

Manual of the

# Aid Fund for Northern Syria

Version 4

March 2023

## ACRONYMS

AAP	Accountability to Affected Populations
CBPF	Country-based Pooled Fund
CHS	Core Humanitarian Standards
DDCA	Due Diligence and Capacity Assessment
FMA	Fund Management Agent
GMS	Grant Management System
HNO	Humanitarian Needs Overview
HPC	Humanitarian Planning Cycle
HRP	Humanitarian Response Plan
IASC	Inter-Agency Standing Committee
INGO	International NGO
IP	Implementing Partner
NGO	Non-Governmental Organisation
OCHA	UN Office for Coordination of Humanitarian Affairs
PSEAH	Prevention of Sexual Abuse and Harassment
RCMO	Red Cross/Red Crescent Movement Organisation
SB	Steering Board
SCHF	Syrian Cross-Border Humanitarian Fund
SNGO	Syrian NGO
STRC	Strategic and Technical Review Committee
TOR	Terms of Reference
TPM	Third Party Monitoring
UNO	UN Organisation
VaR	Value at Risk
WGS	Washington Group Short set (for collecting data on disability)

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# 1. INTRODUCTION

## BACKGROUND

The Aid Fund for Northern Syria (AFNS) was established to increase the diversity of mechanisms providing flexible multi-donor humanitarian assistance and to reduce the risk of discontinuity of such assistance in a dynamic context. It operates in addition to other mechanisms, including the Syrian Cross-Border Humanitarian Fund (SCHF), a country-based pooled fund (CBPF) managed locally by the UN Office for Coordination of Humanitarian Affairs (OCHA).

AFNS will work in harmony with the Syria Humanitarian Needs Overview (HNO), the Humanitarian Response Plan (HRP) and the Cluster coordination mechanism. The governance and operating model of AFNS has been designed to include significant alignment with SCHF's structures and business processes. This minimises the burden of new and different bureaucratic requirements on the wide range of actors contributing to the delivery of the HRP. It has also been designed to emulate the high degree of inclusivity and transparency in the governance structures and operation that the SCHF strives for.

## PURPOSE OF THIS MANUAL

This Manual forms part of the policy and procedural framework of AFNS, established under the Charter of AFNS originally adopted by the Steering Board on 24<sup>th</sup> January 2023.

### *Box 1: AFNS policy and procedural framework*

**Handbook:** Summary of the overarching fund governance & management framework.

**Manual:** Detailed compendium of governance, administration & operating procedures.

**Guide:** Step-by-step guide for implementing partners through the grant life cycle.

The Handbook provides a high-level overview of the AFNS's policy and procedural framework to assist the reader in understanding the key features and ways of working. This Manual includes detailed descriptions of administrative and operating procedures. The Guide provides implementing partners with a step-by-step guide to relevant the AFNS procedures through the grant life cycle.

## 2. MISSION, PRINCIPLES AND OBJECTIVES

### MISSION

The Aid Fund for Northern Syria (AFNS) brings together donor countries, multilateral agencies, nongovernmental organisations and the private sector in a collaborative arrangement with a collective mission to maintain the continuity of flexible multi-donor humanitarian assistance to northern Syria in a dynamic context and in harmony with the Humanitarian Response Plan (HRP).

### PRINCIPLES

- (i) We are focused on providing **flexible** humanitarian assistance and humanitarian protection to affected people in the northwest of Syria with unearmarked funding from a diversity of donor countries.
- (ii) We are **people-centred**; ensuring we are accountable to affected populations, committed to the prevention of sexual exploitation, abuse and harassment, and striving for gender equality and social inclusion in everything we do.
- (iii) We are **demand-driven**, financing activities that directly address humanitarian needs and considering the capacity and agency of affected populations.
- (iv) We are committed to **localisation**, promoting locally driven mechanisms to identify, define and address humanitarian needs and capacity constraints.
- (v) We are a **responsible** partner; we are inclusive and transparent, coordinating and collaborating with others responding to the humanitarian crisis in Syria.
- (vi) We are **committed** to following International Humanitarian Law and International Human Rights Law and alignment with relevant international frameworks, including the Grand Bargain and the Sustainable Development Goals.
- (vii) We strive to ensure the activities we fund respect humanitarian principles and meet **standards** of best practice, including Core Humanitarian Standards and Sphere standards.
- (viii) We are committed to ensuring funds are used solely to deliver humanitarian assistance to Syrians and determined to **prevent the diversion of funds** for any illegal purpose, including financing terrorism or breaching applicable sanctions.

### OBJECTIVES

- (i) **Save lives:** Provide lifesaving and life-sustaining humanitarian assistance to the most vulnerable people with an emphasis on those in areas with high severity of needs.
- (ii) **Strengthen localisation, early recovery, and harmonisation:** Supporting community-based, inclusive, rights-based and conflict-sensitive action that does no harm, contributes to positive change, and drives gender, age and ability equality.
- (iii) **Enhance protection:** Enhance the prevention and mitigation of protection risks and respond to protection needs through supporting a protective environment in Syria, by promoting adherence to the rule-of-law, International Humanitarian Law and International Human Rights Law, and through principled assistance.
- (iv) **Increase resilience:** Increase the resilience of affected communities by improving access to more sustainable livelihood opportunities and basic services, especially among the most vulnerable households and communities.

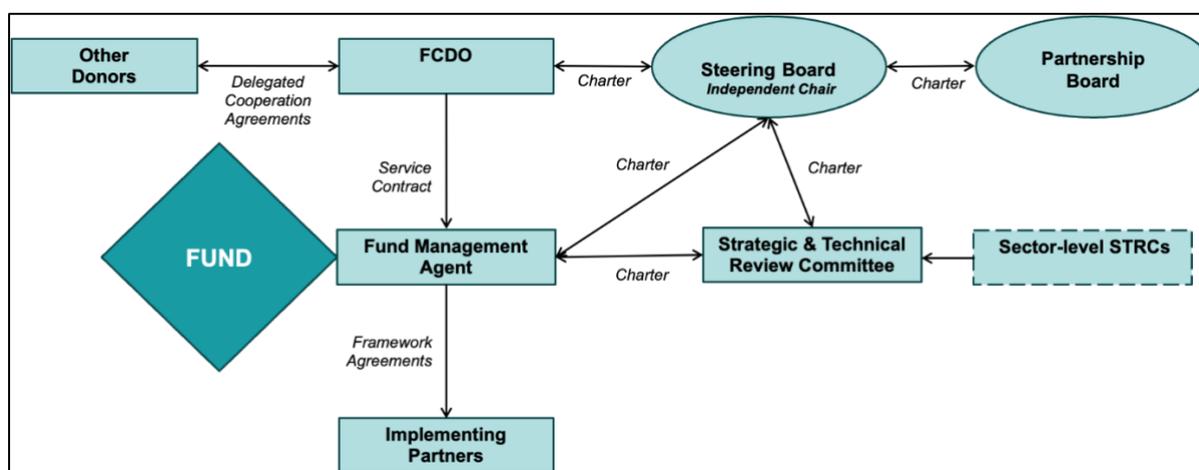
### 3. GOVERNANCE

#### STRUCTURE

The governance of AFNS is highly participatory, with decision-making authority vested in a Steering Board (SB) comprising broad representation from donors, Syrian and international NGOs. The SB includes an Independent Chair, a respected figure within the international humanitarian community with a remit to provide high-level representation for AFNS and to foster consensus-based decision-making by the SB. The Partnership Board is in place solely to assist the SB in reaching consensus decisions on rare occasions when reaching consensus is not straightforward.

The governance structure includes a Strategic and Technical Review Committee (STRC), formed on ad hoc basis for each allocation, comprising experts from the community of practice engaged in humanitarian response in northern Syria, which provides technical advice to the SB on Allocation Strategies and Allocations. The STRC is, in turn, advised by sector-level strategic and technical committees which support the Fund Management Agent (FMA) on the development and execution of Allocation Strategies.

Figure 1: Governance structure



The FMA is responsible for all secretariat and trustee functions. It provides administrative and operational support to the SB, the Independent Chair and the STRC and is responsible for managing donor funds in line with the AFNS’s policy and procedural framework as adopted by the SB.

Implementing Partners (IPs) are a critical component of the overall governance of AFNS. The Steering Board includes representation from IPs and potential IPs, giving them a voice in how AFNS is governed. Furthermore, the FMA, in line with *AFNS Principle (v)* is committed to operating as a responsible partner, committed to being “inclusive and transparent, coordinating and collaborating with others tackling the humanitarian crisis in Syria”.

Colleagues working for other agencies and entities at the sector level also play a role in the effective governance of AFNS, through their participation in ad hoc strategic and technical review committees. These committees make an essential contribution to the formulation and execution of Allocation Strategies, helping to develop project monitoring and risk management plans for IPs and advising on the handling of compliance issues that may arise from time-to-time in the implementation of projects.

AFNS donors have signed-up to this participatory governance structure, with an Independent Chair at the helm of the SB, signalling AFNS's serious commitment to transparency and genuine cooperation in the delivery of humanitarian assistance.

## ROLES AND RESPONSIBILITIES

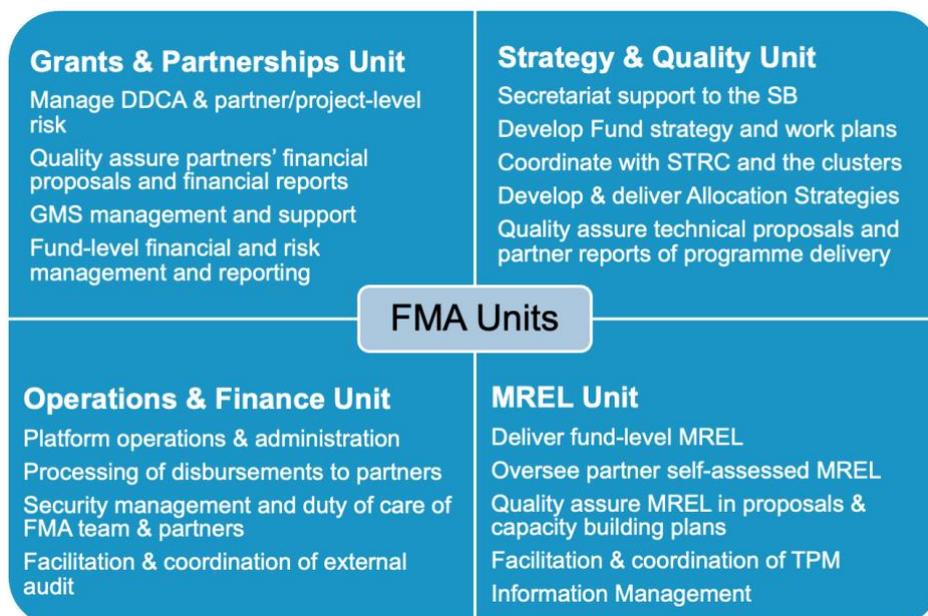
The roles and responsibilities of the SB, STRC, Independent Chair and the FMA are set out in their terms of reference (TORs), as adopted by the SB at its inaugural meeting. Figure 2 provides a high-level summary of these TORs. The full, detailed TORs are included in the AFNS Manual.

**Figure 2: Terms of reference overview**



The TORs place great emphasis on decision-making by consensus and fostering mutually supportive relationships between the different components of the governance structure. AFNS's success hinges on cohesion amongst these different components, with everyone working with common purpose, collective responsibility and mutual respect.

**Figure 3: Functional units of the FMA**



## 4. ALLOCATION OF FUNDS

AFNS receives funds from donors to be utilised to fund projects for the following categories of implementing partner (IP):

- (i) Syrian Non-Governmental NGOs (SNGOs)
- (ii) International Non-Governmental NGOs (INGOs)
- (iii) Red Cross / Red Crescent Movement Organisations (RCMOs)

AFNS allocates funds through two distinct processes:

- (i) Regular Allocations: conducted periodically, in alignment with the UN Humanitarian Planning Cycle (HPC) and Cluster priorities to deliver predictable support to priorities in the Humanitarian Response Plan (HRP) and always involving open calls for proposals
- (ii) Special Allocations: conducted on an ad hoc basis through streamlined processes to allow flexible and rapid funding in special circumstances (e.g., unforeseen events, acute emergencies, contextual developments)

In deciding whether to apply for funding through these allocation processes, IPs and potential IPs should carefully consider:

- (i) The process for qualifying to become an implementing partner which can receive AFNS funding (see Section 5, new applicants only)
- (ii) The thresholds and limits in relation to project duration and value, which take into consideration risks associated with all ongoing and proposed AFNS-funded projects for each implementing partner (see below)

### ALLOCATION CRITERIA

#### *Thresholds and limits*

AFNS sets certain limits on grant value and duration. These thresholds and limits are intended to serve as handrails. Exceptions to these thresholds and limits may be made to satisfy compelling programme delivery needs, but all such exceptions must be approved by the SB.

**Table 4.1: Grant thresholds and limits**

		Type	
		Regular Allocation	Special Allocation
Duration (months)	Minimum threshold	-	-
	Maximum limit	12	12
Value (US\$)	Minimum threshold	250,000	100,000
	Maximum limit	5,000,000	5,000,000

In exceptional circumstances, through a no-cost extension, a grant may be extended beyond the 12-month limit. However, this must be clearly justified on the grounds ensuring programme delivery and, in any case, the total duration must not exceed 15 months.

Grant value limits are graduated based on the capacity of the IP and the nature and duration of project activities. For IPs who already have AFNS-funded projects under implementation, there is also a ceiling on undisbursed grant value. The grant value limits are determined for each IP based on its capacity-performance rating (CPR), which is determined by its capacity-performance score (CPS). The methodology for calculating the CPS is described in Section 8 of this Manual. Table 4.2

sets out the limits for single grants and, where an IP receives more than one grant contemporaneously, the limits on undisbursed grant value.

**Table 4.2: Grant value limits**

CPS			US\$		US\$
Lower	Upper	CPR	Maximum single grant value (annualised)	Multiplier	Maximum undisbursed grant value
90.00	100.00	5	5,000,000	2	10,000,000
80.00	89.99	4	4,000,000	1.75	7,000,000
70.00	79.99	3	3,000,000	1.5	4,500,000
60.00	69.99	2	2,000,000	1.25	2,500,000
55.00	59.99	1b	1,000,000	1	1,000,000
50.00	54.99	1a	500,000	1	500,000
0.00	49.99	0	0	0	0

The limit for single grants is annualised. This means that if, for example, a grant is awarded to an IP with a CPR score of 3 for a 6-month project, the maximum grant available is calculated as follows:  $6 \div 12 \times 3,000,000 = 1,500,000$ .

IPs must pay very careful attention to these limits when deciding whether to submit a proposal for an Allocation. Any proposal that would breach the single grant value limit or the undisbursed grant value limit will be considered ineligible.

