



**UNITED NATIONS
DEVELOPMENT GROUP**

UNDG Programme Risk Management for Pooled Funding Solutions in Conflict and Transition Countries

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1. Introduction

Over 50 percent of the world's poor are projected to live in conflict-affected states by this year (2015), ballooning to 82 percent by 2025¹. Correspondingly, country donors and the UN Development System (UNDS) will continue to increasingly place an imperative on delivering transformative development results in complex conflict and transition contexts. These are risk-laden development situations, where the cost of implementation is high and the potential for programme/project failure and financial loss is significant. In response, UNDS donors have stressed the need for improved risk management, coupled to greater emphasis on risk mitigation, management, and sharing. Nonetheless, it is crucial to reduce complexities that constrain risk management, particularly in complex conflict and transition contexts.

The context of risk management in these environments is one largely of operational complexity on the ground and confusion at the policy level, where definitions/taxonomies differ and conceptual understanding of risk management is varied and fragmented, resulting in exacerbation of already strained operating environments and greater loss of resources. As such, it is appropriate and necessary to develop a joint approach- a framework to help curb loss.

Risk sharing is a key element of due diligence and operationalization of the process. It is understood the residual risk² is shared between the PUNOs and the donors to the Pooled Funding Mechanism within the framework set out in this framework.

This framework is informed by the Utstein/OEDC paper on Risk Management in conflict and transition contexts, the HLCM Finance and Budget Networks Governance and Accountability policy paper and the work prepared by UN RIAS regarding Joint Audits of joint UN activities in the field,³ and is designed to provide guidance with respect to a pooled funding mechanism managed within a structured risk management framework.

2. Purpose

The purpose of this paper is to establish an operational model –a framework-which provides common ground risk management principles and guides Development Partners, including the UN Development System, through the discrete risk management processes associated with establishment of a specific pooled funding mechanism in conflict and transition contexts.

¹ Chandy, Laurence and Geoffrey Gertz, *Poverty in Numbers: The Changing State of Global Poverty from 2005 to 2015*. Brookings Institution, 2011; Kharas, Homi and Andrew Rogerson, *Horizon 2025: Creative destruction in the aid industry*. ODI, 2012.

² Residual risk is the risk to the achievement of objectives that remains after management's responses (treatments) have been developed and implemented. By contrast, inherent risk is the risk to the achievement of objectives in the absence of any actions management might take to alter either the risk's likelihood or impact. Risk analysis is first applied to inherent risk. Once responses have been developed, management then considers residual risk. Assessing inherent risk in addition to residual risk can assist in understanding the extent of risk responses needed.

³ Utstein meeting White Paper "*Risk Management in Fragile States*" (2014) ; OECD_INCAF "*Managing Risk in Fragile and Transitional Context*" (2011) ; HLCM "*Best practice models for UN governance and accountability framework*" (2014); UN-RIAS [Framework for Joint Internal Audits of United Nations Joint Activities](#) (2014)

This UNDG framework outlines the necessary risk management considerations that are to be considered at the stage of the *establishment* of a pooled funding structure in conflict and transition countries. Furthermore, the framework should be seen as a (pooled) fund level risk management model complementary to the risk management approaches of the entities receiving funds from the pooled fund. It also lends itself to monitoring at the portfolio level. (E.g., difficulties in identifying effective partners could be considered a funding level risk, while the risk of funds flowing to terrorism is a risk at the project level, which could be monitored at the level of the fund through specific project reporting and monitoring arrangements.)

It should be considered a UNDG reference approach – on the basis of which each entity undertakes an “applicability check” against their own policy, procedures and practices for risk management, for alignment with the local needs and circumstances.

3. Principles

For risk management related policies and objectives, at a minimum, consider the following principles:

1. Risk management must be clearly linked to and supportive of the delivery of objectives, at programme and agency level;
2. Agencies must specify objectives with sufficient clarity to enable the identification and assessment of risks relative to those objectives;
3. Contextual analysis is the starting point for all risk management approaches and discussions;
4. Risk management approaches must establish accountability and clear communication;
5. Risk management should better inform risk response decisions as the choice between several often sub-optimal options for both UNDS and donors in conflict and transition states is persistent and ever present;
6. Risk management approaches must empower UN agency managers (particularly in the field) to manage risk and address issues in real time;
7. Risk Management activities at the level of the pooled fund must be complemented by risk management activities at the level of the entity receiving funds.

4. Scope

The UNDG Risk Management Framework applies to programming risks in conflict and transition contexts and uses joint funding models as a basis for risk management practise.

Using the INCAF Category model as a baseline framework, it outlines a 7 step process model that need to be taken at the moment of the establishment of the fund. The 7 steps are:

- *Review and adoption of the approach outlined in this Framework.*
- *Adaption to the context*



- *Framework (included in due diligence / pooled funding feasibility study)*
- *Risk findings (included in Fund design)*
- *Risk management (included in Fund Governance Terms of Reference)*
- *Risk Monitoring*
- *Communication of risk investigation following standard protocol*

The UNDG Risk Management Framework sets risk management practice standards at the level of the joint fund, applicable to any Participating UN Organisations (PUNO) and Non-UN entities that aim to receive funds from the Fund. Following transfer of resources from the Fund to the agency, agency level risk management frameworks and standards apply with regards to managing the funds. The UNDG Risk Management Framework is designed to be complimentary to agency risk management frameworks and standards.

5. The Context for Risk Management for Pooled Financing

In order to address the issues of diverging language and definitions in regards to risk management, the UNDG Risk Management framework is based on the definitions and structures of the [OECD/DAC International Network for Conflict and Fragility \(INCAF\)](#) model outlined in "[Managing Risk in Fragile and Transitional Context](#)".

Why manage risks?

Conflict-affected countries are considered **high-risk and complex environments**, characterized by high levels of insecurity, political instability and social turmoil. While development partners may have different risk categories, the Copenhagen Circles (figure 1) defined by the OECD DAC is an internationally recognized method to categorize risk.⁴ This framework distinguishes between three types of risk:

- *Contextual Risk:* Risks of state failure, development failure, a humanitarian crisis. These are risks over which external actors have limited influence over whether a risk event occurs, but need to react to minimise the effect on wider objectives (eg through applying contingency plans).
- *Programmatic Risk:* Risk of failure to achieve programme aims and objectives or causing harm through interventions.
- *Institutional Risk:* Risk to the aid provider including security, fiduciary failure, reputational risk, etc.
- *Figure 1: The Copenhagen Circles - Categories of Risk*⁵

⁴ INCAF (2014) Draft Options Note on Joint Risk assessment.

⁵ OECD (2011). Managing risks in fragile states: the price of success.

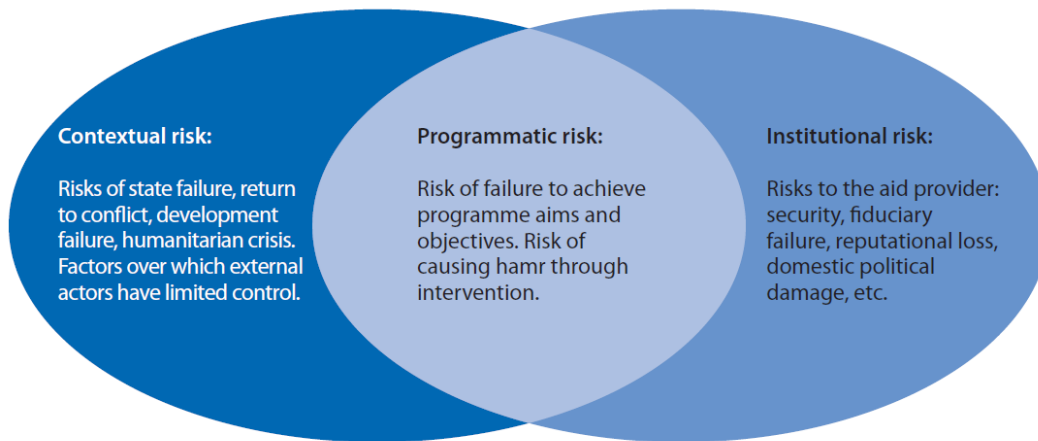


Figure 1: The Copenhagen Circles - Categories of Risk⁶

The accountability and reporting requirements governing traditional official development assistance (ODA) on the other hand, have been designed for more stable environments. Development assistance follows principles of national ownership and alignment and aims towards contributing towards pro-poor economic growth, poverty reduction and improvements in living standards. Significant process has been made in agreeing to a set of principles of engagement in conflict and transition states. However, in practice, **development assistance in such countries is often slow to materialize**, and donor behavior is still largely **risk-averse**, emphasizing institutional (particularly fiduciary) risk over contextual risk (including the risk of no action), and safer programmatic choices focused on immediate results that may be less suited to long term statesbuilding and peacebuilding goals.⁷

