funded through MHF, with the Performance Index Adjusted Risk, including partner performance assessment during project implementation,
- Access: accessibility and/or physical presence to areas of operation; the location of the project is clearly identified,
- Strategic relevance: clear linkage to HRP strategic and sectoral objectives, compliance with the terms of the allocation strategy as described in the allocation paper, and alignment of activities with areas of special focus of the Fund,
- Needs-based: the needs are well explained and documented and beneficiaries are clearly described,
- Appropriateness: the activities are adequate to respond to the identified needs,
- Technical soundness and cost effectiveness: the proposal meets technical requirements to implement the planned activities; and the budget is fair, proportionate in relation to the context, and adequate to achieve the stated objectives,
- Risk management: assumptions and risks are comprehensively and clearly spelled out, along with risk management strategies,
- Monitoring: a realistic monitoring and reporting strategy is developed in the proposal, and
- Additional actions requested from MHF: for partners who have ever received the MHF funding, HFU will assess the implementation of additional actions, as per audit report(s), monitoring report(s), financial spot check report(s), refund request(s), reports related to fraud, corruption, sexual and abuse exploitation and other incidents, etc. (See section 5.8 Reporting Fraud and Other Incidents).

4.4. Grant Duration

Implementation of projects funded by the MHF should not exceed twelve (12) months for the standard allocations. In the case of the reserve allocation, projects funded by the MHF should not exceed six (6) months. Project pre-financing will be limited only to the budgeted costs (of the approved project proposal) incurred in the interim period between the Project's approval start date (first possible start date is the date when the HC and the Partner have both signed the Grant Agreement) and the date of actual cash disbursement to the recipient project.

If necessary, partners can request project revisions to re-program and, exceptionally, no-cost extension to extend the duration of the grant once for a maximum of three-month period, after strong justification.

5. Accountability

Accountability is the foundation for effective MHF management. It is exercised through a set of different components that enable the HC, mandated by the ERC, to ensure that: (i) implementing partners are delivering intended programmatic results; (ii) the MHF is managed responsibly and according to established guidelines; and ultimately (iii) the MHF is achieving its main objectives.

There are two types of accountability that articulate what the main stakeholders involved in the MHF processes are responsible for and should be held accountable for. This essentially relates to what the HC (and OCHA in its supporting function) and partners are respectively accountable for:

- **MHF Management:** Accountability relates to the ability of MHF to achieve their objectives as humanitarian financing mechanisms⁷. 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 matches those of approved project agreements.
- **Partners:** Accountability relates to the ability of individual organizations receiving MHF funding to achieve expected project results. This means that partners are ultimately responsible for project activities, project outputs and for reporting accurately on results.

Accountable use of MHF resources is ascertained through a set of different components which forms an accountability framework. The framework enables the HC, designated by the ERC, to ensure that: (i) partners are delivering intended programmatic results; (ii) MHF is managed responsibly and according to established policies; and ultimately (iii) that MHF is achieving its main objectives. The components are:

- Risk management
- Partner capacity and performance assessment and partner risk rating
- Reporting (financial and programmatic)
- Project monitoring and financial spot-checks
- Audits (project level)
- Evaluation of MHF Performance

5.1. Risk Management

Risk management has become increasingly recognized as an important tool across the UN system, including within OCHA, leading to several initiatives to better manage risks. The management of the MHF is based on a risk-based approach to ensure that a thorough analysis of risks has undertaken and that adequate assurance modalities are identified to mitigate these risks. The MHF risk management and assurance activities are undertaken at various levels on a continuous basis.

⁷ This is captured in figure 1 in the CBPF Policy Instruction.

At the Fund level, the MHF 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 consider risk analysis at both levels suggesting the appropriate assurance mechanisms.

At the partner level, the MHF is required to assess the capacity of each NGO implementing partner that seeks funding to determine eligibility. Eligible NGOs are categorized according to a specific risk rating which determines the minimum standard of 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.

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.