### *Technology*

IPs must be able to engage with AFNS through its Grant Management System (GMS). The GMS is a web-based platform through which AFNS manages all its grants. This is mandatory to ensure effective risk management and accountability, as well as to comply with data privacy and data security standards. No exceptions can be made.

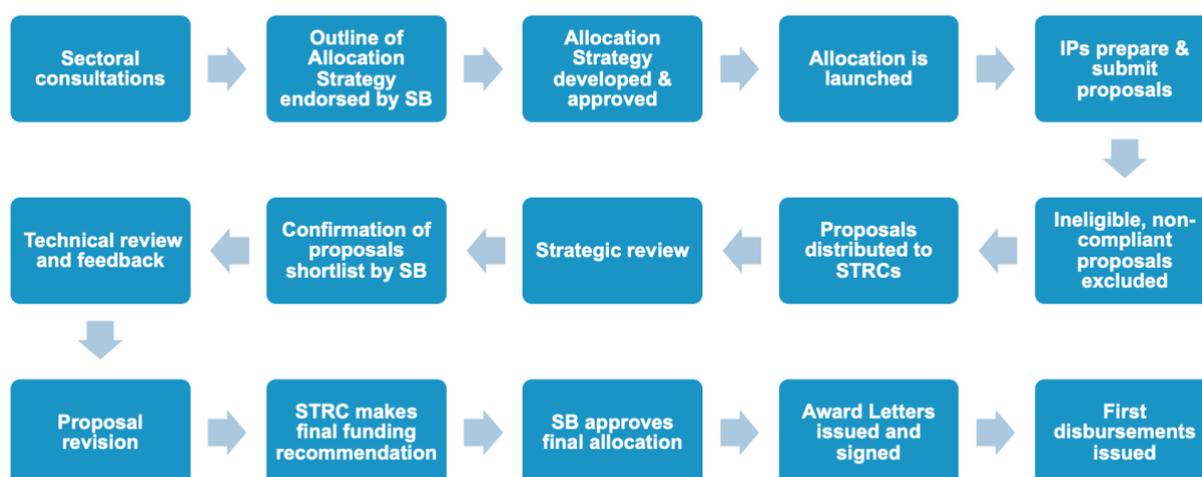
## **ALLOCATION PROCESS**

### *Regular Allocations*

Regular Allocations will channel the majority of AFNS funds on at least an annual basis<sup>1</sup>. They will be timed to align, as far as possible, with other major mechanisms providing funding to address priorities in the HRP. Ideally, there will be two Regular Allocations per year, in line with the HPC. AFNS has an indicative target of US\$ 50 million per Regular Allocation. Regular Allocation processes will typically take 15 weeks from launch to first disbursement. Annex 1 sets out the indicative timeline for Regular Allocations.

<sup>1</sup> As a matter of principle, subject to the availability of funding, and subject to the overarching mission of meeting humanitarian needs in harmony with the HRP, AFNS will strive to make multiple Regular Allocations each year.

Figure 4: Regular Allocation process flow



Regular Allocations are executed in accordance with an Allocation Strategy for each Regular Allocation. The AFNS SB approves all Regular Allocations and Allocation Strategies. In giving these approvals, the Steering Board is advised by the Independent Chair of the SB and by the STRC.

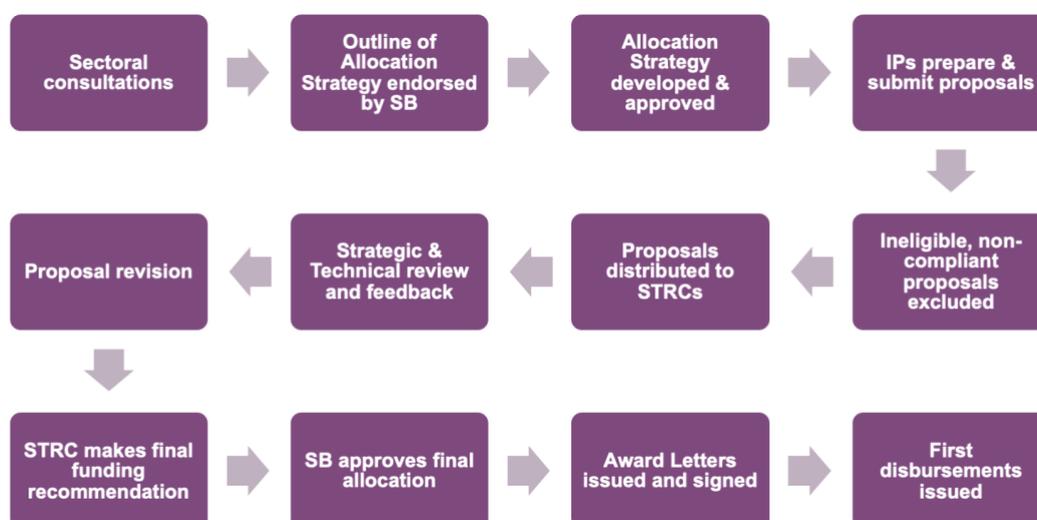
Development of Regular Allocations and the underlying Allocation Strategies is coordinated by the FMA, with extensive input and support from strategic and technical review committees formed at the sector level.

Regular Allocations follow an open, transparent and competitive process through which **Qualified IPs** (see Section 5) may submit project proposals.

### Special Allocations

Special Allocations are conducted on a more ad hoc basis through streamlined processes to allow flexible and rapid funding in special circumstances. For example, they may be launched to respond rapidly to unforeseen events, acute emergencies, and other significant contextual developments. AFNS has an indicative target of US\$ 15 million to \$ 25 million per Special Allocation. Special Allocation processes will typically take seven weeks from launch to first disbursement. Annex 1 sets out the indicative timeline for Special Allocations, though the timeframe will likely vary depending on the circumstances.

Figure 5: Special Allocation process flow



Special Allocations are executed based on a brief Special Allocation Strategy paper. Steering Board approval for Special Allocations (and the Strategy paper) is required, based on advice from the Independent Chair and STRC. However, such approvals may be obtained remotely, with no requirement for a formal Steering Board meeting.

Development of Special Allocations and the underlying Special Allocation Strategies is coordinated by the FMA, with extensive input from colleagues working at the sector level.

Special Allocations follow a limited, closed, competitive process through which specific **Qualified IPs** are invited, in accordance with transparent and specific selection criteria, to submit proposals. This process will be defined in the Special Allocation Strategy paper approved by the SB.

## **ALLOCATION STRATEGIES**

Allocations begin with the development of an Allocation Strategy paper, led by the FMA, with advice from the Fund-level STRC, and based on extensive consultations with technical specialists coordinating and delivering humanitarian assistance at the sector level. Allocations are publicly launched when the Steering Board has approved Allocation Strategy.

Once the Allocation Strategy has been published along with sector-specific Proposal Guidelines (where appropriate), qualified IPs are invited to submit grant applications.

## **GRANT APPLICATION**

Only **Qualified IP's** may submit applications under AFNS Allocations.<sup>2</sup> Annex 1 is a step-by-step process for AFNS Allocations. All applications must follow the templates and guidance provided by AFNS. If they do not, they will be excluded from the process at the pre-filtering stage (step 2.2).

This section provides guidance on the format and content of technical and financial proposals to be submitted in a grant application. However, in addition to this guidance, IPs are reminded to:

- (i) Follow carefully all Allocation-specific guidance provided in the approved Allocation Strategy shared by the FMA (step 1.5), to ensure alignment with the Fund's objectives and processes for the Allocation
- (ii) Ensure that applications are submitted via the GMS by the specified deadline; to ensure fair and equal treatment of all applicants no exceptions will be made to this rule and IPs are advised to submit their applications well in advance of the deadline to allow time to troubleshoot any technical issues (e.g., internet connectivity and browser issues, incorrect user account/password details, etc.)

### *Technical proposals*

As each Allocation Strategy is launched, a technical proposal template will be provided. Applicants must use the technical proposal template provided and adhere to the maximum character limits specified in the template. Proposals that do not meet these requirements will be excluded from the process at the pre-filtering state (step 2.2).

The technical proposal template is Microsoft Word-based, facilitating collaboration and off-line working amongst applicant staff. The template requires only summary information in certain areas, including data disaggregation, indicators and risk registers. Such information is very time-consuming to produce and can quickly become outdated. However, successful applicants will be

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<sup>2</sup> There may be exceptions to this rule for some Special Allocations, but any such exceptions must be approved by the Steering Board.

required to provide more detailed information, via the GMS, in these areas as a condition of the grant award. Furthermore, they will be required to upload to the GMS certain other information provided in the technical proposal as a condition of the grant award.

The FMA is committed to ensuring that it funds only activities that respect humanitarian principles and meet standards of best practice, including Core Humanitarian Standards and Sphere standards. Applicants are reminded of AFNS's deep commitment to accountability of affected populations (AAP) and localisation, and they are urged to think carefully about AAP at every stage in the process of developing and implementing project proposals (see Annex 2).

### *Financial proposals*

As each Allocation Strategy is launched, a financial proposal template will be provided. Applicants must use the financial proposal template and adhere to the guidance specified in the template and adhere to the AFNS Budgeting Guidance set out in Annex 3. Proposals that do not meet these requirements will be excluded from the process at the pre-filtering stage (step 2.2).

As trustee of AFNS, the FMA is committed to ensure that the principles of economy, efficiency, effectiveness, transparency and accountability in the use of AFNS funds are comprehensively and consistently adhered to across all its programmes. In relation to its Regular and Special Allocation programmes, the FMA expects applicants for grants and implementing partners to honour these principles, ensuring that project budget inputs are commensurate with the planned activities and the expected outputs. Accordingly, project budgets must be a fair, accurate and reasonable reflection of the cost of implementing the objectives and the activities reflected in the work plan.

## **GRANT APPLICATION EVALUATION**

As trustee of AFNS, to safeguard the reputation of the Fund, the FMA is committed to administering the grant application evaluation process to the highest standards of probity and best practice.

The FMA works closely with the relevant STRCs to manage the evaluation process:

- (i) Formation of evaluation panel: comprising technical experts from the relevant STRC and the FMA staff; all members must sign a code of conduct prior to joining the panel
- (ii) Scorecard design: tailoring of the generic scorecard (see Table 4.3), as agreed by the evaluation panel
- (iii) Strategic review: scoring of strategic alignment of the application
- (iv) Technical and financial: scoring of technical and financial aspects of the application

For Regular Allocations, the strategic review is conducted as an initial step to filter out proposals that do not demonstrate sufficient strategic alignment with the Allocation Strategy and the Fund's mission, principles and objectives. A score of less than 20 out of 25 marks will typically be deemed insufficient and the proposal will not be taken forward for further evaluation. The findings of the strategic review will be recorded in a Strategic Update Paper to be submitted to the Steering Board for 'no objection' to proceed to the technical and financial review stage.

For Special Allocations, which need to be executed over a compressed timeframe, the strategic review phase and the technical and financial review phase are merged into one step.

Once the evaluation of proposals is complete, a short list of the higher-scoring proposals will be produced and, at the discretion of the FMA and STRC, clarifications and amendments of these proposals may be required.

For both Regular and Special Allocations, the FMA prepares an Allocation Approval Paper that documents the results of the evaluation process, presenting the final short list of proposals, and

endorsed by the Fund-level STRC. The Allocation Approval Paper is submitted to the Steering Board for final approval.

## GRANT AWARDS

At the end of the allocation, the IPs who submitted the selected proposals move forward to a negotiation phase through which any final required changes to proposals and budgets . Once these are finalised, the IPs will receive Grant Award Letters, setting out any special terms and conditions applying to the specific grant being awarded and attaching, for the record, final versions of technical and financial proposals.

Project expenditure is eligible only from the effective date shown in the Award Letter.

## GRANT EXTENSIONS

All grant extensions must be cleared by the Fund Manager and must be formalised through an amendment to the Grant Award Letter.

Cost extensions are permitted under exceptional circumstances and must be approved by the SB.

No-cost extensions (NCEs) will be considered on a case-by-case basis, depending on the rationale and evidence of progress collected through narrative and financial reports and the likelihood of additional impact. Field monitoring visits and spot checks may also be used to inform decision-making. The maximum duration of a no-cost extended project is 15 months.

## PROJECT AMENDMENTS

Project amendments may be required for various reasons, potentially changing one or more of its scope, duration and budget. Amendments may also be required by the FMA, in consultation with the IP, based on lessons learned from, inter alia, monitoring activities. IPs must make formal request for a project amendment using a Project Amendment Request Form (available from the FMA on request). It is the responsibility of the IP to consult with the FMA if there is any doubt as to whether a Project Amendment Request is required.

Project Amendment Request Forms should be submitted, along with all the required information and supporting evidence, as soon as the need for an amendment has been identified and never less than one month prior to the end of the project. Incomplete submissions or submissions received less than one month before the project end date shall be automatically rejected.

The FMA, in consultation with Cluster colleagues and other sector stakeholders, will assess the rationale and justification for the amendment and determine whether the proposed changes are acceptable, and whether an amendment to the Grant Award letter is required. Where the proposed changes represent a fundamental change in the project, and it is determined that the project cannot continue to deliver in-line with the originally agreed proposal, the FMA may determine that the only way forward is to terminate the project.

The following changes do not necessarily require an amendment to the Grant Award Letter, provided they do not result a major deviation from intended project outcomes:

- (i) Change in project location
- (ii) Change in number of beneficiaries
- (iii) Change in a project activity

Changes that do require an amendment to the Grant Award Letter include but are not limited to:

- (i) Changes to the project budget exceeding the tolerance limits specified in the Budget Guidance (Annex 3)
- (ii) Addition of a new budget line item within a Budget Category breakdown
- (iii) Change in duration of the project
- (iv) Change in project banking arrangements

## **PROJECT CLOSURE**

A grant will be considered closed when the following conditions are met:

- (i) Final narrative report received and cleared by the Fund Manager. IPs must submit the report within 2 months of the end date of the grant. These reports must address any recommendations or comments flagged through the TPM site visit or Data Quality Assessment reports in a satisfactory manner. The Fund Manager has up to 1 month from receipt to review and clear the report.
- (ii) Final financial report received and cleared by the Fund Manager. IPs must submit the report within 2 months of the end date of the grant (including an inventory of assets purchased under the grant with purchase value over \$500 per asset). The Fund Manager has up to 1 month from receipt to review and clear the report.
- (iii) Audit of the project, commissioned and financed by AFNS, must be completed within 3 months of the date of clearance of the final financial report.
- (iv) Project formally cleared for closure by the Fund Manager, within 1 month of receipt of the project audit report.
- (v) Reimbursement of unspent or ineligible expenditures and interest income earned on project funds (which must be included in all financial reports related to the project). IPs have 1 month from the date of notification to refund the amounts due.