However, donors now generally accept the notion that not engaging in conflict and transition affected states may be the highest risk of all⁸. Consequently, many donors are now seeking to stay engaged during period of political crisis and violent conflict. But to do so requires the ability to **assess and manage risks** at several levels within a complex political and institutional environment.

In line with the New Deal TRUST commitments⁹, a joint risk assessment and the use of joint mechanisms to reduce and better manage risks can result more informed strategic choices, including by ensuring a more balanced approach between different institutional and fiduciary risks *vis-à-vis* contextual and programmatic risks. Better risk management also means that programmes are better designed, implemented and more likely to achieve expected results. Overall, these factors will **encourage an earlier release of development assistance**.

⁶ OECD (2011). Managing risks in fragile states: the price of success.

⁷ OECD (2012) *International support to post-conflict transition: Rethinking policy, changing practice*.

⁸ INCAF (2014) *Room Document 3: Options note on joint Risk Assessments*

⁹ Developed by the International Dialogue on Peacebuilding and State building, the **New Deal** is a global initiative and engagement framework that seeks to accelerate development progress in fragile and conflict-affected states. The New Deal comprises of three elements: (i) Five **Peacebuilding and Statebuilding Goals** (PSGs): Inclusive & Legitimate Politics; Security; Justice; Economic Foundations; and Revenue and Services; (ii) the '**FOCUS**'⁹ principles of engagement place countries clearly in the lead of their own pathways out of fragility; and (iii) the '**TRUST**'⁹ commitments: Transparency, Risk-sharing, Use and strengthen country systems, Strengthen capacities, Timely and predictable aid.

Key Definitions:

The UNDG Programme Risk Management in conflict and transition states uses standardized language in line with the OECD/DAC INCAF model:

- **Risk** – The potential for a defined adverse event or outcome to occur
- **Risk Outcome** – The adverse event or outcome itself, i.e. the result of the risk being realised.
- **Risk Factor** – factors that may cause the risk outcome to occur, or make it more likely. Multiple interacting factors give rise to compound risk.
- **Risk level** – the combined assessment of the probability and impact of a Risk Outcome
- **Residual risk** is the remaining level of risk after taking into consideration risk mitigation measures and controls in place.
- **Risk Management** is a systematic approach to setting the best course of action under uncertainty by identifying, assessing, understanding, making decisions on and communicating risk issues. Also includes balancing risk and opportunity.
- **Risk treatment** is the selection and implementation of appropriate measures to modify or reduce the risk.
- **Risk tolerance** is the willingness of an organization to accept or reject a given level of residual risk (exposure).
- **Risk response** refers to the continuum of measures of risk mitigation or control that are developed and implemented to address an identified risk.
- **Risk Parameters** sorts different types of risks under each of the three core risk categories

How can pooled funds help manage risks better?

Despite the potential benefits of a joint risk assessment and a more harmonized approach towards risk management, in practice experience has showed that bringing various stakeholders together in this regard is challenging. A recent paper commissioned by the Utstein Group¹⁰ recommended that pooled funds should be used as a platform to improve risk management practices. The governance structure which brings together UN, government and donors, offer an opportunity to develop a common understanding of the risk context and mitigation measures. By nature, a pooled fund is a risk sharing mechanism, enabling stakeholders to take on more risk together than each individual stakeholder could take on alone.

In order to leverage its risk management potential, a Fund should develop a **Fund Risk Management Strategy** which:

- Develops a shared understanding of the risks facing the Fund,
- Defines the Fund's risk tolerance or appetite ('Fund risk profile'),
- Establishes the Fund's policies in relation to identified risks ('Fund risk policy')

¹⁰ Established in Norway in 1999, the 'Utstein Group' is a group of Ministers responsible for development cooperation, working together to drive the development agenda forward, focusing on implementing an international consensus on development cooperation.

- Determines common risk safeguards and/or mitigation measures that eligible recipients must present in order to obtain funding,
- Identifies risk owners, monitors the direction of risk travel and defines follow-up action; and
- Sets out common reporting and messaging strategies.

A Fund's Risk Management Strategy is reflected in its allocation criteria, including geographic and thematic priorities, and partner selection criteria. All projects applying for funding will need to comply with the Fund's risk policy and tolerance. Within the project appraisal process, project compliance with the Fund's risk policy and tolerance will be one of the selection criteria.

The role of RBM in Risk Management

Solid application of Results Based Management ¹¹principles are important in order for the Risk Management Framework to work. The joint funding structures supporting programmes in conflict and transition states need to ensure that the programmatic results chains and the M&E framework associated with the fund adhere closely to established UNDG Results Based Management principles.

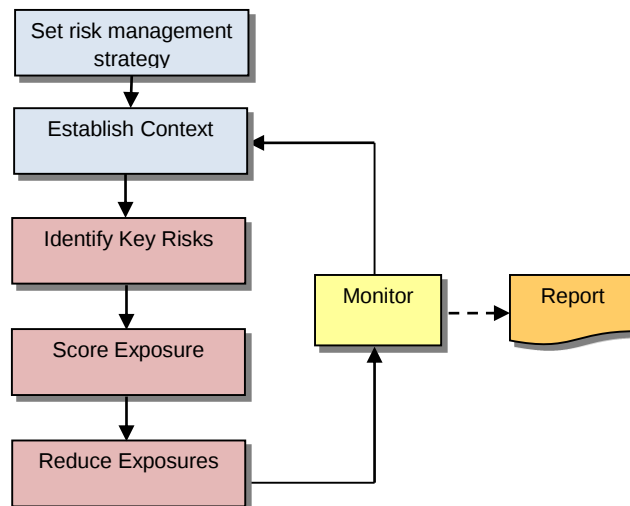
Any applicant to the fund must position their project proposals for which they are requesting funds, closely in line with the fund programmatic results chain and the associated M&E framework. Fund allocation should take into account the quality of the RBM principles reflected in the project proposals.

6. The Risk Management Model

The analytical risk model presented is sufficiently generic and basic enough to be understood and applied. It aligns with the fundamental risk management processes of both COSO and ISO 31000 frameworks and is comprised of six steps: 1. establish context; 2. identify key risks; 3. score exposure; 4. reduce exposures; 5. monitor and 6. report.

The following paragraphs explain what each section can typically be expected to contain, recognizing the precise procedure to be adopted will necessarily change according to the nature and circumstances of the pool fund concerned.

¹¹ RBM is a management strategy by which all actors, contributing directly or indirectly to achieving a set of results, ensure that their processes, products and services contribute to the achievement of desired results (outputs, outcomes and higher level goals or impact). The actors in turn use information and evidence on actual results to inform decision making on the design, resourcing and delivery of programmes and activities as well as for accountability and reporting.



The Analytical Risk Model

Step 1: Set Risk Management Strategy

Risk management strategy setting is an imperative task to guide the response to uncertainties (both risks and opportunities) and requires a clear understanding of the pooled funds strategy and the risks in executing that strategy.