Table 1: Risk analysis and mitigation matrix

Risk (From most to least critical)	Likelihood	Impact	Mitigation strategy	Timeframe	Risk owners	Cost of mitigation (US\$)
1. Strategic and programmatic risks						
Unpredictability of donor contributions	High	Medium	Transfer Risk <i>Engage and consult with MHF donors to receive committed/pledged contribution early in the calendar year.</i> <i>Promote multi-year commitments</i> <i>Advocate new potential donors to increase availability of funding for humanitarian response</i>	Ongoing	<ul style="list-style-type: none"> Humanitarian Coordinator (HC) OCHA Head of Office (HoO) Donors OCHA DRS OCHA CBPF Section MHF Advisory Board 	HFU staff costs
Low absorption capacity in terms of project implementation	Moderate	High	Reduce Risk <i>Support and continued coaching the partner(s) by cluster coordinators to improve technical capacity and by HFU to enhance financial management capacity</i> <i>Providing timely feedback to partners about audit, monitoring reports, financial spot check reports and capacity assessments</i> <i>Continued engagement by HFU to strengthen the capacity of partners by means of trainings, knowledge sharing sessions, bi-lateral engagement and performance assessments.</i>	Ongoing	<ul style="list-style-type: none"> Partners Clusters OCHA HFU 	HFU staff costs Training / Workshops costs

Risk (From most to least critical)	Likelihood	Impact	Mitigation strategy	Timeframe	Risk owners	Cost of mitigation (US\$)
2. Governance and management risks						
Sexual exploitation and abuse (SEA) allegations in implementation and/or managing the MHF funded projects	Moderate	High	Reduce Risk <i>Assess the capacity of the partner to mitigate risks of SEA.</i> <i>Implement appropriate risk mitigation measures, including training, awareness sessions and monitoring if the MHF partner is having weak capacity to prevent or to mitigate risks of SEA</i>	Ongoing	<ul style="list-style-type: none"> • OCHA CBPF Section • OCHA HFU • Partners 	HFU staff costs Monitoring visits costs Training / Workshops costs
3. Financial and accountability risks						
Fraud / corruption and theft or diversion of goods	Moderate	High	Reduce Risk <i>Ensuring establishment/existence and implementation of fraud policy to protect fraudulent activities</i> <i>Reinforcing advocacy with partners on fraud and corruption reporting and prevention, including specific training sessions with the support of OCHA HQ such as RMU, OIOS, and FCS as well as with other UN agencies</i> <i>Conducting additional field monitoring visits, financial spot check or special audit, as and when required</i>	Ongoing	<ul style="list-style-type: none"> • Partners • OCHA RMU • OCHA OIOS • OCHA CBPF Section • OCHA HFU • Partners 	HFU staff costs Monitoring visits costs Training / Workshops costs
4. Coordination and partnerships risks						
Lack of effectiveness of the humanitarian coordination system vis-à-vis the operation and management of the Fund, and engagement and participation of humanitarian partners in the humanitarian coordination structures	Low	Medium	Reduce Risk <i>Outreach to MHF partners to engage in coordination mechanisms</i> <i>Continuous support and active participation in the humanitarian coordination structures by all MHF stakeholders.</i> <i>Increased participation by the sector/cluster coordinators and sector/clusters members in the allocation and monitoring processes.</i> <i>Conducting additional financial spot check or special audit, as and when required</i>	Ongoing	<ul style="list-style-type: none"> • HC • OCHA HoO • OCHA HFU • Clusters • Partners 	HFU staff costs

Risk (From most to least critical)	Likelihood	Impact	Mitigation strategy	Timeframe	Risk owners	Cost of mitigation (US\$)
5. Risks related to other hazards						
Mobility restrictions due to natural or man-made disasters, disruption of physical access, insecurity and/or Government policies	High	High	Reduce/Avoid Risk <i>Negotiations with governments and non-state armed groups to enhance access to people in need</i> <i>Regular review and monitor the situation to safeguard staff security</i> <i>Use of remote monitoring tools or contract third party monitoring to increase access and reduce effect of risk on accountability</i>	Ongoing	<ul style="list-style-type: none"> • HC • UNDSS • OCHA HoO • MHF Manager • Partners • Non-state Armed Groups • Government 	HFU staff costs

5.2. Risk-based Grant Management

An essential component of the MHF accountability framework is the analysis of the risk that is present when disbursing funds to each partner. Partner risk analysis is carried out by analyzing 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 to the partner. Over time, as partners receive funding and implement projects, risk ratings will increasingly be determined by partner performance.