## **OTHER PROGRAMMES**

In addition to Regular and Special Allocations, the AFNS Charter permits allocation of resources from the pooled fund to the following programmes:

- (i) **Steering Board:** The Steering Board may, from time to time, incur costs in discharging its duties. With support from the Fund Management Agent, the Steering Board prepares and adopts an annual budget for such costs.
- (ii) **Fund Management Agent:** The FM) incurs costs in the execution of its contractual responsibilities to administer and operate trust funds. The Steering Board adopts an annual budget for these costs.
- (iii) **Independent audit and evaluation:** Provision is made for the conduct of independent audit and evaluation of trust funds established to deliver the mission and objectives of AFNS. The Steering Board adopts an annual budget for these costs.

## 5. QUALIFICATION FOR FUNDING

AFNS funds projects implemented by:

- (i) Syrian Non-Governmental NGOs (SNGOs)
- (ii) International Non-Governmental NGOs (INGOs)
- (iii) Red Cross / Red Crescent Movement Organisations (RCMOs)

To receive funding from AFNS, organisations must be an approved Implementing Partner (IP) of AFNS.

To apply to become an IP, organisations must first register on the AFNS Grant Management Systems (GMS). (See 'How to apply' page at [www.afns.org](http://www.afns.org).)

The application process to become an IP has four stages:

- (i) Stage 1: Eligibility
- (ii) Stage 2: Due diligence
- (iii) Stage 3: Capacity assessment
- (iv) Stage 4: Framework agreement

### STAGE 1: ELIGIBILITY

Eligibility to move to Stage 2 of the application process is subject to the following criteria. The applicant should:

- (i) Be a non-profit organisation with an active registration in Türkiye (evidenced by Faaliyet Belgesi)
- (ii) Have an active bank account in Türkiye

When an applicant organisation is deemed eligible, based on verifiable information received from the applicant, it moves forward to the due diligence stage.

### STAGE 2: DUE DILIGENCE

Applicants must complete all the forms and supply all the documentation requirements set out in the Grant Management System (GMS). All information provided will be reviewed by the FMA which will determine whether the due diligence requirements are met.

As a first step, applicant organisations and their senior leadership will be subject to vetting checks. The FMA uses Navex<sup>3</sup> to vet organisations and RDC<sup>4</sup> to vet individuals. All issues raised through the vetting process must be addressed before proceeding through the due diligence stage.

Notwithstanding the need to meet all due diligence requirements, applicants should note the following fundamental requirement that they have capacity to:

- (i) Safely transfer funds into the northwest of Syria
- (ii) Access northwest Syria and implement projects there

When an applicant organisation **successfully** passes the due diligence process, it moves forward to the capacity assessment process.

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<sup>3</sup> NAVEX is a recognised leader in risk/compliance management software/services deployed by over 13,000 customers in more than 85 countries.

<sup>4</sup> The Regulatory Data Corp was established by 20 of the world's largest financial institutions. RDC software and services help customers identify and manage risk arising from fraud, corruption, money laundering and terrorist financing as well as other risk-relevant activities.

### STAGE 3: CAPACITY ASSESSMENT

The capacity assessment process assesses the governance, technical and financial capacity of the applicant. The FMA is required to make this assessment based on verifiable information supplied by the applicant through the GMS platform. This involves:

- (i) completion by the applicant of a capacity assessment checklist and submission of relevant supporting documents
- (ii) completion of a capacity assessment questionnaire by the FMA, based on evidenced provided through documentation supplied by the applicant and interviews with applicant staff members

The capacity assessment process will comprise some or all of the following:

- (i) Desk-based review of information supplied by the applicant
- (ii) Interviews with applicant staff members
- (iii) Interviews with other key informants, including but not limited to:
  - a. donors who have funded the applicant
  - b. implementing partners who have worked with the applicant
  - c. 'Cluster' members
  - d. Community representatives
- (iv) Visits to applicants' offices

The FMA reserves the right to interview other key informants and conduct visits to the applicant's office to corroborate findings and evidence gathered through the capacity assessment process.

The applicant will be assigned a capacity assessment score and, as appropriate, receive advice from the FMA on any capacity-building needs. The score is based on evidence gathered through the capacity assessment process. Key capacity areas are defined and various aspects of performance in these capacity areas are considered. A weighting is assigned to each capacity area.

**Table 5.1: Capacity assessment scoring approach**

Capacity area	Weight (%)	Examples of aspects considered
Governance and management control	15	Effectiveness of the Board and senior leadership; compliance with legal and regulatory requirements; management culture and conduct; general control environment
Risk management and compliance	15	Quality of risk management tools deployed; leadership engagement in risk management; resources dedicated to risk management; effectiveness of learning and follow-up response to incidents and issues
Financial management & control	10	Automation and design of financial management processes; quality of financial information used for decision-making; segregation of duties and other key controls; response to internal and external audit findings
Procurement	10	Quality of policies and procedures; implementation of policies and procedures; supply chain management
People management	5	Automation and design of HR management processes; compliance with HR policies and procedures; staff satisfaction/turnover
Project management	10	Quality of project management systems; quality of risk management systems; technical capacity of staff
Organisational sustainability	5	Quality of business and financial planning processes; adaptability of the organisation to changing context; fund-raising strategies
Strategic considerations	30	Localisation; Safeguarding; IT and cyber security; GESI within the organisation as well as in project design and delivery; Absorptive capacity
	100	

Table 5.1 provides an indicative guide to the scoring approach. However, this approach will be reviewed and refined on an ongoing basis to, for example, adapt to the operating context. In particular, the weight and content of strategic consideration is likely to evolve over time.

An applicant organisation must receive a capacity assessment score (CAS) of 50% or more before it successfully passes the capacity assessment process it can move forward to the framework agreement process. Applicants that receive a score below 50% may apply as soon as 6 months after their previous capacity assessment, subject to a limit of 3 applications over a 3-year period.

Based on the CAS, the applicant will be assigned a capacity rating as indicated in Table 5.2. The IP will also receive, as appropriate, advice from the FMA on any capacity-building needs. If applicable, a timebound capacity-building plan shall be included in the framework agreement with the IP.

**Table 5.2: Capacity rating**

CAS	Capacity rating
90 - 100	5
80 - 89.99	4
70 - 79.99	3
60 - 69.99	2
55 - 59.99	1b
50 - 54.99	1a
00 - 49.99	Disqualified (can apply again after 6 months, subject to limit of 3 applications in 3 years)

For the purposes of an IP's first grant award from AFNS, the Capacity Rating (CR) shall be used to determine grant value ceilings in line with Table 4.2 (see Section 4). Over time, as the IP implements AFNS grants, the quality of its performance will be factored-in to calculate a Capacity Performance Rating (CPR). The CPR will then determine the grant value ceilings for the IP for any future awards (see Section 8).

#### **STAGE 4: FRAMEWORK AGREEMENT**

The applicant must sign a standard framework agreement with Adam Smith International acting as the FMA for AFNS. No amendments to the standard framework agreement are permitted.

When an applicant organisation has signed a framework agreement, it becomes a **Qualified IP** and can apply for grant funding through AFNS' Allocation process. Special conditions may be attached to the framework agreement to formalise any mutually agreed IP capacity strengthening requirements. The FMA will work with the IP to address these capacity strengthening requirements and provide technical support where feasible and necessary.

If a Qualified IP has not implemented any AFNS-funded projects for a period of 18 months, it may be required, at the sole discretion of the FMA, to repeat the due diligence and capacity assessment process.

## 6. ACCOUNTABILITY

Effective management of AFNS to achieve its mission and objectives depends on a robust accountability framework. AFNS' accountability framework is designed to ensure that:

- (i) the FMA manages AFNS in strict adherence to the policy and procedural framework adopted by the SB
- (ii) AFNS' implementing partners are delivering results and impact in line with their Framework Agreements and Award Letters

The FMA is responsible and accountable for:

- (i) preparing and executing high-quality Allocation Strategies
- (ii) selecting, monitoring and, where appropriate, supporting the capacity-building efforts of qualified implementing partners
- (iii) monitoring implementation of projects, verifying that the results reported by IPs are in line with their technical and financial proposals and ensuring that best practices are applied, with particular focus on accountability to affected populations (AAP)

The IPs are responsible and accountable for delivering:

- (i) results and impact in line with their technical proposals
- (ii) budget execution in line with their financial proposals
- (iii) compliance with AFNS's legally binding terms and conditions set out in the Partner Framework Agreement and Grant Award Letters
- (iv) meaningful engagement with the recipients of aid at all stages of the programming cycle

The accountability framework comprises four elements, assessing AAP compliance throughout:

- (i) Reporting
- (ii) Monitoring
- (iii) Audit
- (iv) Evaluation

Reporting and monitoring are conducted by IPs and the FMA (except for Third Party Monitoring, see below). Audits and evaluations are conducted by external, independent organisations.

### REPORTING

#### *Implementing Partner Reporting*

AFNS requires regular, standardised reporting to monitor project delivery and risk, as well as to ensure effective management of financial resources. Table 6.1 summarises standard reporting requirements. The frequency and content of reporting requirements may be adjusted based on, inter alia, the capacity of the IP, the grant value, and the nature and duration of project activities.<sup>5</sup>

Reporting requirements for each project will be agreed by the FMA and the IP at the outset of the project and recorded in the GMS. Based on, inter alia, findings from monitoring activities, and changes in the operating context, the FMA reserves the right to modify the reporting requirements.

**Figure 6: Accountability framework**



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<sup>5</sup> Additional financial reporting requirements may include provision of complete lists of bank transactions related to the project, detailed expenditure reports and payroll reports.

**Table 6.1: Standard reporting requirements**

Reporting area	Timing/frequency	Description	Template
Delivery and Risk	Inception	Brief narrative reporting (with high-level financial information) to foster collaboration between AFNS and IPs to tackle any risks and challenges encountered in the early stages of a project.	Annex 4: Delivery & Risk Reporting Template (Inception)
	Calendar quarterly	Comprehensive and detailed reporting of progress in project delivery, as of 31 March, 30 June, 30 September, and 31 December.	Annex 5: Delivery & Risk Reporting Template (Quarterly)
	Project closure	Final narrative report as of the end date of the project, to be submitted within two calendar months of the end date of the grant.	
Financial	AFNS year end	Financial report as of 31 March for inclusion in the AFNS Annual Report.	A Financial Reporting Template will be provided with each Allocation Strategy
	Pre-disbursement	Financial report as of the one month prior to each disbursement (except for initial disbursement).	
	Project closure	Final financial report as of the end date of the project, to be submitted within two calendar months of the end date of the grant.	

IP's must use the reporting templates specified in Table 6.1. Overall, the aim is to help IPs to consistently produce high-quality reports that effectively communicate the impact of the project and meet AFNS's reporting requirements. This helps to ensure the quality of AFNS's own reporting and hence contributes to the common goal of mobilising assistance for the humanitarian response.

## MONITORING

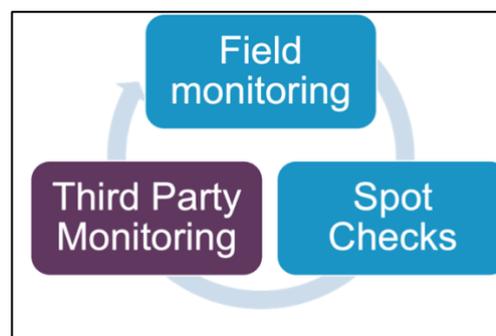
Project monitoring is primarily the responsibility of IPs, giving assurance they are delivering contractually agreed results. Colleagues working for other agencies and entities at the sector level also play an important role through their input into technical reviews of project proposals, ensuring that they include sufficient monitoring and reporting (including accountability for affected populations and gender equality and social inclusion) arrangements.

The FMA engages in its own monitoring activities to verify IP's reported progress and performance against agreed targets, through three mechanisms:

- (i) Field Monitoring
- (ii) Spot Checks
- (iii) Third Party Monitoring

Each AFNS-funded project has a tailored monitoring plan, taking into account specific risks associated with project activities, and graduated according to the IP's Capacity Performance Rating (see Section 8). This plan is developed by the FMA, based on the standard reporting requirements set out in Table 6.2 below.

**Figure 7: Monitoring mechanisms**



**Table 6.2: Standard monitoring requirements**

Capacity Performance Rating	FMA			TPM		Auditors
	Field Monitoring checks	Programmatic spot checks	Financial spot checks	Monitoring checks	Data Quality Assessment checks	Project Audit
5	2	1	0	1	0	Mandatory at the end of the project
4	2	1	1	1	0	
3	2	1	1	1	1	
2	2	2	2	2	1	
1b	2	2	2	2	1	
1a	4	2	2	2	1	
0	N/A	N/A	N/A	N/A	N/A	N/A

Notes: Numbers of checks are per project for a 12-month grant and will be pro-rated based on actual grant duration.

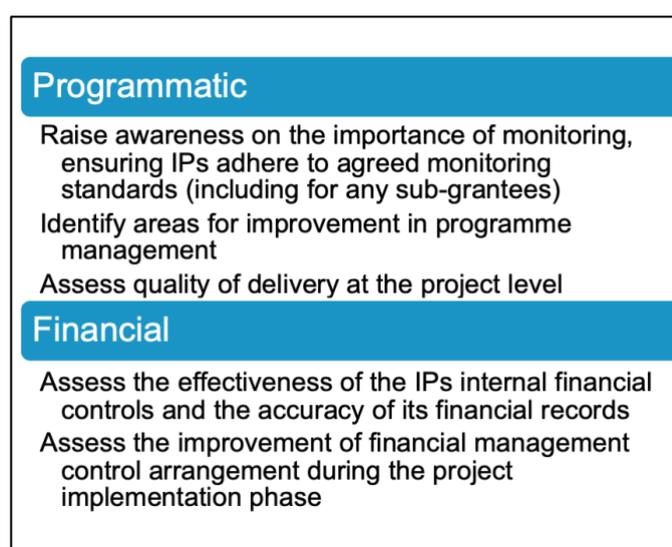
### Field Monitoring

The FMA’s Field Officers gather relevant information on the humanitarian situation from various field locations to inform its assessment and planning exercises. During field visits, they also verify the progress and the quality of the implementation of selected project activities.

### Spot Checks

Routine programmatic and financial spot checks involve visits to IP’s offices. The frequency of spot checks is determined based on the standard requirements in Table 6.2. Additional *ad hoc* spot checks may be initiated when deemed necessary by the FMA to verify certain activities, triangulate information received or respond to specific concerns. All AFNS IPs must facilitate and fully cooperate with spot checks conducted by the FMA. Failure to do so will impact their capacity-performance rating and may result in compliance measures by the FMA.

**Figure 8: Key objectives of spot checks**



### Third Party Monitoring (TPM)

TPM is a key monitoring mechanism for AFNS due to restrictions on physical access to project locations. It provides AFNS with independently verified information on the results delivered by AFNS-funded projects. TPM combines field visits and desk reviews of relevant project documentation (e.g., proposals and reports from IPs). An overview of TPM activities is included at Annex 7.