The risk analysis is based on the three main risk categories of the INCAF model, and will draw, to the degree possible, on available information.

The risk management strategy identifies how risks are going to be identified and managed throughout the life of the pooled fund, including the roles of the different actors. Typical questions to be resolved at this stage include:

- **Roles:** Who is responsible for maintaining the records of risks and managing escalation? Whose agreement is required for a risk to be finalised? To whom are risks escalated and what is their responsibility for helping the management of risk? What names are going to be used for these roles?
- **Process and standards:** What agency's standards, procedures and other structures will govern risk management in the pooled account? (Note that this will normally be those of the pooled account coordinator.)
- **Frequency:** How often will a full risk assessment be undertaken (i.e. a complete rebase)? How often will the record of risks be refreshed (i.e. a simple update with new information)?
- **Cooperation:** What are the expectations of other agencies participating in the risk assessment regarding required and optional risk information? In particular, how should

preparation for risk assessment exercises be done? How should reporting on implementing mitigations and significant risk events be reported to the group?

- **Reporting:** How frequently will risks be reported and to whom? The reporting commitments to donors and recipient governments should be included in the core documentation of the account. Keeping external parties informed of key risks is necessary for good governance and essential for transparency.
- **Information Management:** At the fund level the ownership, collection and use of information needs to be described and a division of labor established. What will the role of the Secretariat be compared to the Steering Committee in collecting and accessing information? It is suggested that the Secretariat be supported by a strong grant management system to ensure close monitoring and compliance with reporting requirements. How will the confidentiality of information that is collected be maintained? Will information on risks be shared among all Steering Committee members? How will confidential information, such as allegations of misappropriation, be treated by the Steering Committee?

Step 2: Establish Context

Establishing the context (both internal and external) is an essential step in the risk assessment process. It is focused on:

- gaining an understanding of the topic and its associated risks in preparation for an assessment;
- establishing the scope of the risk assessment being undertaken, and for developing a structure for the risk assessment.

The context of the risk assessment may include:

- confirming the purpose and objectives of the risk assessment (e.g., to strengthen the annual work-plan by preparing for challenges that may be encountered during the remainder of the pool fund);
- setting scope and boundaries (i.e. what is included and excluded from the assessment), including the limits of the fund, in terms of time and location;
- identifying possible critical linkages between the pool fund and other activities;
- defining and limiting the preliminary research and analysis to be done under external and internal context;
- setting the methodology for the risk assessment and the impact and likelihood scales for the scoring the risk exposure; and
- confirming the management arrangements (i.e. assigning resources and setting a timetable).

Step 3: Identify Key Risks

To identify key risks, gather information on historical incidents and emerging issues pertaining to the subject of the risk assessment. This could include information specific to an agency as well as general information relevant to the subject under assessment. Gathering this information may be obtained from various sources such as internal incident data, results from audits, staff interviews or group discussions, questionnaires and open source data.

The key risk identification process will be influenced by time and budget constraints, but will be most effective when key stakeholders, assembled by the Pool Fund Coordinator (PFC) are involved and review each part or topic relative to the potential risk, to address the following factors:

- **Risk source:** Describes the nature of the risk which have the inherent potential to harm or facilitate harm.
- **Risk outcome?** What could happen if the risk materializes: Events or incidents that could occur whereby the source of risk or threat has an impact on the achievement of objectives.
- **Where it could happen:** These are the physical locations/assets where the event could occur or where the direct or indirect consequences may be experienced.
- **When it could happen:** These are the specific times or periods when the event is likely to occur and or the consequences realized.

The Pooled Fund Coordinator for the pooled fund is responsible to organize the collection of views on key risks to the operation of the pool fund from participating agencies and present them in a standardized format (risk register) for discussion and agreement by the participating agencies.

To facilitate the identification and categorization of risks, risk sources are established based on the the three main risk categories of the INCAF model (Contextual Risk, Programmatic Risk and Institutional Risk). Within these three categories, different types of risk (political, fiduciary etc.) are defined, assessed and risk mitigation considered using the following analytical model. Using the sub-categories established, risks are identified for each of the 3 INCAF risk categories. *The table below does not amount to a complete list of risks and not all risks listed are relevant in all settings. The concrete risks will depend on the actual situation.*

	Contextual Risk (INCAF)	Institutional Risk (INCAF)	Programme Risk (INCAF)
Risk Source	Risk Outcomes- potential impact (examples)	Risk Outcomes- potential impact (examples)	Risk Outcomes- potential impact (examples)
Security & Safety - Interstate war - Civil war - State Break-down - Violent crime, terror, piracy - Natural disasters - Pandemics	• Generally risk increase on all parameters in and around affected area	• Public support to intervention negatively affected after serious injury of staff member	• Limitations in access to intervention area • Life and well-being of staff threatened • Major increase in target group • Displacement to or from intervention area • Damage to infrastructure and operational capacity • Lack of disaster or

	Contextual Risk (INCAF)	Institutional Risk (INCAF)	Programme Risk (INCAF)
Risk Source	Risk Outcomes- potential impact (examples)	Risk Outcomes- potential impact (examples)	Risk Outcomes- potential impact (examples)
			epidemic management planning
Political & Social - Government - Government policies - Poverty reduction strategy - Partnership - Institutions - Administration - Rule of law - Stakeholders - Gender issues - Rights issues	• All planning and economic activity hampered by unstable political situation • No Poverty Reduction Strategy available • Widespread corruption • Restrictions on civil and political rights	• Elections in y-land is presented by media as far from free and fair – campaign demands that institution draws out immediately • Governments lead discrimination against homosexuals in x-land results in widespread demand for sanctions	• Sector strategy and investment plan do not materialise • Agreed objectives cannot be reached due to general bias against girls' enrolment for secondary education • Limited capacity of local partners hampers implementation • Lack of political commitment and leadership
Financial & Economical - Financial management - Corruption - Procurement - Legal framework - Finance Act Process - Audit - Fiscal and foreign trade balances - Recession, inflation	• Poor budget discipline as result of lacking independence of the Supreme Audit Institution • Non-existence of internal audit increase general risk of misuse of funds	• Public support to institution damaged after massive loss of tax payers' money due to apparently unchecked corruption	• Procurement rules accord with international standards but compliance is weak • Sector receives insufficient and falling share of state budget • Annual targets not met due to late transfers from Ministry of Finance
Conflicts - Political - Religious - Ethnic - Social class - Resources - Trade - International or internal	• Some ethnic groups are denied political influence • Two out of four borders closed due to decade-long conflict with neighbouring countries	• Repeated attacks on religious minority lead to call for withdrawal from z-country	• Conflicts on water rights shortcuts irrigation project • One ethnic group is systematically denied access to services
Resources - Natural - Human - Financial	• 'Brain drain' undermines development efforts • Draught reoccurs more often and for longer time • Falling commodity prices increase budget deficit	• Decision to tolerate potential risk to the environment by intervention is broadly considered unacceptable in constituency	• Intervention causes damage to the environment • Partner unable to hire or retain qualified staff • Partner or third party do not deliver on financial commitment

The table above is part of the **risk register**, which is the central registry describing each of the risks in terms of risk sources, and risk outcomes (potential impact). Note that risk registers are confidential in nature as they may contain assessments of partners and other risk sources, and therefore is not for public consumption.

Annex 1: Template risk register table

Step 4: Assess Risks and Score exposures

Risk is assessed as part of the due diligence process taking into account the risks and commensurate due diligence measures before and after fund allocation. Risk is analysed in the context of the impact on the achievement of objectives and the results of the risk assessment forms the basis for the Steering Committee to manage the risk. For risk management to be effective, results based management and roles, responsibilities and delegations to project manager(s) from the Steering Committee need to be formalized.