Risk-based grant management serves three main functions: it aims at improving the management of MHF projects by matching grant management and oversight requirements with assessed risk e.g. low risk partners are subject to fewer controls; risk-based management 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.

5.2.1. Capacity Assessment of NGO Partners⁸

The main objective of conducting a capacity assessment of partners is to ensure better fund management and improve the effectiveness of the MHF by:

- Acquiring a portfolio of eligible implementing partners that can manage MHF funds;
- Shifting from a control-based approach to a risk-based management approach that mitigates risks;
- Identifying partner capacity gaps that need to be addressed.

Prospective NGO partners initiate the process to become a partner and request access to Grant Management System (GMS) by contacting the HFU and submitting a copy of **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 GMS that will create delays in generating and preparing the grant agreement and the disbursement process.

Once the registration process is concluded, the partner is granted access to the GMS (<https://cbpf.unocha.org/>) and the **Due Diligence** (DD) process begins. Once the DD process has been finalized and the partner has been successfully approved, the organization must undergo an **Internal Capacity Assessment** (see Annex 06, Global Questionnaire for ICA) to determine eligibility for funding and risk rating as per final score. Details could be referred in the Operational Handbook for CBPFs.

Partner Risk	
0-49.99	Ineligible
50.00-69.99	High
70.00-89.99	Medium
90.00-100.00	Low

UN agencies do not require to undergo DD but it requires to provide the information on office address, contact details of legal representative who signs the grant agreements and bank information to process grant agreements.

⁸ Including organizations of the Red Cross / Red Crescent Movement.

5.2.2. Performance Management and Performance Index

MHF continuously assesses performance of partners through the application of monitoring, reporting and financial controls tools, which provide up-to-date information on the quality and success of implementation. Within the MHF Accountability Framework, the GMS-based **performance index** identifies and aggregates the scores from the capacity assessment, audit reports and monitoring results, the quality and timeliness of submitted project document, revision requests and no-cost extensions (NCEs), and financial performance, as well as credible external sources. Consequently, a rolling aggregate risk level is assigned for each partner (high, medium or low).

Table 2: Partner Performance Index

Performance Index Categories (1-6)	Category weight
1. Quality of project document and timeliness of response: How do you assess the quality of the proposals and the timeliness of the response on comments made?	10%
2. Implementation status (Monitoring and Financial Spot-check findings): What is your overall assessment of the project implementation (quality and timeliness) against approved targets and time-frame? (In case of Financial Spot-check - what is your overall assessment of the soundness of the internal controls and the accuracy of the financial records?)	25%
3. Narrative reporting performance: How do you assess the quality and timeliness of the narrative report?	15%
4. Revision request/s: How do you assess the timeliness, frequency and justification of the project revision?	10%
5. Financial reporting performance: How do you assess the quality and performance of the financial report?	20%
6. Audit findings: How do you assess the audit findings?	20%

The scores assigned to each project on the above categories will be summarized in a Partner Performance Index (PPI) as follows:

Partner Performance Index		
Score	Description	Risk Rating
0 -49.99	Very poor performance	Ineligible
50.00 - 59.99	Poor performance	High
60.00 -69.99	Below average performance	High
70.00 - 79.99	Average performance	Medium
80 - 89.99	Above average performance	Medium
90 - 94.99	Good performance	Low
95 - 100.00	Outstanding performance	Low

5.2.3. Operational Modalities

The information about partners obtained through the MHF Accountability Framework tools, but also through other credible sources, is used to inform decisions on partner engagement modalities. The assurance mechanisms that are used to manage grants vary depending on three factors: partner risk level, value of the project, and duration of the project. These “operational modalities” in the table below are applied by OCHA Myanmar as a minimum standard for MHF, and consist of adjusting the following elements:

- Disbursement policy (i.e. number and percentage of disbursements)
- Funding ceiling
- Field monitoring visits
- Financial spot checks
- Narrative reporting requirements
- Financial reporting requirements
- Project audit

The details are outlined in the Operational Handbook for CBPFs for ensuring compliance with the grant management requirements as laid out in the Operational Modalities.