### Peer Monitoring and Learning

Though not part of its routine, formal monitoring framework, AFNS may also, from time to time, and as appropriate, activate peer monitoring and learning mechanisms where such arrangements are likely to deliver added value.

## **INDEPENDENT AUDIT**

### *Project Audit*

All IPs receiving funds from AFNS are subject to external audit through project audits commissioned and financed by AFNS. These external project audits give the FMA evidence-based assurances on the use of funds granted to IPs. They mitigate fiduciary risks, including the misuse and diversion of resources and fraud; they identify weaknesses in financial and operational management and provide recommendations for improving the control environment; and, they identify ineligible expenditures. It is the IP's responsibility to keep proper financial documentation including original supporting documents for all transactions related to the project and cooperate with external auditors.

External audit findings provide essential feedback to the IP, promoting continuous improvement of the IP's financial and operational management and performance, and enabling the FMA to make better-informed funding decisions. IPs will be required to develop an action plan to address audit findings and recommendations. Failure to do so in a timely manner may lead to the temporary or permanent suspension of the IP. When the audit shows critical findings, including non-compliance of the IP with the policies and procedures detailed in the AFNS Manual as incorporated in the contractual agreement between the IP and FMA, or a violation of any other obligations under the contractual agreement with the FMA, the FMA will progressively take corrective compliance actions.

### *FMA Audit*

The FMA is subject to external audit, by a professional, independent audit service provider. The scope and frequency of such audits is to be determined by the Steering Board, with advice and support from the Independent Chair, and a ring-fenced budget shall be set aside to procure the audit services. The findings and recommendations of the external audit shall be shared with the Steering Board. The FMA shall prepare an action plan to address external audit findings and recommendations for approval by the Steering Board.

## **INDEPENDENT EVALUATION**

AFNS is subject to independent evaluation by a professional, independent service provider. The scope and frequency of such evaluations is to be determined by the Independent Chair, with advice and support from the Steering Board, and a ring-fenced budget shall be set aside to procure the evaluation services. The findings and recommendations of the evaluation shall be shared with the Steering Board, donors, implementing partners and other stakeholders and published as deemed appropriate by the Steering Board. The FMA shall prepare an action plan to address independent evaluation findings and recommendations for approval by the Steering Board.

## 7. WORKPLACE AND MISUSE POLICIES

AFNS is committed to creating a safe, inclusive and positive working environment in which everyone is treated equally and fairly.<sup>6</sup> Furthermore, donors contribute funds to AFNS to deliver humanitarian assistance to Syrians in need and AFNS is determined to prevent misuse, fraud and all forms diversion of funds away from the intended beneficiaries. In our due diligence and capacity assessment (DDCA) of our IPs, we expect to see the same commitment from them in their policies, procedures and controls, as well as in appropriate assurance structures and mechanisms, and clear evidence that these are applied in practice.

Workplace and aid misuse policies include, inter alia, policies on:

- (i) Code of Conduct
- (ii) Safeguarding, including PSEAH
- (iii) Gender Equality and Social Inclusion
- (iv) Human Trafficking and Modern Slavery
- (v) Aid Diversion
- (vi) Conflict of Interest
- (vii) Complaints and Whistleblowing

As part of the DDCA, the FMA will review IPs' equivalent workplace and misuse policies to assess whether they meet the standards and requirements of AFNS's policies. Where there is a need to improve their policies, the FMA provide IPs with advice and support to strengthen them.

Any instance of an IP's failure to comply with workplace and misuse policies will be taken extremely seriously. IPs are encouraged to be proactive and timely in reporting breaches and in investigating, taking appropriate action and learning from them. Negligence in failing to identify breaches and/or failure to report and investigate them thoroughly and/or failure to act on recommendations to strengthen procedures to reduce the risk of future breaches will result in compliance measures, potentially including temporary or permanent disqualification as an AFNS partner.

AFNS sets high standards in relation to IPs' compliance with workplace and misuse policies. Similarly, the FMA itself is expected to demonstrate leadership in the enactment of and compliance with workplace and misuse policies that reflect current best practice. As soon as the FMA becomes aware of any internal breaches of its own workplace and misuse policies, these will be reported immediately (within 48 hours) to the Chair of the SB. The Chair of the SB will then be kept regularly informed of the progress of investigations of such breaches. The Chair of the SB will assess the quality of the FMA's investigations and its response to breaches and, if shortcomings in this response are identified, it will decide on the appropriate measures (which may include disciplinary action).

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<sup>6</sup> The scope of workplace policies is intended to be very broad. "Workplace" includes everywhere we and our IPs work, including in working with and supporting beneficiaries in the field.

## 8. PERFORMANCE MANAGEMENT

AFNS’s approach to performance management encompasses the management of the performance of IPs delivering individual projects and the management of the performance of the Fund as a whole. AFNS’s IPs and the FMA work closely together to optimise the performance of individual projects and thereby the performance of the Fund as a whole.

### PARTNER PERFORMANCE MANAGEMENT

AFNS’s **standard approach** to partner performance management is to recognise and reward good performance of IPs in the delivery of projects, by giving high-performing IPs greater opportunity to access AFNS-funding and to implement more ambitious projects.

On the other hand, weaker performance in project delivery reduces the IP’s access to funding and, ultimately, may lead to disqualification for AFNS-funding.

AFNS has strict policies and procedures in relation to the handling of instances where IP performance falls below certain minimum standards. In such cases, AFNS activates its **exceptional approach** to IP performance management.

#### *Standard approach*

As the IP implements AFNS grants, the quality of its performance is factored-in to calculate a Capacity-Performance Rating (CPR), based on the Capacity Assessment Score (CAS) achieved during the Capacity Assessment and adjusted by its Performance Score (PS). The CPR determines the grant value ceilings for the IP for any future awards according to Table 8.1 below.

**Table 8.1: Capacity-performance rating**

CPS	CPR	Maximum single grant value (annualised) (US\$)	Maximum undisbursed grant value (US\$)
90 - 100	5	5,000,000	10,000,000
80 - 89.99	4	4,000,000	7,000,000
70 - 79.99	3	3,000,000	4,500,000
60 - 69.99	2	2,000,000	2,500,000
55 - 59.99	1b	1,000,000	1,000,000
50 - 54.99	1a	500,000	500,000
00 - 49.99	Disqualified	Disqualified	Disqualified

As IPs implement AFNS-funded projects they receive a PS for each project. The PS is determined with reference the same areas of capacity addressed in the capacity assessment (see Section 5).

The approach to deriving the PS is evidence-based, with inputs sourced primarily through Fund’s reporting, monitoring and audit mechanisms under the AFNS accountability framework described in Chapter 6 of this Manual. These inputs may be supplemented and triangulated with other information sources including, but not limited to, objective assessments of the IP’s performance in relation to other projects in its portfolio. The approach to deriving the PS is summarised in Table 8.2 below.

**Table 8.2: Performance scoring approach**

Capacity area	Weight (%)	Examples of aspects of performance considered	Potential types of evidence
Governance and management control	10	Effectiveness of the Board and senior leadership; compliance with legal and regulatory requirements; management culture and conduct; general control environment	Timeliness and quality of project reporting; Quality of engagement in risk management; Handling of monitoring findings and incidents; Quality of response to audit findings
Financial management & control	15	Automation and design of financial management processes; quality of financial information used for decision-making; segregation of duties and other key controls; response to internal and external audit findings	Timeliness of financial reporting; Accuracy and timeliness of budget execution and cash flow forecasting; Frequency and size of budget amendment requests
Procurement	10	Quality of policies and procedures; implementation of policies and procedures; supply chain management	TPM, spot checks and/or audit review of implementation of procurement policies and procedures
People management	5	Automation and design of HR management processes; compliance with HR policies and procedures; staff satisfaction/turnover	Staff turnover information, labour law compliance, payroll spot checks
Project management	15	Quality of project management systems; quality of risk management systems; technical capacity of staff	Quality and timeliness of narrative reporting; Delivery against agreed targets
Organisational sustainability	10	Quality of business and financial planning processes; adaptability of the organisation to changing context; fund-raising strategies	Trends in size of IP's project portfolio, diversification of funding sources
Strategic considerations	35	Localisation; Safeguarding; IT and cyber security; GESI within the organisation as well as in project design and delivery; Absorptive capacity	Quality of engagement and coordination with beneficiaries and stakeholders at the sector level; Participation in thematic working groups, awareness raising and training activities
	100		

As each project closes, it will be assigned a PS by the FMA. This score will be used to update the relevant IP's CPS and hence its CPR. The capacity-performance weighting table shown in Table 8.2 illustrates how the CAS (derived from the original capacity assessment) becomes less highly weighted relative to project performance as the Fund assesses IPs' capacity to deliver.

**Table 8.3: Capacity-performance weighting table**

Capacity-performance weighting		Number of projects implemented				
		1	2	3	4	5
		Weight				
Capacity Assessment Score	CAS	60%	40%	25%	15%	10%
Performance score (PR5 = most recent)	PS1	40%	20%	15%	10%	5%
	PS2		40%	20%	15%	10%
	PS3			40%	20%	15%
	PS4				40%	20%
	PS5					40%
		100%	100%	100%	100%	100%

This enables high-performing IPs to improve their CPR and hence qualify for higher value grants. Box 2 illustrates how an IP's CPR is calculated and revised as each project is completed.

**Box 2: Example calculation of capacity rating**

IP-X applies to AFNS and receives a capacity assessment score (CAS) of 58, meaning that it qualifies with a Capacity Rating of 1b (see Table 5.2: Capacity rating) and its maximum grant value is \$1m.

Having implemented its first project successfully, IP-X receives a performance score (PS1) of 80.

IP-X's capacity-performance score (CPS) is calculated, according to the weighting table, as follows:

$$\text{CPS} = (60\% \times \text{CAS}) + (40\% \times \text{PS1}) = (60\% \times 58) + (40\% \times 80) = 66.8.$$

Accordingly, IP-X receives a capacity-performance rating (CPR) of 2, increasing its maximum grant value to \$2m.

IP-X now completes its second AFNS-funded project and receives a performance score (PS2) of 85. IP-X's CPS is now calculated as follows:

$$\text{CPS} = (40\% \times \text{CAS}) + (20\% \times \text{PS1}) + (40\% \times \text{PS2}) = (40\% \times 58) + (20\% \times 80) + (40\% \times 85) = 73.2$$

IP-X now receives a CPR of 3, increasing its maximum grant value to \$3m.

On the other hand, IPs receiving poor PSs may be downgraded to a lower CPR and, ultimately, they may be disqualified if their CPS falls below 50. In such cases, the IP may re-apply to become a Qualified IP as soon as 6 months after disqualification. However, the IP will be subject to the all the standard DDCA process and also be required to demonstrate that the issues driving previous underperformance have been sustainably addressed.

*Exceptional approach*

The FMA recognises that its IPs operate in a challenging context in which breaches of the AFNS policy and procedural framework will occur from time to time. We want to encourage openness and transparency in the handling of breaches. We take a zero-tolerance approach not to the breaches themselves per se, but rather to negligence and inaction in relation to breaches.

However, through its accountability mechanisms, the FMA must safeguard programmatic and financial management of the AFNS. Accordingly, compliance measures are available to enable the FMA to address non-compliance with the AFNS policy and procedural framework, Partner Framework Agreement, a Grant Award Letter, or violations of any other obligations stemming from the IP's contractual agreements with the FMA. Though amicable solutions will be pursued to the extent possible, the FMA will progressively take corrective actions which could ultimately lead termination of contracts, disqualification as a partner of the Fund and removal of the IP and/or its directors and/or employees from any role performed on behalf of the Fund.

Corrective actions are particularly likely to be taken in the following situations:

- (i) Misleading or untruthful information and declarations provided during the FMA's due diligence and capacity assessment processes
- (ii) Violation of humanitarian principles, AFNS's Partner Code of Conduct and the AFNS Joint Commitment on Sexual Exploitation, Abuse and Harassment
- (iii) Negligence or inaction in relation to breaches of AFNS's workplace and misuse policies
- (iv) Breach of the terms and conditions of the Partner Framework Agreement and/or Grant Award letters
- (v) Overdue financial and/or narrative reports
- (vi) Failure to cooperate with the FMA's monitoring, audit and evaluation activities

- (vii) Critical findings from AFNS’s monitoring activities, especially those which reveal negligence or inaction
- (viii) Serious project audit findings and/or a qualified project audit opinion (e.g., lack of critical internal controls or serious weaknesses in internal controls, such as lack of bank reconciliation, a functioning double-entry accounting system, lack of supporting
- (ix) Failure to reimburse AFNS with unspent funds

## FUND MANAGEMENT AGENT PERFORMANCE

The approach to managing the performance of the FMA is rooted in the FMA’s role as defined in the AFNS Charter.

### Box 3: Extracts from the Section 5.5 of the AFNS Charter

The Fund Management Agent (FMA), contracted to perform its duties by the FCDO, provides administrative and operational support to deliver the mission of AFNS. It is housed at the FMA’s office in Gaziantep and operates under the AFNS policy and procedural framework as adopted by the Steering Board. The FMA constantly strives to ensure its work, its decisions and its recommendations: (a) are evidence-based; (b) demonstrate dedication to learning, adapting and knowledge-sharing; (c) fostering innovation; and, (d) deliver value for money.

The FMA roles and responsibilities as a trustee are to: establish and administer trust funds in accordance with AFNS policies and procedures and the terms of the contract entered into by the FMA and FCDO.

Accordingly, the FMA’s primary responsibility is to ensure that AFNS operates in accordance with its policy and procedural framework as adopted by the Steering Board. Secondly, it should always aim to ensure its work, its decisions and its recommendations:

- (i) are evidence-based
- (ii) demonstrate dedication to learning, adapting and knowledge-sharing
- (iii) foster innovation
- (iv) deliver value for money

### Compliance with policy and procedural framework

The Fund’s policy and procedural framework is grounded in its Mission, Principles and Objectives, as laid out in the Charter. The FMA has devised an operating model to ensure it manages the performance of the Fund to deliver on the Mission, Principles and Objectives at an acceptable level of risk.

There are four basic principles guiding the FMA’s operations. They commit the FMA to being inclusive, flexible, timely and efficient in managing AFNS. These need, however, to be balanced with the prevailing requirement effective risk management. For example, too much flexibility or haste in operations can undermine governance and control. On the

Figure 9: AFNS operating model



other hand, excessive emphasis on efficiency can undermine effectiveness. Trade-offs also exist between the four principles – e.g., inclusivity can slow processes down and increase costs. Special Allocations are permitted within the AFN approach specifically to allow for some compromise on inclusivity in order to enable rapid emergency responses.

Through its normal operations, the FMA aspires to consistently strike a reasonable balance between observance of the operating principles and adherence to its risk management policies and procedures. However, the FMA will refer major strategic decisions to the Steering Board using a risk management tool that ensures the SB can base its decision on a thorough assessment of the trade-offs inherent the decision. Annex 8, the Strategic Decision Risk Assessment Tool, provides a practical example of how this risk management tool was used in practice to inform the SB's first major strategic decision – namely to fast-track the Fund's first Special Allocation. The tool explores both the risks and the opportunities inherent in the strategic decision to provide the SB with a clear picture of the trade-offs.