For each of the key risks identified, steps are taken to assess the risk and “translate” this into an “exposure score”. The exposure score determines provides a priority which risks need to be priortised for action:

- **Define a common set of criteria** for risk (and opportunity) assessment.
- **Assess risks and opportunities in terms of impact and likelihood¹²** and assign values (and/or levels) to each risk (and opportunity) using the defined criteria.
- **Assess risk interactions and manage them** as risks do not exist in isolation. Seemingly insignificant risks on their own have the potential, as they interact with other events and conditions, to cause great damage or create significant opportunity.
- **Prioritize risks** to determine risk management priorities ¹³ by comparing the level of risk against predetermined target risk levels and tolerance thresholds.
- **Respond to risks** as the results of the risk assessment process serve as the primary input to risk responses, whereby options are examined for negative risks (accept, reduce, share, or avoid) and for positive opportunities (share, enhance, exploit, accept). Cost-benefit analyses is performed, a response strategy is formulated, and response plans are developed.

Risk rating is determined base don “likelihood” of the risk occurring (often referred to probability) and the severity of impact if the risk materializes:

Risk Likelihood Descriptors (Probability)

RATING	DESCRIPTION	LIKELIHOOD OF OCCURRENCE
1	Improbable	Highly unlikely, but it may occur in exceptional circumstances. It could happen, but probably never will.
2	Remote	Not expected, but there's a slight possibility it may occur at some time.
3	Occasional	The event might occur at some time as there is a history of casual occurrence.
4	Probable	There is a strong possibility the event will occur as there is a

¹² Additional dimensions such as vulnerability, speed of onset and frequency can be considered.

¹³ Risk should not be viewed just in terms of financial impact and probability, but also subjective criteria such as health and safety impact, reputational impact, vulnerability, and speed of onset.



history of regular occurrence.

5 Frequent Very likely. The event is expected to occur in most circumstances as there is a history of frequent occurrence.

Risk Severity Descriptors (Impact)

RATING	DESCRIPTION	FINANCIAL IMPACT (Local Level Thresholds)	FINANCIAL IMPACT (Pooled Fund Level Thresholds)	PARTNERS & STAFF HEALTH & SAFETY	BUSINESS INTERRUPTION	REPUTATION & IMAGE	CORPORATE OBJECTIVES
1	Negligible	Less than <1% office budget	Less than <5% pooled fund	No or only minor personal injury; First Aid needed but no days lost	Negligible; Critical systems unavailable for less than one hour	Negligible impact	Resolved in day-to-day management No substantive impediment to corporate objectives
2	Low	1-2% office budget	5-10% pooled fund	Minor injury; Medical treatment & some days lost	Inconvenient; Critical systems unavailable for several hours	Adverse local media coverage only	Minor impact on the timeliness or achievement of corporate objectives
3	Moderate	<2-3% office budget	10-15% pooled fund	Injury; Possible hospitalisation & numerous days lost	Client dissatisfaction; Critical systems unavailable for less than 1 day	Adverse capital city media coverage	Significant impact Some elements of corporate objectives will not be achieved or will be delayed
4	Significant	3-5% office budget	15-20% pooled fund	Single death &/or long-term illness or	Critical systems unavailable for 1 day or	Adverse and extended national	Major impact Significant elements



				multiple serious injuries	a series of prolonged outages	media coverage	of corporate objectives will not be achieved or will be significantly delayed
5	Catastrophic	>5% office budget	20-25% pooled fund	Fatality(ies) or permanent disability or ill-health	Critical systems unavailable for more than a day (at a crucial time)	Demand for government inquiry/international media coverage	Disastrous impact Corporate objectives will not be achieved

The scoring is determined by multiplying the likelihood and the severity. Based on the risk score, action is determined:

- *Risk Rating 1,2,3:* No action required
- *Risk Rating 4,5,6:* Monitor risk
- *Risk rating 8,9,10, 12:* Treatment action required (ref step 5)
- *Risk rating 15:* Urgent treatment action required (ref step 5)
- *Risk rating 16 and up:* Escalate to Board

Risk Rating = Likelihood x Severity

S e v e r i t y	Catastrophic	5	5	10	15	20	25
	Significant	4	4	8	12	16	20
	Moderate	3	3	6	9	12	15
	Low	2	2	4	6	8	10
	Negligible	1	1	2	3	4	5
			1	2	3	4	5
			Improbable	Remote	Occasional	Probable	Frequent
			Likelihood				

Catastrophic	 	ESCALATE TO BOARD
Unacceptable	 	URGENT ACTION
Undesirable	 	ACTION
Acceptable	 	MONITOR
Desirable	 	NO ACTION

Example Risk Rating and Scoring Matrix

Step 5: Reduce Risk Exposure- Treatment actions

The stakeholder group assembled by the PFC decides how to address each risk. There are four risk treatment options. The four parts of risk treatment options outline how identified risks can be responded to. The choice can be made to take no action beyond what is already being implemented, and adding no additional control mechanisms other than those already in place, if it is perceived that the risk is acceptable (Accept/Retain)). The risk can be controlled, by engaging in mitigation actions to reduce the seriousness of risk to an acceptable level (Control/Reduce/Limit). If there is no reasonable way to reduce the risk to an acceptable level, the risk can be avoided altogether (Avoid). Or the risk can be transferred to other parties that have a stronger capacity or authority to deal with the risk (Transfer/Share).

- **Accept/Retain:** Risk is accepted without the need for any further mitigating measures. A decision is made to tolerate the risk as further measures would not be cost effective. Risk retention can also be seen as accepting the loss as well as the benefit of the opportunity in taking the action. All risks that are not avoided or transferred are retained by default.
- **Control/Reduce/Limit:** Implement additional mitigation measures to reduce the risk to an acceptable measure. This includes prescribing a specific action to be taken (preventative, corrective, directive, detective etc.) Reducing the risk involves a reduction in the likelihood of the risk from occurring as well as a reduction in the severity of the impact should the risk materialize.
- **Avoid:** Exit or terminate the activity to avoid any exposure to the risk. Use of this risk modality also implies avoiding the activity linked to the risk. In this way, avoiding the risk also leads to avoiding the potential gain that can be achieved from the activity and not being able to achieve the objective.
- **Transfer/Share** (outsource or insure): Typically a financing solution paid to a third party to handle the risk. The decision is made to sub-contract implementation to other parties who (based on a structured risk assessment) are able to operate with lower risk. It is important to note that we don't just transfer a risk and forget about it. It is important to note that this response does not imply transferring the risk itself, but the response for that risk. If a risk has been identified there is still the possibility of an event that could affect the achievement of stated objectives. Transferring emphasises the need for monitoring and tracking in order to have a full overview of the risk seriousness.

Accountability for treatment actions is effected by making the actions specific as to what is required to respond to the risk, time-bound and assigned to a lead agency programme head to implement (supported if necessary by other agencies).

7. Putting the Analysis into Action

The Administrative Agent sets, selects the tools and communicates the core definitions (e.g. of risk, risk owner, action owner, agreement mechanisms, etc.).

A mapping of key stakeholders at the local level typically precedes the actual risk analysis. This mapping includes formal governmental structures as well as civil society and informal

stakeholders and interest groups, in particular those who have sufficient influence at the local level to impact the risk profile associated with the profile (ex. Local power groups, criminal and para military groups, tribal structures etc.).

An approach for compiling the first risk register is agency country programme heads meet with their team to discuss the risks under their agency procedures to achieve the objectives for their clusters/packets. Informed by the results, they meet to discuss contextual, institutional and programmatic level risks with other members of the steering committee. Specific agency heads are accountable to the PFC for ensuring the appropriate management of risk treatments. The Steering Group may convene first to discuss programme risks, followed by cluster/agencies meetings. Stakeholders and donors should be consulted for their assessment of the risks, as either part of the steering group or separately.