Table 3: MHF Operational Modalities (2018)

Risk level	Project duration (months)	Project value (thousand USD)	Project maximum amount (thousand USD)	Disbursements (in % of total)	Financial reporting			Narrative reporting		Monitoring		Audit
					For disbursement	Final	IPSAS*	Progress	Final	Field visit**	Financial spot check	
NGOs and Red Cross / Red Crescent Movement												
High	Less than 7	≤ 250	-	60-40	Yes	Yes	Yes	1	Yes	1	1	Yes
		> 250	500	50-50	Yes	Yes	Yes	1	Yes	1	1	Yes
	Between 7-12	≤ 250	-	40-40-20	Yes	Yes	Yes	2	Yes	1	1	Yes
		> 250	800	40-30-30	Yes	Yes	Yes	2	Yes	1	1	Yes
Medium	Less than 7	≤ 250	-	100	-	Yes	Yes	1	Yes	-	-	Yes
		> 250	700	80-20	Yes	Yes	Yes	1	Yes	1	1	Yes
	Between 7-12	≤ 250	-	80-20	Yes	Yes	Yes	1	Yes	1	1	Yes
		> 250	1,200	60-40	Yes	Yes	Yes	1	Yes	1	1	Yes
Low	Less than 7	≤ 400	-	100	-	Yes	Yes	-	Yes	-	-	Yes
		> 400	-	80-20	Yes	Yes	Yes	1	Yes	1	1	Yes
	Between 7-12	≤ 400	-	100	-	Yes	Yes	1	Yes	1	1	Yes
		> 400	-	80-20	Yes	Yes	Yes	1	Yes	1	1	Yes
UN Agencies												
N/A	Less than 7	≤ 400	-	100	-	Yes	Yes	-	Yes	-	-	-
		> 400	-	100	-	Yes	Yes	1	Yes	1	-	-
	Between 7-12	≤ 400	-	100	-	Yes	Yes	1	Yes	1	-	-
		> 400	-	100	-	Yes	Yes	1	Yes	1	-	-
<p>* International Public-Sector Accounting Standards Interim Report. For NGOs, the deadline of submission of this interim IPSAS report is 31 January of the following year, covering expenditure incurred up to 31 December of previous year (unless waived according to article X, paragraph 3 of the GA); for UN, deadline is 15 February of the following year.</p> <p>** Field visits will be conducted as safety/security and access allow. Other methodologies, such as remote call monitoring or third-party monitoring, will be implemented, as necessary.</p> <p>OCHA reserves the right to request additional reporting and conduct any monitoring activities and special audit as and when required.</p> <p>Allocation per project per individual partner will not be inferior to USD 100,000.</p>												

5.2.4. Compliance mechanisms

Through the accountability mechanisms, the HC aims to safeguard programmatic and financial management of MHF. Compliance measures enables 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:

- Overdue financial or narrative reports.
- No refund of unspent funds.
- 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).
- Critical findings from monitoring and financial spot checks.
- Violation of humanitarian principles and code of conduct⁹.
- Indication of possible fraud, corruption or misuse of funds.

Reference is made to the mechanisms outline in the Operational Handbook for CBPFs to ensure compliance with the grant management requirements as laid out in the Operational Modalities.

5.3. Monitoring

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

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

Monitoring of MHF funded projects is applied in accordance with the monitoring plan that is developed for each allocation and operational modalities of the Fund. For each funding instance, a monitoring plan is developed, specifying the type and frequency of monitoring to be applied on funded projects. The basis of this plan is informed by the partner risk level, project duration and amount, location of the project and other relevant information. The type of monitoring tools in the monitoring plan should be able to satisfy the minimum standards set out in the operational modalities.

⁹ Please find here the UN Standards of Conduct: <https://cdu.unlb.org/UNStandardsofConduct/CodeofConduct.aspx>

Monitoring activities are meant to verify the implementation level of partners' projects and qualitative aspects of interventions, to strengthen partnership with MHF stakeholders, and to engage and seek feedback from affected communities.

The OCHA HFU, with possible engagement with cluster coordinators and donors, will conduct monitoring and financial spot check as per the operational modalities. The MHF may use the following monitoring modalities to avoid duplication of monitoring efforts and promote synergy:

- Field visits (OCHA, cluster staff)
- Remote call monitoring
- Third party monitoring
- Financial spot check

Every MHF partner are mainly responsible to conduct own conventional monitoring of all MHF funded projects and maintain related records as good project implementation practice towards accountability. The OCHA HFU will be the oversight role to access progress made towards set targets and to verify the accuracy of reporting submitted by partners.