## 9. RISK MANAGEMENT

AFNS's approach to risk management encompasses all risks that are a threat to the achievement of AFNS' mission and objectives. This includes risk both at the overall Fund level, as well as risks at the individual project level.

The Steering Board, the Independent Chair, the SRTC, FMA and IPs, with support from the technical specialists working for other agencies and entities at the sectoral level, must work closely together to identify, monitor and manage risk. However, risk management is ultimately the responsibility of the FMA, with strategic input and guidance from the Steering Board.

### PROJECT RISK MANAGEMENT

#### *Project Risk Management Approach*

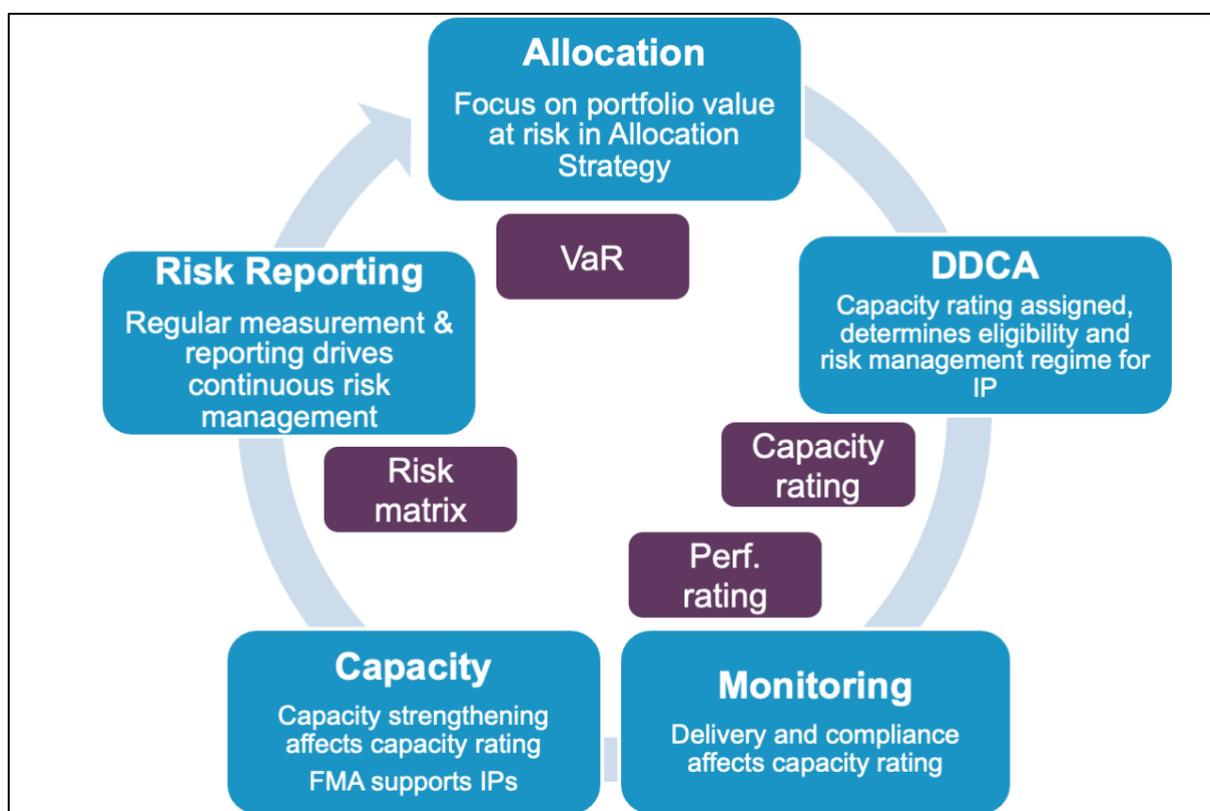
Risk management at the project level is primarily the responsibility of IPs. Risk management is built into every stage of AFNS' operations, with a focus on using quantitative capacity ratings and other measures to drive effective risk management decisions. The AFNS Manual and AFNS Guide sets out risk management policies, procedures and controls in detail. The main features are summarised as follows:

- (i) **Qualification for funding:** Applicants must meet certain eligibility criteria even before they are permitted to apply to become an IP. Eligible applicants are subject to rigorous due diligence and capacity assessment (DDCA) through which they are assigned a capacity rating. If the capacity rating is insufficient, the IP will not qualify for funding. If the IP does qualify for funding, the capacity rating is factored into control measures applied to manage AFNS' fiduciary risk including, but not limited to, limits on grant value and duration, disbursement rates, monitoring and reporting arrangements, and external audit arrangements.
- (ii) **Strategic allocation of funding:** In developing each Allocation Strategy, AFNS will assess how each Allocation will affect its overall risk profile at the fund level, drawing on its regular analysis of Portfolio Value at Risk (see Portfolio Risk Management below). Measures to manage risk at this stage may include, inter alia, avoidance of concentration of risk in specific geographical areas, programmatic themes or implementing partnerships. Furthermore, strategic and technical review arrangements at the sectoral level specifically include a requirement for a risk analysis to be included in recommendations for project approval.
- (iii) **Performance management:** All active IPs are assigned a performance score based on the quality and timeliness of project implementation from a programmatic and financial perspective. IPs' capacity ratings are adjusted on an ongoing basis taking their performance into account which, in turn, affects the number, value and duration of grant awards they can receive.
- (iv) **Compliance:** When IPs are found to have shortcomings in their compliance with requirements stemming from agreed accountability arrangements, implementation of workplace policies, or any other contractually agreed terms, the FMA will take progressive action to address non-compliance. If an IP is proactive in identifying, reporting and addressing compliance issues, its capacity rating may not be negatively affected. Amicable solutions will always be pursued to the greatest extent possible. However, non-compliance where the IP shows negligence and/or failure to respond appropriately and proportionately

to breaches will result in adjustments to IP’s capacity-performance rating which, in turn, will reduce the number, value and duration of grant awards they can receive. Ultimately, serious cases of non-compliance will lead to temporary or permanent disqualification as an IP.

- (v) **Capacity strengthening:** As IPs demonstrate improvements in their capacity, with advice and support from the FMA, there is scope for their capacity-performance rating to improve. In turn, the number, value and duration of grant awards they can receive may increase, and the intensity of the monitoring requirements may be relaxed, in line Table 6.2.
- (vi) **Risk management and reporting:** All IPs are required to identify, analyse, evaluate, mitigate, monitor and report on risk. This is a continuous process, beginning with the proposal stage, through which IPs must present a credible approach to risk management and reporting, and through into implementation where IPs must regularly report on risk management and, where compliance issues arise, escalate these to the FMA. IP risk management reporting centres around a Project Risk Register, prepared in a standard format; this must be updated throughout project implementation (see below).

**Figure 10: Risk measurement drives risk management**



*Project Risk Reporting*

IPs are required to enter their Project Risk Register in the GMS at the outset of the project and to update it on a calendar quarterly basis for the duration of the project. These are consolidated by the FMA into a Fund-level Portfolio Risk Register (see below).

## **PORTFOLIO RISK MANAGEMENT**

### *Portfolio Risk Register*

Risk management at the portfolio level is primarily the responsibility of the FMA. Similar to risk management at the project level, risk management at the portfolio level centres around a Portfolio Risk Register, prepared by the FMA and then updated on a regular basis for discussion at SB meetings.

### *Portfolio Value at Risk (VaR)*

The FMA continuously assesses the capacity-performance ratings of IPs actively implementing projects and the value and duration of active projects being implemented by lower capacity partners. It also assesses the potential concentration of risk in specific geographical areas, programmatic themes or implementing partnerships. Based on these inputs, the FMA prepares regular Portfolio Value at Risk (VaR) Assessments for inclusion in regular risk reporting to the Steering Board. This allows the Board to ensure risk is being managed within AFNS' risk appetite.

### *Comprehensive Risk Report*

The FMA is required to prepare a quarterly Comprehensive Risk Report for the Steering Board, including the Portfolio Risk Register, a consolidated version of Project Risk Register and the current Portfolio VaR Assessment. The SB is required to review and endorse the Comprehensive Risk Report and provide strategic input and advice on AFNS risk management.

## 10. INFORMATION, CONTACT AND FEEDBACK

For more information about AFNS, please visit: [www.afns.org](http://www.afns.org).

All general inquiries about AFNS should be sent to the FMA at: [info@afns.org](mailto:info@afns.org).

For substantive issues regarding your partnership with AFNS, please contact [GPU@afns.org](mailto:GPU@afns.org).

For complaints, please contact [GPU@afns.org](mailto:GPU@afns.org).

## 11. ANNEXES

- Annex 1: Allocation Process
- Annex 2: AAP Guidance
- Annex 3: Budget Guidance
- Annex 4: Delivery & Risk Reporting Template (Inception)
- Annex 5: Delivery & Risk Reporting Template (Quarterly)
- Annex 6: Logical Framework Reporting
- Annex 7: Third-Party Monitoring Guidance
- Annex 8: Strategic Decision Risk Assessment Tool (Example)

## Annex 1: Allocation Process (including number of working days assigned for each step)

	Regular Allocation	76	Special Allocation	35
	<b>Step 1: Allocation strategy and launch</b>	<b>21</b>		<b>7</b>
1.1	Through extensive consultation with technical specialists coordinating and delivering humanitarian assistance at the sector level, the <b>FMA</b> develops an <b>Outline Allocation Strategy Paper</b> setting out recommended strategic priorities, resource envelopes per sector, decision-making criteria, processes and timeline.	10	Consultations may be restricted to a sub-set of sectors.	3
1.2	<b>SB</b> reviews <b>Outline Allocation Strategy Paper</b> , with advice from <b>Fund-level STRC</b> , and gives feedback to <b>FMA</b> .	3		1
1.3	<b>FMA</b> prepares the <b>Allocation Strategy</b> , incorporating feedback from the <b>SB</b> , working closely with technical specialists coordinating humanitarian assistance at the sector level.	5		1
1.4	<b>SB</b> approves <b>Allocation Strategy</b> with advice from the <b>Fund-level STRC</b> .	2		1
1.5	<b>FMA</b> publicly launches the Allocation, sharing the approved <b>Allocation Strategy</b> .	1		1
	<b>Step 2: Submission of project proposals</b>	<b>21</b>		<b>7</b>
2.1	Eligible <b>IPs</b> prepare and submit proposals through the GMS.	15		5
2.2	Proposals vetted by <b>FMA</b> to filter out ineligible <b>IPs</b> , non-compliant submissions, breaches of grant value limits, etc.	2	Not applicable.	0
2.3	<b>FMA</b> distributes proposals to <b>STRC</b> members who score each proposal in preparation for the review processes	4		2
	<b>Step 3: Strategic review</b>	<b>2</b>		<b>0</b>
3.1	Sector-level <b>STRCs</b> and <b>FMA</b> conduct objective strategic reviews to evaluate alignment of proposals with the HRP, the <b>Allocation Strategy</b> & the Fund's mission, principles & objectives.	1	Strategic review is merged with technical review.	0
3.2	Each <b>STRC</b> works with <b>FMA</b> to prepares a <b>Strategic Review Summary Report</b> setting out the results of the strategic review and its recommendations, including a shortlist of proposals.	1	Not applicable.	0
	<b>Step 4: Confirmation of shortlist</b>	<b>4</b>		<b>0</b>
4.1	<b>FMA</b> prepares a <b>Strategic Update Paper</b> summarising for the <b>SB</b> the <b>STRCs</b> recommendations to secure 'no objection' to proceed to technical review.	3	Approval of shortlist not required.	0
4.2	<b>FMA</b> informs <b>IPs</b> whose proposals have passed strategic review and been shortlisted	1	Not applicable.	0
	<b>Step 5: Technical and financial review</b>	<b>11</b>		<b>9</b>
5.1	<b>FMA</b> and <b>STRCs</b> conduct technical review of shortlisted proposals and <b>FMA</b> conducts financial review.	4	Strategic review incorporated.	4
5.2	<b>FMA</b> shares <b>STRC</b> technical feedback shared with <b>IPs</b> .	1		1
5.3	<b>IPs</b> have opportunity to revise proposals based on <b>STRC</b> feedback.	5		3
5.4	<b>STRCs</b> issue <b>Proposal Review Summary Report</b> setting out the results and recommendations, including a list of the proposals recommended for approval and the proposed budgets for each.	1		1
	<b>Step 6: Final Steering Board approval</b>	<b>5</b>		<b>4</b>
6.1	<b>FMA</b> prepares an <b>Allocation Approval Paper</b> summarising the <b>FMA</b> and <b>STRC</b> recommendations and seeking approval to award grants to <b>IPs</b> .	2		1
6.2	<b>SB</b> reviews <b>FMA</b> recommendations, with advice from the <b>Fund-level STRC</b> , and provides feedback to <b>FMA</b> .	2		2
6.3	<b>FMA</b> makes adjustments based on <b>SB</b> feedback and, with final <b>SB</b> approval, progresses to the Award stage.	1		1
	<b>Step 7: Award of grants and disbursement</b>	<b>12</b>		<b>12</b>
7.1	<b>FMA</b> issues signed Award letters to <b>IPs</b> for co-signature	2		2
7.2	<b>FMA</b> issues first disbursement	10		10

Notes: Steps in Special Allocation process are identical unless indicated otherwise.

## Annex 2: AAP Guidance

AAP is an active commitment to use power responsibly by taking account of, giving account to, and being held to account by the people humanitarian organisations seek to assist.<sup>7</sup> It means involving aid recipients in all stages of the humanitarian programming cycle, allowing them to have a say in decisions that impact their lives. This requires respect, transparency, collaboration with affected communities, and being influenced and judged by them. Practically, this involves consulting with beneficiaries during the assessment, design, implementation, monitoring, and evaluation of programs, establishing open communication channels for feedback and facilitating participatory decision-making and mutual learning. AAP at the core of humanitarian principles and can improve aid quality and effectiveness, ultimately ensuring the sustainability of aid.

### **Box: AFNS AAP Proposal Criteria**

All project proposals must include a section that shows how partners intend to incorporate quality and accountability to affected populations, including demonstrating compliance with relevant humanitarian standards and having feedback mechanisms in place. These mechanisms should allow all members of affected communities, including the most marginalised and at-risk individuals, to provide feedback on their priorities and concerns about the project, which must be considered and addressed meaningfully.