The AA also sets the standards on the frequency of reporting. Typically this will contain three elements: frequency for a full rebase (i.e. risk assessment from scratch); for an update (i.e. revision to take account of new info or the completion of mitigating actions); and for alerts (i.e. requirements for sharing information on critical new exposures – e.g. changes in security, fraud, attitudes/expectations of donors/host government). Formal reporting to the Board is usually aligned with other reporting, and will contain details on risk profile and application of risk management standards.

7.1 Monitor and Report Risks

One important component of monitoring is ensuring that threats are adequately constrained and opportunities are appropriately taken as a way of reducing uncertainty. Monitoring of treatment actions should be a planned part of the risk management process and involve regular review, where results are recorded and reported internally and externally. It benefits an Agency's risk management framework as a valuable input to continuous improvement of the system.

The Agency's monitoring of treatment actions should include consideration of the following:

- Effectiveness and efficiency of controls;
- Attain information from various sources to mature and improve risk assessment;
- Benefit from lesson learned from risk events, including near-misses, changes, trends, successes and failures;
- Changes in the external and internal environment, to risks and risk criteria and to the risks, may need periodic updating or revision;
- Identification of emerging risks and risk trends.

In line with established risk monitoring format and standards, regularly check the progress of treatment actions, incident management and updates to the risk register as required.

For the pooled account, the PFC will typically produce three types of reports on risk management:

- stakeholders only- on the observance of agreed standards.

In line with established risk monitoring format and standards, the PFC regularly checks and reports on the status of risks to the Pool Fund, (including updates to the risk register as required and progress of treatment actions). This includes action related to specific areas of risk management of concern to donors .

Agency country programme heads are accountable for observing the standards for risk management established by the PFC, and managing the risks and treatment actions assigned to them in the risk register. The AA is similarly accountable for keeping donors and other stakeholders informed of significant risks affecting the performance of the Pool Account, and for informing higher management as part of regular programme reports on the nature and status of Unacceptable and Catastrophic risks, drawing attention to those that might have significant repercussions, particularly reputational, for the UN system as a whole.

Monitoring and reporting risk are the means by which these accountabilities are managed. Monitoring risk is an on-going activity, involving collecting and analysing risks, and progress in implementing treatment actions. This happens on a routine basis with an agency country programme team, and involves the team checking that agency and pool fund standards for risk management are being applied and that satisfactory progress is being made in implementing treatment measures, and scanning activities and the wider operational environment for new risks, and updating risk logs accordingly. Similarly, the PFC includes as an agenda item a discussion item on any significant new risks (or changes in the profile of existing risks) that may affect programme delivery, and on problems faced in implementing treatment actions.

Reporting is the communication of the output from monitoring of risk to the PFC and other stakeholders as part of the Pool Fund's accountability framework. While monitoring is a continuous process, which keeps the risk register up to date, risk reporting is a formal documented process, undertaken at regular intervals (eg quarterly/six monthly or even monthly in more volatile environments) by the AA. There are three forms of risk reporting:

- Internal stakeholder reports to the PFC on the application of agreed standards on risk management practice in the Pool Account (for example completeness of returns from agency country programme heads on implementing risk treatments, status on risk rebases/updates);
- Internal stakeholder reports on the risk profile of the Pool Account (for example, new risks added or existing risks removed; number of, and trends, in risks by rating, risk parameters, etc., number of risks escalated to the attention of higher management), and the status of Treatment Actions (for example, number of treatment actions completed, and number overdue)
- External stakeholder reports. External stakeholders should be kept informed of the major risks affecting the performance of the programme. As a minimum, these reports should concentrate on the risks and the treatments rated as catastrophic or unacceptable, and risks arising from external factors, where the severity is considered as being catastrophic, regardless of the likelihood.

7.2 Risk Response: managing donor expectations

The Steering Committee, in its own capacity or through the risk committee, will need to establish the protocols and contingency plans for risk management, including but not limited to the following main areas of attention:

- Due diligence
- Incident management- Communication with donors

The Steering Committee, in its own capacity or through the risk committee, will need to establish the protocols and contingency plans for risk management, including but not limited to the following main areas of attention:

- Due diligence
- Incident management- Communication with donors

7.2.1 Due Diligence Within the Context of Enterprise Risk Management

The Enterprise Risk Management framework is a process, applied in a strategic setting and across the enterprise, designed to identify potential events that may affect the entity and manage risks in order to provide reasonable assurance regarding the achievement of entity objectives. It is a shared responsibility of staff and managers in order to achieve strategic, operational and individual objectives. Performance management is integral to the Enterprise Risk Management framework, focusing on strengthening accountability and improving responsiveness at all levels.

Due Diligence is a component of a comprehensive Enterprise Risk Management framework, which encompasses policy, procedures, guidance, tools, techniques, etc., in the areas of operations. The framework, therefore, can be applied to all contexts and not limited to conflict and transition states. This framework seeks to guide the development of due diligence measures within the separate UN agencies.

Due Diligence measures refer to common measures that can be applied at the pooled fund level by all participating agencies and organisations. These are complementary to the already existing measures that are adhered to by individual agencies and organisations.

The overall framework in managing risks and identifying due diligence mechanisms need to take into account what areas have clear areas of thresholds (finance, procurement delegations of authority, etc.) and the areas where quantifiable thresholds are not possible. This guides the development of due diligence measures within the separate UN agencies.

Enterprise Risk Management is closely linked to Internal Control.¹⁴ Both mutually reinforce each other, as Enterprise Risk Management includes internal control components (risk appetite, risk tolerance, risk identification, risk assessment, risk response, risk monitoring and risk reporting). Well-functioning (effective and efficient) systems and controls embedded in a documented framework, support and encourage responsible risk management efforts and facilitate the achievement of organizational goals.

The level of due diligence is linked to the risk appetite of the organisation. An organisation's risk appetite reflects the organizational risk management philosophy, which in turn influences the culture and operating style. Different strategies expose the organisation to different types and levels of risk, hence, all strategies need to be aligned with the agency risk appetite, in line with the agency's risk tolerance and include the development and implementation of due diligence mechanisms and measures.

At the time of applying for funding from the Pooled Mechanism, the Participating United Nations Organisation (PUNO) should verify that the risk levels identified by the pooled mechanism are congruent with the organisation's acceptable levels of risk tolerance and thresholds and contributes to the identification and implementation of risk treatment (mitigation) actions. It is understood differences in UN agency risk appetites and risk tolerances exist. Failure to communicate these differences and seek common ground between agencies, organisations, and donors, may affect the effectiveness of specific programme/project delivery. Seeking this common ground to understand differences is integral for risk sharing.

Risk sharing is a key element of due diligence and operationalization of the process. It is understood the residual risk¹⁵ is shared between the PUNOs and the donors to the Pooled Funding Mechanism within the framework set out in this framework. Risk associated with gross negligence and/or willful misconduct of PUNO staff members are not covered within this guidance and risk derived from such staff actions should be accepted and covered by the respective PUNO's risk management and other relevant policies.

It is expected that each PUNO has a fully documented risk management policy that is benchmarked to the [HLCM endorsed Enterprise Risk Management reference model](#). Additionally, it is expected specific measures can be identified and established in connection with operationalization of the fund itself. These may typically include explicit monitoring and reporting requirements (e.g. ensure funds are not diverted via implementing partners to finance terrorism), establishment of a specific risk management unit and/or creating a specific compliance officer role in the fund management structure.

¹⁴ Internal Control, embedded in all operations, is a process designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (i) effectiveness and efficiency of operations; (ii) reliability of financial reporting; and, (iii) compliance with rules and regulations.

¹⁵ Residual risk is the risk to the achievement of objectives that remains after management's responses (treatments) have been developed and implemented. By contrast, inherent risk is the risk to the achievement of objectives in the absence of any actions management might take to alter either the risk's likelihood or impact. Risk analysis is first applied to inherent risk. Once responses have been developed, management then considers residual risk. Assessing inherent risk in addition to residual risk can assist in understanding the extent of risk responses needed.