The stakeholders responsible for carrying out the monitoring are detailing in the Operational Handbook for CBPFs.

5.4. Reporting

At the partner level, MHF requires reporting, which is one of the key elements of the MHF Accountability Framework, to ensure that activities carried out are on track to reach proposed project objectives. It involves the quality review and analysis of narrative reports submitted by partners at project mid-term and final. The partner provides narrative and financial reports in line with the reporting requirements stipulated in the Annex B of the grant agreement or otherwise agreed in the accountability framework. In addition, any constraints (e.g. financial, logistical, security) that lead to significant changes to the project must be communicated to the HC and/or OCHA immediately. Table 4 summarizes MHF reporting requirements for MHF partners.

Table 4: MHF reporting requirements for partners

Type of reporting		Type of partners	Reporting timeline
Narrative	Progress	UN, NGOs	According to MHF Operational Modalities
	Final	UN, NGOs	Within but no later than two months after project end-date
Financial	Interim	NGOs	Upon utilization of 70% of disbursed funds and prior to application of the subsequent tranche, where applicable
	Interim (IPSAS)	NGOs	31 January of the following year covering expenditure incurred up to 31 December of previous year (unless waived according to article X, paragraph 3 of the GA)
		UN	15 February of the following year covering expenditure incurred previous year
	Final	NGOs	Within but no later than two months after project end-date
		UN	30 June of the following year covering expenditure incurred the entire project period

At the Fund level, OCHA HFU periodically reports on the use of the Fund through the Annual Report, issued once per year, and other periodic or ad hoc documents (dashboard/snapshot). To measure its performance, the MHF uses the common performance framework (CPF) for CBPFs, a management tool that provides a set of indicators to assess how well a Fund performs in relation to the policy objectives and operational standards set out in the Operational Handbook for CBPFs and the MHF Operational Manual. The CPF includes a set of 20 performance indicators to assess the Funds' overall ability to deliver their overarching objectives in line with five principles (areas): inclusiveness, flexibility, timeliness, efficiency, and accountability and risk management. In the first quarter of each year, the MHF will discuss the indicators with the AB and set the targets/benchmark and definitions of score ranges based on its context. Prior to finalizing its Annual Report, the MHF will present the results to AB and qualify the indicator's result (critical, below normal, normal, above normal, or exceeding vis-à-vis the context). The final results will then be published in the MHF's Annual Report.

5.5. Audit

The external audit is an oversight mechanism and an essential component of the MHF accountability framework. It enhances the transparency and sound financial management of resources allocated through MHF. Independent audit of all NGO executed projects funded through the MHF is conducted by an external audit firm and should be triggered within two months after approval of the final financial report. UN agencies are subject to internal oversight audit systems and other mechanisms established by their respective governing bodies.

MHF audits are conducted in accordance with the International Standards on Auditing, at locations determined by factors such as implementation, partner risk levels, and security and access considerations. A separate audit report is issued for each project, containing the audit findings and pointing to the areas that need to be addressed by the partner to improve its capacity and performance. The audit findings taken into consideration when the partner risk levels or future operational modalities are adjusted.

An Audit Contract based on a Long-Term Agreement (LTA) Contract, procured through the UN Procurement Division, is in place for all Country Based Pooled Funds including the MHF. It is the responsibility of the HFU to ensure Task Orders are in place under the relevant LTA to cover all upcoming audits in a timely manner and this is carried out in liaison with the OCHA Operational Services Section at HQ. The costs of the audit services will be covered by the MHF.

A risk-based approach may apply to audit the MHF partners by sampling a certain volume of resources for high, medium and low risk NGOs partners. Data on global allocation of resources are analyzed 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 the MHF.

OCHA/HFU will keep a log of all audit findings that may expose OCHA to high risks to ensure that partners address previous findings on management weaknesses before applying for new HPF funding. The audit performance will feed into the Performance Index of an implementing partner which will impact the risk level of NGO partners. OCHA/HFU may also recommend the HC to trigger a specific audit during project implementation if OCHA/HFU has reasonable concerns about the implementation of a project.