AFNS embraces CHS commitments on AAP<sup>8</sup>, which specify expectations for IPs with regards to affected populations. Therefore, IPs should anticipate that the AFNS accountability framework, including reporting, monitoring, auditing, and evaluation, will assess all nine elements of the CHS before, during and after the project implementation. These are:

1. **Assistance that is appropriate and relevant to their needs:** People affected by crisis receive appropriate and relevant humanitarian assistance tailored to their specific needs and circumstances.
2. **Access to the humanitarian assistance they need at the right time:** Communities and individuals affected by crises have timely access to the humanitarian assistance they require.
3. **That they are not negatively affected and are more prepared, resilient and less at-risk as a result of humanitarian action:** Humanitarian action avoids causing long-term negative impacts on affected communities and individuals while simultaneously increasing their preparedness, resilience, and reducing their risk in the event of future crises.
4. **To know their rights and entitlements, have access:** People and communities impacted by crises have access to information about their rights and entitlements and be able to participate in decision-making processes on matters that affect them.
5. **Access to safe and responsive mechanisms to handle complaints:**
6. **Coordinated, complementary assistance:** Communities and individuals affected by crises receive coordinated and complementary assistance.
7. **Delivery of improved assistance as organisations learn from experience and reflection:** Organisations improve their assistance delivery to communities and individuals affected by crises through learning from feedback and experiences.
8. **Assistance from competent and well-managed staff and volunteers:** Staff are supported to do their job effectively and are treated fairly and equitably.
9. **That the organisations assisting them are managing resources effectively, efficiently and ethically:** Resources are managed and used responsibly for their intended purpose.

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<sup>7</sup> IASC AAP overview ([https://interagencystandingcommittee.org/system/files/iasc\\_aap\\_psea\\_2\\_pager\\_for\\_hc.pdf](https://interagencystandingcommittee.org/system/files/iasc_aap_psea_2_pager_for_hc.pdf))

<sup>8</sup> Core Humanitarian Standard on Quality and Accountability ([https://d1h79zlgfht2zs.cloudfront.net/uploads/2020/06/Core\\_Humanitarian\\_Standard-English.pdf](https://d1h79zlgfht2zs.cloudfront.net/uploads/2020/06/Core_Humanitarian_Standard-English.pdf))

## Annex 3: Budget Guidance

As trustee of AFNS, the FMA is committed to ensure that the principles of economy, efficiency, effectiveness, transparency and accountability in the use of AFNS funds are comprehensively and consistently adhered to across all its programmes.

In relation to its Regular and Special Allocation programmes, the FMA expects applicants for grants and implementing partners to honour these principles, ensuring that project budget inputs are commensurate with the planned activities and the expected outputs. The project budget must be a fair, accurate and reasonable reflection of the cost of implementing the objectives and the activities reflected in the work plan.

### **1. Budget Preparation and Review**

In preparing project budgets applicants must:

- (i) Use the budget template and comply with the guidance provided by AFNS for the classification and itemisation of planned costs including required BoQs
- (ii) Provide an accurate budget breakdown of planned costs necessary to implement activities and achieve the objectives of the project
- (iii) Provide a budget narrative (as an essential component of the budget) that clearly explains the purpose and the rationale of every budget line<sup>9</sup>
- (iv) Where applicable and as much as possible, partners should use cluster and/or recognised and approved local standards to do costing and prepare their budgets.
- (v) Use a fair and reasonable methodology for calculating shared costs that is clearly and comprehensively described in the budget narrative
- (vi) Provide organisational chart and salary scales to support budgeted salary costs
- (vii) Provide the budget of any sub-grants, including shared cost allocation methodology, organogram, salary scale and assets list in relation to any sub-grants
- (viii) Ensure that budget of sub-grantees adhere to the principles of economy, efficiency, effectiveness and transparency, ensuring that project budget inputs are commensurate with the planned activities and the expected outputs

In reviewing project budgets, the role of the FMA is to:

- (i) Ensure cost estimates are reasonable in the local market context and that funding is being used efficiently
- (ii) Verify budget accuracy, checking coherence with the project narrative proposal
- (iii) Flag concerns and seek clarification on issues that may violate AFNS or Cluster guidance on budgeting

### **2. Budget Cost Types**

The AFNS budget template includes two types of budget expenditure: direct costs and indirect costs. Sharing of direct costs across donors and projects is permitted, subject to certain rules.

#### *Direct costs*

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

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<sup>9</sup> For example, shared costs, expensive assets, and costs/equipment to be used to support the general operations of the applicant will require a compelling budget narrative)

Direct costs include:

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

Implementing partners **may share certain direct local/country office costs** (including staff costs, office rent, utilities, and rented vehicles) subject to the following:

- (i) Costs must be directly and unequivocally linked to specific activities related to a project
- (ii) Costs must be itemised in the budget based on a reasonable and fair allocation methodology clearly and comprehensively described in the budget narrative

#### *Indirect costs*

Indirect costs, or Programme Support Costs (PSC) are all costs that are incurred by the implementing partner which cannot be directly and unequivocally linked to specific activities related to a project. These costs typically include corporate costs (i.e. HQ and statutory bodies, legal services, general procurement, and recruitment etc.) not related to a particular project.

PSC is charged at a maximum 7% of approved direct expenditures. Any PSC of sub-grantees engaged in the implementation of a project must be covered by the overall maximum of 7%. Partners are strongly encouraged to share PSC equitably with sub-grantees (if applicable).

### **3. Eligible and Ineligible Costs**

AFNS maintains a classification of eligible and ineligible costs based on best practices in pool-fund management. These must be identifiable in the implementing partner's accounting records and backed by original supporting evidence as incurred in accordance with the approved project proposal and period.

Eligible costs include:

- (i) All staff costs (including salaries, social security contributions, Stopaj and stamp tax, provision of end service payment, medical insurance, hazard pay (when applicable)<sup>10</sup>
- (ii) Other staff costs included as part of the salary benefits package of the organisation, subject to explicit approval from the Fund Manager
- (iii) Other staff costs that are mandatory based on the local laws, provided these explicitly identified in the project budget
- (iv) Salaries and costs included in the budget may not exceed the costs actually borne by the implementing partner (after taking into account funding from other sources)
- (v) Costs of consultancy, if directly related to project implementation
- (vi) Support staff costs at country-level, if directly related to project implementation
- (vii) Reasonable travel and subsistence costs for project staff, consultants, and other personnel, if directly linked to the project implementation
- (viii) A contribution to the partner's Country Office costs (shared costs), based on a reasonable allocation methodology and clearly itemised
- (ix) The financial support to beneficiaries, including cash and voucher-based distribution
- (x) Purchase costs for goods and services delivered to the beneficiaries of the project, including quality control, transport, storage and distribution costs

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<sup>10</sup> Salaries must be reasonable, taking into the range of average scales in the local market.

- (xi) Costs related to assets – e.g., equipment, ICT equipment for registration and similar field activities, medical equipment, water pumps and generators
- (xii) Expenditure related to awarding of contracts, such as expenses for the tendering process, if directly related to project implementation
- (xiii) Costs incurred by sub-grantees, if directly linked to the project implementation
- (xiv) Costs of monitoring and reporting required under the AFNS accountability framework
- (xv) Cost of dissemination of information and translation thereof
- (xvi) Financial services costs, including bank transfer fees and insurance costs, if directly linked to the project implementation
- (xvii) Duties, charges and taxes related to direct project expenses (e.g., value added tax) included on a gross basis in the relevant direct project expense line item

Ineligible costs include:

- (i) Costs not included in the approved project budget
- (ii) Costs incurred outside the approved implementation period of the project (except the cost of final evaluation reports if agreed in the project budget)
- (iii) Debts and provisions for possible future losses or debts
- (iv) Interest owed by to any third party
- (v) Items already financed from other sources
- (vi) Purchases of land or buildings
- (vii) Currency exchange losses
- (viii) Cessions and rebates of declared costs for the project
- (ix) Government staff salaries or any other payment to government employees
- (x) Salaries, benefits, fees or other compensation paid to members of the IP's Board of Directors or Board of Trustees
- (xi) Hospitality expenses, refreshments for IP staff or Board members (except for water, hospitality for training, events or meetings, if directly related to project implementation);
- (xii) Incentives to staff
- (xiii) Gifts
- (xiv) Fines and penalties
- (xv) Duties, charges and taxes related to indirect project expenses
- (xvi) Global evaluation of programmes
- (xvii) Audit fees (project audits are commissioned and financed by AFNS)

On a case-by-case basis and depending on the objectives of the Fund, the Fund Manager retains the flexibility to deem the following costs eligible:

- (i) Government staff training that contributes to the achievement of project objectives
- (ii) Visibility material of the partner directly related to projects funded by AFNS
- (iii) International travel costs, if directly linked to the delivery of the project objectives<sup>11</sup>
- (iv) Vehicle purchase or rental
- (v) Depreciation costs for non-expendable/durable equipment used for the project and which was not funded by AFNS
- (vi) Equipment for the regular operations of the partner
- (vii) Recurrent costs for the partner's ongoing operations

#### **4. Budget line itemisation and narrative**

Each budget line requires the following breakdown:

- (i) Itemise each national and international staff member, consultant, and other personnel by function, and provide unit quantity and unit cost (monthly or daily) for each position
- (ii) Any budget line exceeding \$10,000 requires a clear justification in the budget narrative and, where this is the total cost of multiple items, a budget breakdown should be included in the budget proposal showing unit cost and quantity

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<sup>11</sup> 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.

- (iii) Provide technical specifications for items whose unit cost is greater than \$10,000 ensuring adherence to SPHERE and/or any sectoral standards that apply
- (iv) Provide unit quantity and unit cost for commodities, supplies and materials. The budget narrative should indicate unit measures (length, volume, weight, area, etc.).
- (v) Provide technical specifications for items whose unit costs can greatly vary based specifications (e.g., for generators, a reference to the possible range of power would be sufficient to properly evaluate the accuracy of the estimated cost)
- (vi) Itemise general operating costs (e.g., office rent, telecommunications, internet, utilities) for project implementation providing quantity and unit cost. A lump sum for operating costs is not acceptable.
- (vii) Travel costs can be estimated if the calculation modality is accurately described in the budget narrative (e.g., providing estimates on the number of trips and average duration in days, daily subsistence allowance rates, etc.)
- (viii) Travel (domestic and international): estimate of number of trips and cost per trip.
- (ix) In the case of construction works exceeding \$10,000, only labour costs and essential materials may be budgeted and itemised, providing unit quantity and unit cost. The budget narrative should explain how construction costs have been estimated based on a standard prototype of building (e.g., latrine, health post or shelter), type of materials (e.g., wood, prefabricated or brick/cement/concrete) and the formula or rationale used to estimate construction cost (e.g. per square foot or meter or previous experiences)
- (x) Sub-grantee budgets should be provided as a single line under the budget category 'Transfers and Grants to Counterparts'. The breakdown details are required by the FMA, at the same level of detail and format specified in the AFNS budget proposal template. The implementing partner is responsible and accountable to provide the necessary detailed documentation to support the budget and expenditure incurred by the sub-grantee. These documents must remain available for at least a period of 5 years after the project termination.

## 5. Budget Amendments

Budget amendments that increase the total approved budget are not permitted under any circumstances.

Budget amendments between Budget Categories (A to G) are permitted as follows.

### 1. Budget amendments not exceeding 15% of the approved Budget Category

Cost reallocations between Budget Categories (A to G) are permitted up to a maximum of 15% of the originally approved amount for that Budget Category. However, variations of Category A exceeding \$5,000 must be approved by the Fund Manager.

### 2. Budget amendments exceeding 15% of the approved Budget Category

Cost reallocations between Budget Categories (A to G) exceeding 15% of the originally approved amount for that Budget Category must be approved in writing by the Fund Manager.

Budget amendments within a Budget Category are permitted as follows:

### 1. Budget amendments not exceeding 20% of the approved Budget Category

Cost reallocations within a Budget Category are permitted up to a maximum of 20% of the originally approved amount for that Budget Category. However, the reallocation should only be between line items in the approved budget breakdown. New line items **may not** be added to the budget breakdown without the written approval of the Fund Manager.

### 2. Budget amendments exceeding 20% of the approved Budget Category

Cost reallocations within a Budget Category exceeding 20% of the originally approved amount for that Budget Category must be approved in writing by the Fund Manager.

Implementing partners are solely responsible for applying these rules to sub-grantee budgets. However, any amendments to sub-grantees' budgets that would, based on these rules, require Fund Manager approval for a grantee must be reported to the FMA on a timely basis.

## **6. Accounting for assets**

The IP must **not**:

- (i) Use the AFNS funds to buy an asset unless that asset is included in the approved project budget.
- (ii) For the duration of the Framework Agreement between the IP and AFNS, dispose of or write-off assets purchased with the AFNS funding except as approved by Fund Manager.

## **Annex 4: Delivery & Risk Reporting Template (Inception)**

*Purpose: To provide a brief review of early progress in project set-up and implementation which can be used to enable the Partner and AFNS to work collaboratively to tackle any emerging risks, issues and challenges with project implementation. The report should not be more than 3 pages.*

### **1. Context**

*Any significant changes in the context in which the project is being implemented.*

### **2. Progress**

*Progress made towards, completing activities in the work plan, achieving the objectives and outcomes of the project, including the milestones achieved, challenges encountered, and solutions implemented.*

### **3. Beneficiaries**

*Description of engagement with and impact on beneficiaries.*

### **4. Partnership and collaboration**

*Examples of collaboration between your organisation and other partners, including community groups, beneficiary representatives, local authorities, other NGOs and UN agencies.*

### **5. Financial update**

*Description of any key financial concerns, including any anticipated significant deviations from the budget.*

### **6. Risk update**

*Any significant changes in your assessment of risk and strategies for managing key project risks.*

### **7. Challenges**

*Challenges faced during the period, with recommendations for addressing these challenges and any support required from AFNS and/or the broader donor community.*

### **8. Progress on meeting Special Conditions**

*Description progress towards meeting Special Conditions in the Partner Framework Agreement and the Grant Award Letter.*

### **9. Conclusion, future planning and action points**

*Your assessment of overall progress (e.g., on-track, ahead of or behind schedule) and highlighting any anticipated significant changes to the work plan and/or budget. A list of action points identified in this report (if any), indicating responsibilities and timeframe.*