Performance management- a process by which organizations align resources, systems and staff to strategic objectives and priorities- includes activities which ensure that goals are consistently being met in an effective and efficient manner and focuses on strengthening accountability and improving response at all levels. Improving response is an integral link to the Enterprise Risk Management framework. Managing risk is about behavior and culture not just process and objectives. Improving response includes encouraging and supporting staff in managed risk taking, thus improving performance through better decision making. To improve risk performance, the following should be considered:

- Establishing monitoring systems to ensure adherence to policies and regulations
- Creating and actively promoting a culture where there are high standards of risk management
- Seeking information on risk and opportunity when making balanced decisions
- Ensuring appropriate policy and procedures are in place to manage organizational exposures
- Recognising the impact of uncertainty¹⁶ on stated objectives and taking action where appropriate.

It is important to note that a due diligence assessment should not be a pass/fail assessment. Rather, it should allow the United Nations to understand partner capacity and any potential risks. The United Nations should then be able to make decisions based on accurate information as well as instituting capacity building and risk mitigation strategies as required (e.g. through contract clauses) to address issues identified in the due diligence assessment and to facilitate partnerships even in high risk environments.

Due diligence assessments should be based on the most current, objective and verifiable information available whilst still accommodating diversity of Implementing Partners (IPs) structure and capacity, to assess and understand institutional or organisational capacity and risk.

Two levels of assessment apply: Baseline (which would include 12 capacity domains with 'baseline' capacity expectations) and Comprehensive (including all 16 capacity domains with 'comprehensive' capacity expectations). The due diligence process focuses on the following four areas:

- 1. Organizational capacity**
Entity Details, Past performance, Technical and operational capacity, Financial viability, Results and performance management
- 2. Risk management**
Fraud control, anti corruption, counter terrorism & sanctions lists, Criminal records check, risk management, fiduciary risk
- 3. UN Principles**
Child protection, displacement/resettlement, environmental safeguards
- 4. Policy Requirements**
Transparency, Policy compatibility

¹⁶ Uncertainty is imperfect knowledge.

Annexes

- **Annex 2:** Example checklist Baseline Due Diligence for IPs

The level of due diligence assessment required – either Baseline or Comprehensive - will be determined by the relevant UN organization, fund or programme, based on an assessment of relevant risks. There are many different types, sizes and capacities of IPs and many variables influencing risk, that should be considered including e.g.

- Preliminary results of the baseline assessment,
- Nature and context of funding,
- Past performance, and
- Level of proposed funding.

Independently from the perceived level of risk, the standards propose a minimum Baseline level of assessment which should be undertaken for all IPs receiving or seeking funding from the United Nations.

The *Comprehensive level of assessment* will be undertaken for IPs receiving or seeking funding that has been assessed by the UN to potentially expose to higher risks. Expectations for each of these capacity domains are significantly higher than for the Baseline assessment and will demand a deeper level of evidence and scrutiny, commensurate with risk and IP capacity.

Baseline level assessment will involve the IP providing limited documentation against a prescribed list ensuring this does not become overly onerous on the IP. Comprehensive level assessment will involve the IP providing more substantial information and evidence against a prescribed list.

7.2.2 Incident Management: Communications with Donors

Communication with donors must be a process/channel which enables two way exchange of information and opinion in transparent manner. This is particularly important when communicating during an incident. It is critical for donor stakeholders (and the wider public) to understand that the correct and appropriate actions are being taking in a timely manner. There are key points at which to apprise donors during an incident.

Key points at which to inform donors:

Investigation is initiated. As soon as an investigation is initiated, notify the donors that have contributed to the project, or in the case of pooled funds, the donors who contribute to the pooled fund. The donors in the country in which the investigation is taking place and the official donor representative at headquarters should be notified. The notification includes the following information:

- Amount of funds at risk
- Nature of allegations
- Decision to suspend the implementing partner pending investigation results

- Request to treat information confidentially
1. **Quarterly investigation updates are shared with donors.** This can be a summary of updates if there is more than one ongoing investigation. Donors that seek additional information are referred to the relevant body carrying out the investigation.
 2. **Receipt of final investigation report.** As soon as the final investigation report is received, notification is sent to donors that the investigation has been concluded and that they will be informed of the outcome in due course.
 3. **Response to final investigation report:** Once the agency has formulated a response to the investigation, a letter should be sent to contributing donors informing them of the results of the investigation. The relevant agency should be the single point of communication with both donors & pool funding partners around the specific investigation. Letter includes information on:
 - Size of estimated fraud
 - Type of fraud that has occurred
 - How the fraud occurred
 - Recommendations for further action
 - Action to be taken/ already taken to prevent a re-occurrence
 - Reference to relevant office of investigation in case donors should require further information about the investigation report

As noted above, there can be other communication and briefings as required. There are also differences among UN entities regarding policies on sharing full investigation reports with donors, so the recommended best practice is to share summary of findings.

Depending on the results of the investigation, the case may continue with attempts to recover funds that were deemed to be misappropriated, or the involvement of the national legal system. It may therefore be necessary to continue providing updates to donors after the investigation is complete, particularly if there are funds that need to be written off as a loss.

2. *Regular updates to donors on risk management systems*

Along with the updates on fraud investigations, donors should be briefed regularly on mechanisms in place and steps taken to manage the risks of working in insecure environments. As noted in the Ustein paper, donors have and will continue to increasingly place an imperative on delivering transformative development results in complex post-conflict and conflict and transition contexts, and have therefore placed an emphasis on greater risk tolerance, coupled with greater emphasis on risk mitigation, management, and sharing. Donors understand that there are inherent risks working in insecure environment, but it is important that they are also well informed about the systems in place to manage risk and minimize potential fraud.

Annexes

- **Annex 3:** Sample Letter to donors when investigation is initiated.
- **Annex 4:** Sample Letter to donors upon receipt of final investigation report

- **Annex 5:** Sample Letter to donors regarding response to final investigation report.

8. Risk Management – Pooled fund governance

8.1 Scope, Coverage and Structure pooled fund

The UN UN Pooled Fund organizes its programmatic and operational work in line with national priorities and recovery and reconstruction goals as identified by the national government. It will cover activities across the different national priority areas, recognizing the UN's activities and mandates throughout and will focus on immediate delivery, building resilience and capacity development, as a comparative advantage in relation to the other windows of the pooled funding solution (if any).

Any programmatic activities financed by the UN Pooled Fund will demonstrate clear alignment between the results of the individual programmes/projects and the results areas targeted by the UN Pooled Fund.

8.2 Entities Eligible for Funding from the UN Pooled Fund

The UN Pooled Fund will be a Trust Fund model with multiple channels of execution (the Participating UN Organizations and National Implementing Entities).

Participating UN Organisations (UN Agencies, UN Mission and UN entities) are eligible to receive funding from the UN Pooled Fund by concluding a Memorandum of Understanding (MOU) with the Administrative Agent. Financing may be provided to national and sub-national institutions and international NGOs through one of the UN Agencies. Use of funds, reporting obligations, liability, audit and other matters relating to the management of the funds provided, and the activities shall be addressed in such project agreements in the manner that is customary for the concerned UN organisation. Participating UN organisations shall assume full programmatic and financial accountability for the funds disbursed to them by the Administrative Agent. Such funds shall be administered by each participating organisation in accordance with its own regulations, rules, directives and procedures.

Financing from the UN UN Pooled Fund can be provided directly to the **National Implementing Entities** that are included as Government Implementing Partners in the programmatic documents approved by the Steering Committee. The Government Coordinating Entity concludes a Memorandum of Agreement (MOA) with the Administrative Agent of the Fund. The Government Coordinating Entity would assume full financial accountability for the funds transferred to National Implementing Entities, which will be managed in accordance with the national budgetary framework (full on-budget – including financial, procurement, accounting and audit procedures), provided they do not contravene the principles of Administrative Agents' Financial Regulations and Rules.