5.6. Complaint Mechanisms and Appeals Process

Stakeholders with insufficiently addressed concerns or complaints regarding the MHF processes or decisions can at any point in time contact the OCHA HoO with these concerns. 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 Advisory Board any such concerns or complaints and actions taken thereof.

The MHFComplaints@un.org email is available to receive feedback from stakeholders who believe they have been treated incorrectly or unfairly during any of the MHF processes. OCHA will compile, review, address and –if necessary- raise the issues to the HC, who will then take a decision on necessary action.

5.7. Reporting Fraud and Sexual Exploitation and Abuse

The MHF have **zero tolerance for abuse and misconduct**, including sexual exploitation and abuse. It shall communicate accordingly to its personnel and shall take all reasonable measures to prevent abuse and misconduct. In particular, but not limited, the MHF partner and further extended to sub-partner, consultants, contractors, vendors, and all allocated parties receiving funds from or providing goods, or services to the MHF, represent and certify to undertake all reasonable actions to prevent: sexual exploitation and abuse, sexual and work place harassment, discrimination, assault, threat, jeopardizing life of staff or others, abuse of authority, mismanagement, misuse and misappropriation of assets and funds, theft, fraud, corruption, misrepresentation, collusion and other violation of procurement principles, gross negligence, conflict of interest, violation of the relevant law, and/or of International Humanitarian, Human Rights and Refugee Law and of humanitarian principles, abuse of UN status, privileges and immunities, violation of confidentiality, violation of terms and contractual clauses

under the Grant Agreement. The MHF partner shall ensure that all possible measures are taken to prevent its personnel from exploiting and abusing vulnerable population and other persons of concern to OCHA and engaging in any form of behavior that could qualify as misconduct and abuse. The failure of the MHF partner to take effective measures to prevent such abuse or other misconduct, or the failure to investigate allegations of the same and to take disciplinary and corrective actions when misconduct is found to have occurred, will constitute grounds for termination of the agreement with OCHA.

Fraud, Corruption or Misuse of Funds

The MHF partner must comply with all requirements of the UN Standards of Conduct. The partner should report the Fund Manager whenever there is a credible indication of possible abuse and misconduct including fraud, corruption or misuse of funds related to MHF projects. OCHA HoO should then immediately inform the OCHA HQ (Chief of Country-based Pooled Fund Section). Self-reporting is mandatory. Individual cases should be reported to determine whether an investigation process is warranted. The CBPF Report Form on Suspected Fraudulent Acts by IPs should be used to document the facts of the case (see *Annex 07a*, Fraud Report Form). The decision to trigger an investigation is made by the OCHA HQ/EO with support from Chief of CBPF Section and in consultation with the OCHA HoO, HC and Operations and Advocacy Division (OAD)'s Chief of Section as appropriate. OCHA will apply appropriate conservative measures (e.g. suspension) to partners that are being investigated. Information sharing and communication should be handled on a confidential basis.

OCHA Standard Operating Procedure (SOP) on Suspected Fraud and Misuse of Funds (see *Annex 07b*) which describes the successive steps that OCHA will take in the event of an investigation into an implementing partner contracted under a CBPF. Information sharing and communication should be handled on a confidential basis.

Other incidents during the project cycle that affect a partners' ability to account for the use of funds or 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 within 30 days (see *Annex 07c*, Incident Reporting Guidelines and Incident Report Form). Incidents include theft by third parties, diversion of humanitarian assistance by a third party, looting of offices or warehouses, or loss of documents. These incidents should be reported to the MHF Advisory Board at a minimum on a six-months basis.

Allegations of Sexual Exploitation and Abuse

The United Nations Protocol on Allegations of Sexual Exploitation and Abuse involving Implementing Partners (*Annex 11*) was endorsed at the meeting of the High-Level Steering Group on Sexual Exploitation and Abuse held on 26 February 2018, outlines the requirements which United Nations entities need to fulfil in order to ensure that there are adequate safeguards in place and that appropriate action is taken in relation to protection from sexual exploitation and abuse when working with implementing partners. This protocol is aligned with the Secretary General's Bulletin, 9 October 2003 on "Special measures for protection from sexual exploitation and sexual abuse" (ST/SGB/2003/13).¹⁰

¹⁰ More information about preventing sexual exploitation and abuse can be found at:
<https://www.un.org/preventing-sexual-exploitation-and-abuse/content/documents>

The MHF shall assess the capacity of the partner to mitigate risks of SEA (see Table 5). If the MHF partner is assessed as having weak capacity to prevent or to mitigate risks of SEA, the OCHA HFU will implement appropriate risk mitigation measures, including capacity building and monitoring as outlined in the Table (5).