## Annex 5: Delivery & Risk Reporting Template (Quarterly/Closure)

A Project details										
Organisation										
Project title										
Implementation location(s)										
AFNS Project Code										
Start and end date of grant										
Budget										
Type of report	[Quarterly; Closure]									
Reporting period	[DD.MM.YYYY] – [DD.MM.YYYY]									
B Performance summary										
The detail on performance against plans and reporting against the logical frame work (annex 6) will be included in the GMS and workbook updates. This section should be reserved for summarising overall performance, explaining any result deviations of <b>10% above or below</b> the milestone (for both outputs and outcomes), and noting any relevant key successes and challenges.										
C Reach										
Provide a summary of the total number of beneficiaries reached/people assisted during the reporting period, including both unique and non-unique beneficiaries. Please follow the format and definitions provided in the tables below.										
C.1 - Number of unique* beneficiaries reached										
Status/Gender/Age	Female					Male				
	0-5	6-17	18-59	60+	Total	0-5	6-17	18-59	60+	Total
Host Community										
IDP										
Returnee										
Refugee										
<b>Total</b>										
<small>*To estimate the number of unique beneficiaries, the IP (Implementing Partner) must be calculated by summing the number of beneficiaries assisted by sector at the community level (admin level 4), taking into account any overlap between sectors. Alternatively, the IP may provide the unique number of beneficiaries generated by their database, if every beneficiary is assigned a unique identifier.</small>										
C.2 - Number of actual (non-unique)^ beneficiaries reached										
Status/Gender/Age	Female					Male				
	0-5	6-17	18-59	60+	Total	0-5	6-17	18-59	60+	Total
Host Community										
IDP										
Returnee										
Refugee										
<b>Total</b>										
<small>^The actual or non-unique number of beneficiaries is a sum of the number of people assisted by service within each sector, regardless of how many times they have received support from the organisation. For example, the same beneficiary could be counted twice if they have received assistance from the IP twice, once for Shelter and once for WASH, or twice for WASH. This method of counting beneficiaries does not consider the potential overlap or duplication of services provided to the same individual, and therefore may result in a higher overall count than the number of unique individuals served by the project.</small>										
D Requested changes to the project										
Summarise any key changes to the results framework, budget or timeframe of the project, either agreed during the reporting period or requested as part of this report, as well as changes to the downstream partner list.										
E Finance narrative										
Briefly explain the extent to which you are spending according to plan, overall plans until the end of the financial year, and justification of any variances. Detailed financial data should be provided in the workbook.										
F Risk										
Please provide further clarification on the top three risks, including details on the steps taken to mitigate severe risks. Additionally, please explain any modifications made to the risk levels and the reasons behind these changes.										
<ul style="list-style-type: none"> <li>• Do not include any details of specific aid diversion or safeguarding cases in this report. It is sufficient to mention the number of cases in this section.</li> <li>• <i>Safeguarding: Any credible suspicion of or actual Safeguarding breach should be reported to AFNS in line with its Safeguarding Policy.</i></li> <li>• <i>Aid diversion: Any credible suspicion of or actual fraud, bribery, corruption or any other form of diversion or financial irregularity or impropriety should be reported to AFNS in line with its Aid Diversion Policy.</i></li> </ul>										

## **G Monitoring, Evaluation, and Accountability**

Describe the active and proactive monitoring activities undertaken to track progress and any evaluations that have been planned or are currently underway. Provide specific examples of how sex, age, status, and disability-disaggregated data have been analysed and used to inform programming changes. Additionally, explain the role of project staff, technical leads (incl. M&E/MEAL teams), and partners in the data collection, review, and learning process. Elaborate on how project staff have been involved in identifying data needs for evidence-based decision-making.

## **H Learning**

Please include at least one key learning from the Monitoring, Evaluation, and Accountability processes and explain how your organisation has, or intends to, translate this learning into action.

## **I Update on actions/recommendations**

Report any actions/recommendations agreed upon through AFNS field monitoring visits, spot checks, M&E assessments, due diligence assessments, annual reviews, etc., and key actions you have taken to address them.

## **J Other specific information requests**

If you have agreed to provide AFNS with reporting on additional topics, you may include your update below. However, consider the impact of doing this on the length of your report. For more extensive reporting on additional topics, please upload this as an annex to the report.

## **K Feedback or requests to AFNS**

Please share any comments, requests, or feedback that your organisation would like to convey to AFNS. While any provided feedback will be reviewed and considered by the fund, it may not necessarily translate into action.

## **L Theory of Change**

Provide an update on the status of your Theory of Change, including how it aligns with the overall programme objectives and cross-cutting principles. Also, indicate whether any modifications to the project design are necessary, based on changes in evidence and implications for the project. Please ensure to upload the Theory of Change in GMS when submitting the first report.

## **M Social Inclusion**

Describe steps taken to ensure equal access to assistance and protection; meaningful participation in decision-making; and equitable outcomes for marginalised individuals amongst the target population. Please identify activities specifically intended to address the different needs of people with disabilities, older women and men, children, adolescents, people with diverse SOGIESC, and ethnic/religious minorities as well as measures to remove barriers to access and participation for these populations across the intervention.

## **N Delivery Chain**

Explain the extent to which your planned delivery chain (downstream partners/suppliers receiving AFNS funds and other organisations/actors which do not receive funds but are involved in project delivery e.g. local municipal offices/committees that deliver services to beneficiaries) has changed/been maintained and how this has impacted the project.

## **O Quality Assurance**

(a) Please describe your methodology for ensuring the precision and dependability of the data you provide to AFNS. This should include an explanation of the error detection and prevention mechanisms that are in place across the entire data collection process, from beneficiaries to AFNS, to mitigate any key risks of error. Whether the results data is collected by your organisation or downstream partners, please provide details on the measures taken to ensure the integrity, validity, precision, reliability, and timeliness of the data.

(b) Describe any data quality limitations that the AFNS should understand to be able to use the data appropriately. For example, for data collection reasons you may have more confidence in the geographic breakdown being accurate than the age disaggregation being accurate. For some indicators, there may also be a risk of double counting, over counting, undercounting or estimation when actual figures are not available.

## **SECTIONS REQUIRED ONLY FOR FINAL PROJECT CLOSURE REPORTS**

## **P Value for Money (VfM)**

Describe the steps taken throughout the duration of the project to ensure VfM, including updates on key cost drivers, unit costs, and any significant achievements related to the four E's framework (economy, efficiency, effectiveness, and equity).

## **Q Gender Minimum Standards**

Complete the below checklist indicating whether each of the five points have been met. Consider how gender intersects with age and disability wherever possible.

Question	Yes/No	Evidence	Target
1. Is there a <b>gender analysis</b> to inform programming? - Does it identify barriers and enablers to women and men accessing project services/opportunities? - Does it identify risks of project activities making gender inequality worse and how to mitigate these?			
2. Can women and girls <b>participate meaningfully</b> in the design, implementation, monitoring and evaluation of the project?			
3. How does the project contribute to gender equality and women and girls' <b>longer-term empowerment</b> ?			
4. Is there a plan for <b>building the capacity of local partners</b> on gender equality if needed?			
5. Does the <b>results framework</b> have: - At least one specific gender outcome or output indicator - Gender targets for most indicators Sex disaggregated data for most results?			

## Annex 6: Logical Framework Reporting (via GMS)

IPs must report results data on the indicators listed in the project's Logical Framework, which provides an overview of the main performance metrics and partner activities. However, IPs are not limited to collecting data for reporting against the project's Logical Framework indicators and may collect additional data to inform learning. To report results, IPs must use the framework template pre-uploaded into the GMS by AFNS, using the project's Logical Framework, the AFNS list of mandatory, and the standard indicator profiles that have been pre-uploaded into GMS. Results should be incremental and cover only the corresponding reporting period.

### Disaggregation

Results should be disaggregated by the following essential variables, each with their respective categories: Geography, Demography. The table below provides an overview of the variables, categories, and their definitions.

Variable	Essential	Categories	Definition
Geography	Governorate	14 Syrian Governorates	Administrative divisions in Syria
	District	61 Syrian Districts	
	Sub-district	272 Syrian Sub-Districts	
Demography	Sex	Male	A male person
		Female	A female person
	Age group	0-5	A child under five years old
		6-17	A child between 6-17 years old
		18-59	An adult between 18-59 years old
		60+	An adult over 60 years old
		Men (18+)	A male adult
		Women (18+)	A female adult
		Boys (0-18)	A male between 0-18 years old
		Girls (0-18)	A female between 0-18 years old
	Disability	With Disabilities	A person with disabilities
		Without Disabilities	A person without disabilities
	Beneficiary group	IDP	Individuals who are displaced within Syria
		Host community	Individuals from a community hosting IDPs or refugees but have not been displaced and then returned to their original community during the past 3 months.
Refugees		Individuals that are registered as refugees	
Returnees		Individuals that used to be Syrian refugees or IDPs, but have returned to their original community within the past 3 months	

**Disability Component:** IPs must report disability-disaggregated data using the WGS definition and data collection methodology. Syria's disability rate is much higher than the global average, making it vital that project performance with respect to people with disabilities is considered.

#### **Box: Disability Measurement and Monitoring Using the WGS<sup>12</sup>**

IPs must adopt the Washington Group definition when collecting and analysing disability data. This will enable meaningful comparisons between different population groups and facilitate the development of policies and programs that promote the inclusion and full participation of people with disabilities in society.

<sup>12</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/732254/Disability-Measurement-Monitoring-Washington-Group\\_Disability-Questions.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/732254/Disability-Measurement-Monitoring-Washington-Group_Disability-Questions.pdf)

**Indicator Disaggregation Exemptions:** For some indicators, disaggregating results might not be possible or appropriate. The GMS showcases the requirements and exemptions for every indicator. Failure to provide the required data disaggregation without the prior approval of the FMA will be considered as a failure to cooperate with the FMA’s monitoring, audit and evaluation activities and will be negatively reflected in the DQA report.

## **Data Collection**

IPs must ensure that their data collection tools and staff capacity enable the collection of gender, age, status, and disability-disaggregated data using the (WGS) methodology. Additionally, they should prioritise the safe and secure collection of data by utilising Mobile Data Capture.

## Annex 7: Third-Party Monitoring Guidance

### Guidance on Third-Party Monitoring

The FMA commissions Third-Party Monitors (TPMs) to verify the results of AFNS-funded projects through a range of activities. TPMs will perform field visits and desk reviews of relevant project documentation, including proposals and reports from IPs. The desk review will include a Data Quality Assessment (DQA). IPs can expect a comprehensive overview of their activities from the TPM. Additionally, the Fund Management Agent (FMA) may enlist TPMs to monitor further and verify implemented grants.

### Expectations from IPs and the Third-Party Monitor

IPs are expected to collaborate with the TPM and provide them with all the necessary assistance to conduct their work. Obstruction of the TPM by the IP will be reflected in the mission report and may negatively impact the final project performance report. The IP should share with the FMA MREL team any concerns related to the TPM missions as soon as they arise.

At the end of each monitoring mission, the FMA will share an online survey with IPs to gather feedback on the performance of the TPM and the overall monitoring process. The feedback provided by IPs will be carefully considered by the FMA to identify areas for improvement and inform future monitoring missions.

### Field Monitoring

TPMs will carry out two single-day site visits during each project, which may involve monitoring activities and interventions across multiple sectors, including Cash, Education, Health, Nutrition, WASH, FSL, Coordination, and Early Recovery. During monitoring visits, the TPM will directly observe project interventions, such as cash transfers, training, workshops, and public events, and conduct interviews and surveys with programme staff, beneficiaries, and non-beneficiaries, including vulnerable populations. These groups may be involved in the monitoring process through various monitoring methods such as tracer surveys (in person and through outbound calls), SMS messages, FGDs, seasonal calendars, desk reviews, photography, etc.<sup>13</sup>

- **Programme staff:** Individuals hired by the IP who are responsible for various aspects of the project, including implementation, monitoring, management, and support.
- **Beneficiaries:** Individuals or groups who receive support or services from the project being monitored (e.g., people receiving cash support, members of a community with access to water, latrines, and similar functions as a result of WaSH services implemented in their community by the monitored project, etc.)
- **Non-beneficiaries:** Individuals or groups who are not direct beneficiaries of the project but may be affected in some way (e.g., people who have been registered or assessed to receive service provided by the monitoring project, members of the community where the project is implemented, local actors, etc.)

### Guidelines for Monitoring Visits:

- **Tool Design:** The FMA will collaborate with the TPM to design and digitalise data collection tools, and all data collection will be conducted through Mobile Data Capture.
- **Frequency of In-Person Monitoring Visits:** At least two monitoring visits should occur during each project, tentatively scheduled for mid-implementation and the end of implementation. However, the Fund may adjust the timing of these visits due to context changes, implementation delays, or temporary loss of access.
- **Coordination:** The TPM will coordinate with the IP at least one week prior to conducting each monitoring visit, including the timing and logistics of the visit, to ensure that the visit can be conducted smoothly and effectively.

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<sup>13</sup> Subject to the consent of the participating subject.

- **Permissions (if required):** The TPM is responsible for obtaining all necessary data collection approvals, including permissions from relevant authorities. The IP is required to provide the supporting documentation to support the TPM in seeking such approvals.
- **Transportation:** The TPM is responsible for arranging safe and secure transportation for its field monitors to site locations.
- **Purpose of field visits:** The primary purpose of monitoring missions is for IPs, AFNS, and donors to learn from the successes and challenges of monitored projects, to improve future programming or take corrective evidence-based decisions.
- **AAP:** The TPM will assess the IPs' commitment to accountability to affected populations (AAP) by monitoring the implementation of AAP policies shared with AFNS during quarterly reports and Due Diligence and Capacity Assessments (DDCAs). The TPM may provide interviewees/participants with details on contacting AFNS to deliver feedback or concerns related to AFNS-funded projects.
- **Phone (Outbound Calling) Surveys:** In cases where remote surveys (via telephone or online) are necessary, the IP must provide the TPM with an anonymised list of project beneficiaries in. The list will include the beneficiary code, location (at the sub-district level), general description of the received service, sex, and only the first three letters of the beneficiary's first name. The TPM will conduct the required sampling and highlight rows where the IP is expected to seek informed consent from the beneficiary before sharing their information with the TPM. The IP is required to share reasons why beneficiaries do not wish to participate in the interview, if they have shared their reason with the IP, but without sharing the beneficiary's name or a combination of personally identifiable information that will reveal the identity of the data subject.

### ***Monitoring Methods***

The TPM will perform various activities during site visits, which include:

- **Document Review:** The TPM will review relevant documentation provided by implementing partners and AFNS during each site visit to triangulate the information and data obtained. IPs are required to share the requested documentation related to the project to support the desk review and the design phase of every site visit.
- **Interviews:** The TPM will conduct both open and closed-ended questionnaire interviews with beneficiaries, project staff, community leaders, and members of the public while being mindful of the potentially sensitive nature of the data collection and other needs specified by the FMA on a case-by-case basis. Due to health-related or logistical restrictions, some surveys may need to be conducted remotely (e.g., via telephone or online).
- **Observations:** The TPM may conduct observation surveys using structured observation checklists in project sites.
- **Photographic Evidence:** The TPM may use photography to record activity progress, including the quality of services provided (e.g., organisation of distribution sites, cleanliness of water tanks) and compliance with contractual requirements and other standards (e.g., Sphere Standard).

### ***Site Visit Analysis and Reporting:***

The TPM will create a seven to ten pages long report that the TPM coordinates with the FMA after each site visit. The report will include the following sections:

- **Methodology:** A one-page description of the TPM's steps to calculate the sample size and the method used to select participants.
- **Summary:** A two-page explanation of the report's purpose, significant findings, and description of conclusions from the site visits.
- **Findings:** Three to five pages showcasing the results at the sector or activity level.
- **Challenges:** Half to one page, including a detailed explanation of any issues faced by the TPM during the preparation, data collection, or analysis phase.
- **Recommendations:** A one-page section including suggestions provided by the TPM to the partner to improve programming. IPs are expected to address all recommendations in a

satisfactory manner within four working days of receiving the report. Failure to address the comments on time or in a satisfactory manner will be considered a failure to cooperate with the FMA's monitoring, audit and evaluation activities.