8.3 Governance Pooled Fund

The UN Pooled Fund results framework establishes a robust mechanism for reporting and monitoring the performance of participating funds and for managing risks. The risk analysis is a structured process undertaken in order to achieve the strategic and operational objectives of the pooled funding. The analysis needs to take into account contextual, institutional and programmatic risks. The analysis includes identification of events that may impact the achievement of the objectives, assessing the seriousness of the risk, and determining an appropriate response, with identified mitigation action owners. The residual risk needs to be clearly stated and communicated to all stakeholders, including donors. To ensure visibility across funding instruments, the Technical Secretariat will develop common reporting standards for implementation and results and will prepare periodic progress reports for the UN Pooled Fund governance and the broader aid coordination bodies.

To avoid an overly complex structure and to lower transaction costs, the UN Pooled Fund would share its governing bodies with the wider aid coordination architecture. The main UN Pooled Fund governance arrangements will include a **high-level Steering Committee** and a **Technical Secretariat**.

The **Steering Committee** will be responsible to:

- Provide oversight, manage risk and exercise overall accountability of the UN Pooled Fund;
- Manage risk based on the analysis /findings of the due diligence process;
- Conduct joint risk assessments, capacity assessments and due diligence activities and report on the Pooled Funds risk profile to internal and external partners;
- Review and approve proposals submitted for funding;
- Develop and approve the criteria by which the implementation and managerial capacities of National Implementing Entities will be reviewed, as part of the overall funding evaluation process;
- Review UN Pooled Fund status and its overall progress, in regard to itself and its contribution to the implementation of programmatic activities financed by the UN Pooled Fund;
- Review and approve the periodic progress reports (programmatic and financial) consolidated by the Administrative Agent, based on the progress reports submitted by the Participating UN Organisations and National Entities;
- Commission reviews and “lessons learned” reports on the performance of the UN Pooled Fund, and discuss follow-ups with Participating UN Organisations and National Implementing Entities on recommended actions relevant to the Pooled Fund.

The Steering Committee meets periodically and will make funding decisions by consensus. Reports, recommendations and Minutes of its meetings will be shared with the stakeholders of the UN Pooled Fund.

A **Secretariat** will set up to support the proper functioning of the UN Pooled Fund Steering Committee and the High Level Partnership Forum, and to advance day-to-day work on financing, aid effectiveness and coordination, monitoring and reporting. UN staff located in the Technical Secretariat are responsible for:

- Facilitating the preparation and conduct of the Steering Committee meetings related to the UN Pooled Fund, including the preparation of agenda and Minutes, distribution of documents, distribution of programme/project proposals submitted to the Steering Committee for funding decisions, etc.;
- Organising programme/project vetting process/review;
- Recording the Steering Committee decisions, approvals and allocations and submitting those to the Administrative Agent;
- Tracking implementation progress, and identifying challenges to be reported to the Steering Committee;
- Undertaking monitoring, reporting and evaluation on Fund-level progress on periodic basis, and preparing analytical progress reports relating to agreed UN Pooled Fund objectives.

The UN Pooled Fund will be administered by an Administrative Agent. The Administrative Agent will conclude a Memorandum of Understanding (MOU) with Participating UN Organisations Memorandum of Agreement (MOA) with the host government and Standard Administrative Arrangements (SAAs) with contributing partners. It will receive, administer and transfer funds to Participating UN Organisations and National Implementing Entities upon instructions from the Steering Committee and submit yearly consolidated narrative and financial reports, to the Steering Committee and all contributing Partners that have provided financial contributions to the UN Pooled Fund. Upon its composition, the Steering Committee will adopt an Operational Manual, prepared by the Technical Secretariat with the support from the Administrative Agent, detailing the rules and procedures of the UN Pooled Fund and its Steering Committee, call for proposal and approval cycle, project proposal and reporting templates, etc., in line with the principles and commitments of the pooled fund. The Steering Committee will also develop the format for the integrated report and manage the risk associated with programme implementation using the funds of the UN Pooled Fund.

Annexes

- **Annex 6:** Governance structure UN Pooled Fund for programming in conflict and transition states



Annex 1: Template Risk Register Table

	Contextual Risk (INCAF)	Institutional Risk (INCAF)	Programme Risk (INCAF)
Risk Source	Risk Outcomes- potential impact (examples)	Risk Outcomes- potential impact (examples)	Risk Outcomes- potential impact (examples)
Security & Safety			
Political & Social - Government - Government policies - Poverty reduction strategy - Partnership - Institutions - Administration - Rule of law - Stakeholders - Gender issues - Rights issues			
Financial & Economical - Financial management - Corruption - Procurement - Legal framework - Finance Act Process - Audit - Fiscal and foreign trade balances - Recession, inflation			
Conflicts - Political - Religious - Ethnic - Social class - Resources - Trade - International or internal			
Resources - Natural - Human - Financial			



Annex 2: Due Diligence Checklist

Due Diligence Pillar	Capacity Domain	Minimum Standard	Baseline Minimum level of assessment for all IPs	Comprehensive Level of Assessment where risk is assessed as high	Possible Means of Verification
Organizational capacity	1. Entity Details	IP is an established entity that is voluntary, not-for-profit and independent of government	• IP is an accepted and known identity in the culture and tradition of its country <i>or</i> • IP is registered with an approving body in its country • IP has a stated purpose of existence or set of objectives • IP has a physical address • IP is supported by members of its community/constituency • IP is voluntary and not-for-profit • IP is independent of government and is not affiliated to any political party	• IP is a registered legal entity • IP is voluntary and not-for-profit • IP is independent of government and is not affiliated to any political party • IP has a governance instrument that outlines its purpose and statutes for operating • IP has a functioning governing body that meets regularly	• Written or spoken references or testimonials • Letterhead, website, Annual Reports • List of Objectives or stated Purpose • Registration document provided by an approving body • Certificate of incorporation or other legal entity document • Constitution, memorandum, articles of association, statutes, trust deed, or other governing instrument • List of Governing body members
	2. Past	IP can demonstrate a	• IP has a history of implementing and	• IP has a history of implementing and completing projects or programs with	• Written or spoken references or testimonials from project



Due Diligence Pillar	Capacity Domain	Minimum Standard	Baseline Minimum level of assessment for all IPs	Comprehensive Level of Assessment where risk is assessed as high	Possible Means of Verification
	Performance	track record of undertaking effective development and/or relief activities for at least one year	• completing projects or programs with development and/or relief related focus • IP is known and respected within the community or constituency it has been undertaking development and/or relief activities	• development and/or relief related objectives • IP can measure and articulate outcomes which have been achieved through its activities • IP is known and respected within the community or constituency it has been undertaking development and/or relief activities and is perceived as actively engaged with and responsive to that community	• participants • Progress reports, field trip reports, monitoring reports and other data generated from organisation's own monitoring processes • Evaluation or review reports • IP's website • Annual Reports and other communication publications • Recent (past 2 years) referee reports from donors
	3. Technical / Operational capacity	IP has assessed its own technical and operational capacity and the capacity of its partner organisations and takes responsive action to ensure its capacity requirements to deliver projects	• IP technical capacity is commensurate with the scope of its projects/programs • IP invests in or seeks necessary training/capacity building for staff or volunteers if required	• IP technical capacity is commensurate with the scope of its projects/programs • IP has a documented operations plan and budget for its intended operations for the previous and current financial year • IP has a system in place to assess its own technical and operational capacity • IP has a system in place to assess the technical and operational capacity of its implementing partners (if using implementing partners) • IP invests in or seeks support for capacity building initiatives if required • IP has a system in place to assess and respond to staff performance	• Project descriptions • Strategic Plan • Operations Plan • Organogram of staff or volunteer positions • CVs of key senior management and technical staff • Staff performance assessment policy • Documented capacity building plan • Partner capacity assessment template • Recent referee reports from donors (past 2 years)