See Annex 11 United Nations Protocol on Allegations of Sexual Exploitation and Abuse involving Implementing Partners for a detailed guidance.

Table 5: Specific areas of risk assessment and appropriate mitigation measures related to allegations of SEA

Assessment Criteria	MHF Action
If the partner plans to sub-contract activities to another entity, the partner has the necessary reporting and monitoring mechanisms in place to prevent and respond to allegations and incidents of sexual exploitation and abuse (SEA).	Request the partner to describe reporting and monitoring mechanisms in place.
The partner has properly screened staff for involvement or alleged involvement in SEA or violations of human rights.	Confirm that reference and background checks for partner personnel have been completed.
The partner has reporting procedures in place for SEA allegations for employees, contractors/sub-implementing partners and beneficiaries.	Request and review partner's reporting procedure.
The partner is informed of the UN zero tolerance policy on SEA, and related UN agency, funds and programme policies on SEA.	Confirm in writing that the partner is informed of the UN zero tolerance policy on SEA, and related UN agency, funds and programmes policies on SEA.
The partner's staff who are working on MHF funded projects have completed SEA training, or equivalent.	Confirm that the partner has completed a SEA training, or equivalent.
The partner has dealt appropriately with any past SEA allegations.	Request the partner to describe any past allegations and outcomes.

6. Administration of MHF

6.1. Budget preparation principles

The objective of this section is to provide partners, OCHA Country Office, HFU and OCHA headquarters with a common framework to facilitate the appropriate preparation, review and clearance of project budgets (*Annex 05* Project Budget and Financial Reporting Tool). This guidance 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.

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:

Fund manager is responsible to ensure that:

- 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.
- 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:

- Verify the budget's factual correctness, checking coherence with the project proposal and logical framework.
- Flag concerns and seek clarification from fund managers on issues that may compromise compliance with UN rules and affect financial transparency and accountability.

The role of **MHF partners** in budgeting process is to:

- Provide a correct and fair budget breakdown of planned costs that are necessary to implement activities and achieve the objectives of the project.
- Use and comply with the budget template on GMS and guidance provided by OCHA for the classification and itemization of planned costs.

- 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.

See *Annex 02 Budget Guidance* of this Operational Manual and refer the Operational Handbook for CBPFs for a detailed budgetary guidance.

6.2. Eligible, Ineligible and Other Type of Costs

6.2.1. Eligible costs

The following attributes define the nature of eligible costs:

- Must be necessary and reasonable for the delivery of the objectives of the project.
- Must comply with the principles of sound financial management, particularly the principles of economy, efficiency, effectiveness, transparency and accountability.
- Must be identifiable in the accounting records and backed by original supporting evidence as incurred in accordance with the approved project proposal and period.

See *Annex 02 Budget Guidance* of this Operational Manual and refer the Operational Handbook for CBPFs for a detailed list of eligible costs.

6.2.2. Ineligible costs

The following costs are ineligible:

- Costs not included in the approved budget (taking into consideration duly approved budget revisions).
- Costs incurred outside the approved implementation period of the project (taking into consideration duly approved no-cost extensions).
- Debts and provisions for possible future losses or debts.
- Interest owed by the implementing partner to any third party.
- Items already financed from other sources.
- Purchases of land or buildings.
- Currency exchange losses.
- Cessions and rebates by the implementing partner, contractors or staff of the implementing partner of part of declared costs for the project.
- Government staff salaries.
- Hospitality expenses, provision of food/refreshments for project staff (not including water and hospitality for trainings, events and meeting directly related to project implementation).
- Incentives, mark-ups, gifts to staff.