### ***Specific Site Visit Requirements***

After every two site visits, the TPM will hold an online learning and reflection meeting with the relevant partner once the reports have been reviewed and cleared by the FMA. The objective of the meeting is to reflect on the findings, challenges, and recommendations presented in the report and facilitate learning between the TPM, implementing partner, and AFNS. The IP should note the following:

- **Sharing report:** The TPM will share the sections of the report (agreed upon with the FMA) with IPs 24 hours before the meeting.
- **Meeting duration:** One hour.
- **Agenda:** Each report section - Findings, Challenges, and Recommendations - will have 20 minutes allocated for discussion. The IP is expected to review the Methodology and Summary sections separately but may ask questions during the meeting.
- **Venue:** Online meetings should be held via MS Teams, Zoom, Google Meet, or a similar platform.
- The following attendees should be present at each meeting:
  - **TPM:** Senior TPM Analyst.
  - **IP:** Project Manager/Coordinator, M&E Manager/Coordinator, and Technical Lead/Advisor (e.g., Shelter, WASH, Nutrition, etc.).
  - **AFNS (Optional):** A member of the AFNS MREL team (as an observer).

### **Data Quality Assessments**

The FMA, with the assistance of the TPM will conduct a minimum of one Data Quality Assessment (DQA) for each project to evaluate the accuracy and completeness of the data provided by partners against a set of performance indicators selected in advance by the FMA, in consultation with the TPM and IP. The primary purpose of the DQA is to assess the reliability of data used to manage a project, report on its success, and identify opportunities for improvement. The DQA is a learning process that aims to take evidence-based decisions to improve future programming.

DQAs will evaluate, describe, and document the procedures or absence thereof that an IP implements to ensure that the data collected and generated in their M&E systems meet the five essential data quality attributes: validity, reliability, timeliness, precision, and integrity.

- **Validity:** Data should represent the intended result clearly and adequately.
- **Integrity:** Data should have safeguards to minimise bias, transcription error, or data manipulation risk.
- **Precision:** Data should have sufficient detail to permit informed management decision-making.
- **Reliability:** Data should reflect stable and consistent data collection processes, analysis methods and practices over time.
- **Timeliness:** Data should be available at a useful frequency, current, and timely enough to influence management decision-making.

### ***Guidelines for DQAs:***

- **Frequency of the DQAs:** DQAs monitoring visits should occur during each project, tentatively scheduled for mid-implementation and the end of implementation. However, the FMA may adjust the timing of these visits due to context changes, implementation delays, or temporary loss of access.
- **Triggers:** Each project may undergo DQAs once during its lifetime, depending on the partner's capacity-performance rating (CPR). However, AFNS may consider initiating additional DQAs if any of the following occur:
  - The IP requests a DQA to investigate and address data quality issues.

- Indicator data are crucial or strategically significant, such as when cited in public comments by AFNS and its donors.
- Stakeholders or implementers express concerns about the quality of the indicator data.
- The partner reports an unusually high or low achievement against at least one of the performance indicators compared to the implementation plan.
- There is reason to suspect the validity of reported achievements.
- Any other indications suggest a lack of integrity, precision, reliability, or timeliness in reporting achievements.
- **Duration:** Each DQA typically takes ten business days to complete. AFNS may adjourn the DQAs due to shifting priorities or temporary loss of access due to changes in the context (e.g., security).
- **Resources:** DQAs are supervised by the TPM Technical Lead, who communicates with partners throughout the process with oversight from AFNS.

**Process:**

- **Preparation:** The FMA will provide the TPM with project details (e.g., proposal, indicator profiles, quarterly reports, PDM reports shared by partner, etc.), as well as a list of three to four performance indicators for the DQA. The TPM will then notify the partner of the DQA at least five business days in advance to allow them time to gather information and resources.
- **Desk Review:** The desk review will help the TPM and the FMA (as the DQA team) to understand the data and analysis requirements for which the IP is accountable. The DQA team will also seek to understand the data processing steps (e.g., data collection to data entry) for the indicators in question to develop a concrete plan for the field review. The TPM will review the documents and datasets AFNS, and the IP provided. These may include:
  - The IP's M&E/MEAL plan to understand data management processes and roles and responsibilities of data collectors
  - The indicator profile to obtain key information about the indicator (e.g., definition, methodology, data source, reporting frequency, etc.)
  - All reports submitted by the IP to the FMA in which performance data were reported (e.g., quarterly, annual, and other special reports) to gain a more comprehensive understanding of the narrative supporting the data
  - The IP's work plan allows the DQA team to identify which activity efforts or specific interventions produced the data.

If the TPM's review of the documents and datasets provided does not provide a comprehensive view of how the data are processed, the TPM will request a meeting with the IP's MEAL/M&E and operations staff. This meeting will better understand the data processing flow and aid the team in developing a more effective plan for the field review.

- **Virtual Review:** The virtual review consists of conducting online meetings for the DQA team to observe and review any databases, filing systems, and data verification (including original participant sign-in sheets, photos, survey or polling data, curricula for training, sales records, etc.). The TPM will use the BHA-developed DQA checklist (pages 4 to 5) to review data against the five data quality standards.
- **Documentation:** The result of the DQA will be documented by the TPM through completing the DQA checklist. The TPM will also document the following:
  - Timeline of events throughout the DQA process
  - Detailed notes from all meetings with the IPs with whom the DQA was conducted
  - Any data quality issues that the FMA should consider, with particular attention to aspects that may compromise data integrity
  - Recommendations to partners and the FMA for improving performance management systems
  - Recommended performance improvement action plan for partners.
- **Mitigation Plan:** Once the DQA is completed, the DQA team will assess whether any mitigation actions are necessary to address data quality concerns. The TPM will record any

required actions or limitations the partner must address before the next report in the DQA checklist.

- **Reflection Meetings:** The TPM will conduct one online meeting with the IP at the end of every DQA once the findings report and PowerPoint presentation have been reviewed and cleared by the FMA. Before sending the meeting invites, the TPM will take the following actions:
  - **Sharing report:** The TPM will share with the IP sections of the report agreed upon with the FMA 24 hours before the meeting.
  - **Meeting duration:** The meeting will last for one hour.
  - **Agenda:** The TPM will spend 20 minutes presenting the findings for each assessed indicator using PowerPoint slides. The IP should review the report and slides beforehand but may ask questions during the meeting for learning and reflection.
  - **Venue:** Online meetings should be held using MS Teams, Zoom, Google Meet, or a similar platform.
  - **Attendance:** The TPM will communicate with the IP's focal point to invite the Project Manager/Coordinator, M&E Manager/Coordinator, and Technical Lead/Advisor (e.g., Shelter, WASH, Nutrition, etc.) to the meeting.

## Annex 8: Strategic Decision Risk Assessment Tool (Example) – Decision to Fast-Track AFNS’s First Special Allocation

#	Category	Illustration of Principle	Opportunity / Risk	Opportunity Realisation / Risk Mitigation
<b>Inclusive</b>				
	Governance	Inclusivity is built-into the Fund’s participatory governance structures; the SB, the STRC and Cluster-level TCs.	Risk: It is highly unlikely that the SB and STRC will be formed in time to review the Allocation Strategy or approve the final allocation decision.	Mitigation: Establish proxy arrangements for SB and STRC review and approval the maximum possible degree of inclusivity.
	Partnerships	The Fund aims to work inclusively, transparently, and accountably with its partners. It aims works to specific performance targets to ensure it has diversity in its base of active implementing partners.	Risk: A relatively small allocation, with partners selected via a closed (invitation-only) procurement with limited competition, sends a sub-optimal signal on inclusivity to the humanitarian community.	Mitigation: Develop and execute and Communications Plan for this allocation, situated in the broader context of allocation plans for 2023. These plans will demonstrate commitment to inclusivity and opportunities for all.
	Programming	The Fund takes a highly inclusive and transparent approach to development and execution of Allocation Strategies.	Risk: The short timeframe available and the narrow scope of the allocation will result in somewhat limited consultation and cooperation with the Clusters and other stakeholders.	Mitigation: Ensure that the (albeit limited) consultation and cooperation is of high quality and is clearly documented for future use under the Communications Plan.
	Delivery	The Fund expects its implementing partners to build inclusivity (particularly with respect to local communities and beneficiaries) into its programme delivery.	Risk: Imposing a tight deadline on implementing partners could limit their ability to build inclusivity into their proposed programmes and programme delivery.	Mitigation: Take this into consideration in selection of implementing partners. Ideally, they will have well-established, trusting relationships with the communities/beneficiaries they are serving.
<b>Flexible</b>				
	Partnerships	The Fund aims to be flexible in helping implementing partners to meet required levels of capacity, including the provision of demand-driven training, mentoring and advice.	Risk: With the allocation targeting proven partners, it is highly unlikely that there will any possibility of selecting a partner that provides the Fund with an opportunity to build capacity.	Mitigation: Ensure strong messaging in the Communications Plan about intent and credible plans to build capacity.
	Programming	The Fund seeks to be innovative and flexible in its programming, reflected in its Allocation Strategies and decisions.	Risk: The Allocation Strategy will lean towards proven programming, implemented by proven partners. This limits to the opportunity to do things differently.	Mitigation: Make strenuous attempt to demonstrate innovation in the allocation, making this a priority in discussions with Clusters.
	Delivery	The Fund encourages and rewards innovation and flexibility from its implementing partners in programme design and delivery.	Risk: Imposing a tight deadline on implementing partners could limit their ability to demonstrate innovation and flexibility in their programming.	Mitigation: Give weight to innovation in scoring of proposals.
	Management	The Fund has a risk-based approach, fine-tuning its procedures and controls according to the risk and performance rating of its partners. As implementing partners demonstrate good performance and risk management, administrative requirements may be reduced.	Opportunity: The allocation deliberately targets proven partners in order to reduce administrative burdens on both the Fund and the implementing partner.	Realisation: The opportunity is easy to realise. The reduction in administrative burden (e.g., DDCA, monitoring and reporting, etc) is all but certain.

#	Category	Illustration of Principle	Opportunity / Risk	Opportunity Realisation / Risk Mitigation
<b>Timely</b>				
	Contributions	Donors to the Fund provide sufficient, timely and predictable contributions to the Fund to enable it to operate at scale without interruption.	Opportunity: The Fund can demonstrate its presence and capacity to deliver an allocation and disbursement. This could encourage other donors considering a contribution to the Fund. Resource mobilisation is essential for the Fund to get to scale. Risk: Uncertainty on available funding for the Regular Allocation in 2023 limits the ability of the Fund to strategically balance the scale of the Special and Regular Allocations.	Realisation: Communications Plan should include messaging that FCDO can deploy in its engagement with potential donors.  Mitigation: Work with FCDO on a funding forecast on the basis of which the FMA can plan its allocation strategy, including the scale of the Special Allocation.
	Programming	The Fund aims, subject to available contributions, to launch and execute predictable Regular Allocations and timely Special Allocations.	Opportunity: The Fund has significant contributions (c. \$25m), but not enough for a large allocation. A launch in 2023, with a full Regular Allocation (c. \$80m), will not yield disbursements until July 2023 at the earliest. With SCHF continuation in 2023 in doubt, a rapid Special Allocation delivering disbursements in January 2023 for 6 to 12 months could prove timely.	Realisation: Communications Plan should emphasise the important and timely assistance the Special Allocation provides as justification for compromises on the inclusivity of the process.
	Disbursements	The Fund makes strenuous efforts to avoid any delays in disbursements to implementing partners.	Risk: The compressed timeline may present challenges to establishing and testing the Fund's money flow arrangements. Risk: The timely release of funds may be delayed (1 month or longer) by administrative processes imposed by GoT after the disbursement by the FMA.	Mitigation: Developing and testing money flow arrangements must be given top priority. Mitigation: SB/donors working with GoT to fast-track the release of funds to the partners.
	Delivery	The Fund expects its implementing partners to deliver against agreed timeframes, with early warning systems in place to flag delays and robust processes in place to address them.	Risk: Imposing a tight deadline on implementing partners could lead to unrealistic delivery targets.	Mitigation: Take this into consideration in selection of implementing partners. Ideally, they will have deep experience implementing similar activities in the same geographical areas.
<b>Efficient</b>				
	Scale	The Fund recognises the importance of scale in delivering impact and value for money. Grant awards, and the Fund itself, need to be on a sufficient scale to ensure management costs are kept at a reasonable proportion of total budget.	Risk: Starting the Fund's operations with relatively small allocation could send a signal that it lacks sufficient scale to be a significant, impactful player.	Mitigation: Award a small number of relatively large grants. In making the awards, seek out opportunities where timeliness is relatively more important than scale – e.g., bridging finance to keep a hospital operational.
	Allocation	Allocative efficiency refers to the alignment of allocations with strategic priorities. This will be measured and reported to the SB annually.	Not applicable at start-up stage. Becomes more relevant as the Fund attains scale.	N/A
	Procurement	The Fund will be a significant provider of finance, some of which will be used to procure similar goods and services across multiple projects. It will strive to leverage its position and influence to help implementing partners negotiate advantageous economic terms in procurement.	Not applicable at start-up stage. Becomes more relevant as the Fund attains scale.	N/A
	Management	The Fund is focused on continuously improving its processes and systems, maintaining an open channel to hear the voices of its partners as they suggest areas for improving fund management.	Opportunity: A relatively small first allocation provides the opportunity to 'live test' processes and systems and work with implementing partners to refine and adapt them for maximum efficiency.	Realisation: Ensure sufficient time and space to get partner input. Consider bringing partners together for a debrief after awards are made.

#	Category	Illustration of Principle	Opportunity / Risk	Opportunity Realisation / Risk Mitigation
<b>Effective Risk Management</b>				
	Management	The Fund employs a risk management framework through which risk management is built-into every step of the project lifecycle. At the pre-award stage, this includes due diligence and capacity assessment and partner risk rating. Post-award, the focus shifts to performance monitoring and performance rating.	<p>Risk: Given the compressed timescale and incomplete staffing of the FMA, execution of all appropriate risk management processes will be challenging.</p> <p>Opportunity: The Fund can test and refine due diligence and risk rating processes, taking the opportunity to engage experienced partners in a dialogue about optimising risk management process.</p>	<p>Mitigation: Execute a targeted allocation with a limited number of experienced implementing partners invited to propose programmes in technical and geographic areas where they have proven capacity to deliver at scale with impact.</p> <p>Realisation: Ensure sufficient time and space to get partner input. Consider bringing partners together for a debrief after awards are made.</p>