- Fines and penalties.
- Duties, charges, taxes (including VAT) recoverable by the implementing partner.
- Global evaluation of programmes.
- Audit fees/system audit fees – these costs are paid directly by the fund¹¹.

6.2.3. 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:

- Government staff training as a component of a project activity that contributes to the achievement of the overall project objectives.
- Visibility material of the implementing partner directly related to projects funded by MHF.
- 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.
- Vehicles.
- Depreciation costs for non-expendable/durable equipment used for the project for which the cost is not funded in the current budget or prior MHF funding.
- Equipment for the regular operations of the implementing partner.
- Recurrent costs for the implementing partner's current operations.

¹¹ Those costs are charged as a direct cost for the management of the fund

7. 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 breath of the proposed changes is such that the project needs to be terminated. Under no circumstances should budget revisions increase the total budget originally approved by the HC.

NCE requests will be considered on a case-by-case basis, depending on the justification provided. Formal project revision request can be submitted at any point of time during the implementation period but not later than 30 days before expiration of the project. Request should be submitted through GMS with clear and strong justification. Depending on the nature of the revision, relevant GMS workflows will be activated by OCHA/HFU allowing partners to request the required amendments.

Refer section 5.3 of the Operational Handbook for CBPFs for further guidance.

8. 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. **Final financial statement and report approved by the fund manager and cleared by the Finance Officer from CBPF section.** Partners must submit the final financial statement (including an inventory of assets purchased under the grant) within 2 calendar months after the end of the project implementation (including NCEs). Once the final financial statement and report has been received, it will be pre-cleared by the fund manager and cleared by OCHA HQ/CBPF section (within one month).
- iii. **Audit arranged after clearance of the FFR.** After clearance of the FFR, the HFU will arrange the audit of completed project by the external audit firm engaged by OCHA Myanmar which will be audited within 2 months.
- iv. **Refund of unspent balance by the partner.** Following the completion of audit (when applicable), partners will be notified by OCHA about the exact amount to be refunded, if any. 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 03 Compliance Measures*). Proof of payment needs to be received and acknowledged by OCHA.
- v. **Closure of project in GMS.** OCHA HFU and CBPF section will review and close the project within 2 months from receipt of the audit report.

9. Additional information

For additional information consult the following sources:

- Relevant policies and guidelines pertaining the management of MHF can be found on the Fund's website at www.unocha.org/myanmar/about-mhf.
- GMS grant management support and guidance is available at <https://gms.unocha.org/support>.
- Real-time CBFPs information is available at <https://gms.unocha.org/bi>.
- MHF updated information could be explored through the MHF Twitter [@MHF_Myanmar](https://twitter.com/MHF_Myanmar) and the OCHA Myanmar Facebook page: [OCHA Myanmar](https://www.facebook.com/OCHAMyanmar).

10. Contact information



Myanmar Humanitarian Fund

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 Tel: +95 123 056 82-84 ext. 204
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unocha.org/myanmar/about-MHF

WEB PLATFORMS

CBPFs: www.unocha.org/our-work/humanitarian-financing/country-based-pooled-funds-cbpfs
 Financial Tracking Service: fts.unocha.org

SOCIAL MEDIA PLATFORMS

MHF Twitter: [@MHF_Myanmar](https://twitter.com/MHF_Myanmar)
 OCHA Myanmar Twitter: [@OCHAMyanmar](https://twitter.com/OCHAMyanmar)
 OCHA Myanmar Facebook: www.facebook.com/OCHAMyanmar

11. Review date

This manual has been presented to the Advisory Board on 9 July 2018 and endorsed by the Advisory Board and the Humanitarian Coordinator on 16 July 2018. The manual will be revised annually, before the end of the year.

Any feedback on the present document can also be communicated to OCHA at any time at: MHF-Myanmar@un.org.

12. List of Annexes

Annex 01	MHF Advisory Board's Terms of Reference
Annex 02	MHF Budget Guidance
Annex 03	Compliance Measures
Annex 04	Eligibility Process Guidance
Annex 05	ICA Checklist
Annex 06	ICA Global Questionnaire
Annex 07a	Fraud Report Form
Annex 07b	SOP on Suspected Fraud and Misuse of Funds
Annex 07c	Incident Report Form

Note: Please refer more annexes in the Operational Handbook for CBPFs for further guidance and support.