Due Diligence Pillar	Capacity Domain	Minimum Standard	Baseline Minimum level of assessment for all IPs	Comprehensive Level of Assessment where risk is assessed as high	Possible Means of Verification
	4. Financial Viability	IP has financial health and resources to manage the delivery its aid program commitments, without sole reliance on any one funding source	Not required for Baseline assessments	• IP has financial systems in place capable of capturing completely and accurately all financial transactions • IP has documented policies and systems in place for budgeting, cash management and transaction recording • IP is not dependant on one funding source alone • IP has adequate financial reserves to allow for 3-6 months operations	• Annual reports, financial statements and regulatory reports (audited, if available); • Budgets for current financial year • Any Board/ management minutes of meetings • List of Bank Accounts and balances • Bank Statements from last month and bank reconciliations for the same month • Organisation chart • List of all operating and finance contracts material to the organisation • Financial Management Policies and Procedures including reserves policy • Review of Key Financial Ratios e.g. liquidity, outstanding liabilities, debt



Due Diligence Pillar	Capacity Domain	Minimum Standard	Baseline Minimum level of assessment for all IPs	Comprehensive Level of Assessment where risk is assessed as high	Possible Means of Verification
	5. Results and Performance Management	IP has practices in place to monitor initiative implementation, incorporate learnings and provide timely reports	• IP can describe its plans for monitoring of projects • IP undertakes regular project monitoring • IP collects outputs data on a regular basis • IP provides regular and timely written reports to stakeholders	• IP can distinguish between monitoring and evaluation • IP has documented initiative-level monitoring and evaluation frameworks/plans • IP has documented organisation-level performance effectiveness framework • IP undertakes regular, scheduled project monitoring • IP collects outputs and outcomes data on a regular basis • IP utilises both qualitative and quantitative data collection and rigorous analysis methods • IP undertakes evaluations • IP provides regular and timely written reports to stakeholders	• Written or spoken descriptions of monitoring plans or testimonials • Documented monitoring, reporting and evaluation guidelines in operations manual • Initiative-level monitoring and evaluation frameworks/plans • Organisation-level performance effectiveness framework • Progress reports, field trip reports, monitoring reports and other data generated from monitoring processes • Evaluation or review reports • Reports or documentation demonstrating action taken in response to findings and learning from evaluations and reviews • Recent referee reports from donors (past 2 years)
Risk management	6. Fraud Control	IP has practices in place to mitigate fraud risk, including fraud control	• IP has a bank account • IP has some practices in place that mitigate fraud risk such as banking of gifts and grants, multiple	• IP has robust financial controls in place that mitigate fraud • IP has internal and external processes in place for safe reporting of wrongdoing i.e. 'whistle blowing' policy	• Documented fraud control policy that sets out ways of working actively to minimise/prevent the risk of operational fraud and monitor for evidence of



Due Diligence Pillar	Capacity Domain	Minimum Standard	Baseline Minimum level of assessment for all IPs	Comprehensive Level of Assessment where risk is assessed as high	Possible Means of Verification
		prevention, management and reporting capacity	signatories on bank account, supporting documentation collected and retained	• IP has processes in place for investigation of any suspected fraud or wrongdoing and recovery of any losses • IP is audited annually	wrongdoing. • Controls in place to mitigate fraud • Fraud is considered as part of risk assessments • HR policy/ code of conduct and reporting processes • Staff and volunteers are made aware of fraud control policies and sign code of conduct or employment contract • Standard fraud clauses in partner agreements/ contracts template • Governance policies, including Risk Management Policy, Code of Conduct, Whistle Blowing policy, conflict of interest, and anti-bribery etc • Investigation reports into suspected frauds
	7. Anti-Corruption	IP has practices in place to prevent and report corruption	• IP seeks multiple quotes for procurement where possible and documentation is collected and retained • IP involves multiple	• IP has transparent and accountable procurement processes in accordance with international standards • IP has internal processes for safe reporting of wrongdoing i.e. a 'whistle blowing' policy • IP has documented contractual	• Written or spoken description of practices • Written references or testimonials • Procurement policy • Documented anti-corruption policy that sets out its ways



Due Diligence Pillar	Capacity Domain	Minimum Standard	Baseline Minimum level of assessment for all IPs	Comprehensive Level of Assessment where risk is assessed as high	Possible Means of Verification
			staff members/volunteers in procurement processes • IP commits to reporting any incidents of corruption	arrangements in place to manage the use of contractors, partners or sub-grantees	of working actively to minimise the risk of operational wrongdoing and monitor for evidence of wrongdoing • HR policy that refers to anti-corruption reporting processes • Staff and volunteers are made aware of fraud control policies and sign code of conduct or employment contract • Standard anti-corruption clauses in partner agreement template • Governance policies, including code of conduct/ethics, conflict of interest, and anti-bribery • Nominated officers for safe reporting



Due Diligence Pillar	Capacity Domain	Minimum Standard	Baseline Minimum level of assessment for all IPs	Comprehensive Level of Assessment where risk is assessed as high	Possible Means of Verification
	8. Counter Terrorism and Sanctions Lists	IP is not included on the UN Security Council sanctions list and the World Bank listing of ineligible firms and individuals, and agrees that it will not provide direct or indirect support to ineligible firms and individuals	• IP is not included on the UN Security Council sanctions list and the World Bank listing of ineligible firms and individuals	• IP is not included on the UN Security Council sanctions list and the World Bank listing of ineligible firms and individuals • IP has processes in place to screen staff and implementing partner organisations and key individuals (on a risk assessed basis) against the UNSC and WB lists on a regular basis • IP staff are aware of terrorism related issues • IP uses its best endeavours to ensure that its funds do not provide direct or indirect support or resources to organisations and individuals associated with terrorism	• UN Security Council sanctions list and World Bank Listing of Ineligible Firms & Individuals • HR and Recruitment Policies • Procurement policy • Partner guidelines • Contract in partnership agreements requiring screening against the lists
	9. Criminal Records Check	IP undertakes best endeavours to inform itself of criminal history of current and potential employees	• IP informs itself of the criminal history of current and potential employees and volunteers through referee checks or disclosure testimonials or formal checks through official channels if	• IP has identified appropriate local mechanisms to undertake criminal history checks on current and potential employees in countries of operation where appropriate • IP has a HR policy that requires all employees to disclose all child protection related charges, conviction and outcomes of offences that occurred before or during	• Written or spoken description of practices • HR Policy that relates to criminal record checks • Partner and/or funding agreement template • Evidence that the IP has undertaken criminal record checks on current and potential employees in



Due Diligence Pillar	Capacity Domain	Minimum Standard	Baseline Minimum level of assessment for all IPs	Comprehensive Level of Assessment where risk is assessed as high	Possible Means of Verification
			appropriate	employment with the IP	countries of operation
	10. Risk Management	IP can demonstrate capacity to identify risk, and to manage and mitigate risks in practice.	•IP can describe organisational risks and how these are managed •IP can describe project risks and how these are managed	•IP integrates risk analysis in program design •IP integrates risk management in program design •IP has project level risk management frameworks/plans in place •IP has an organisational level risk management framework/plan in place •IP has appropriate financial, procurement and HR policies in place commensurate with its size and complexity •IP has undertaken periodic risk assessments.	•Written or spoken description of organisational and project risks •Risk Management Policy •Risk register •Risk Management Plans and reports •Insurance policies, e.g. Public liability, travel •Risk management strategy •Program design documents •Program reports
	11. Fiduciary Risk	IP can demonstrate a track record of sound financial management through the application of established policies and/ or practices	•IP has some practices in place relevant to its size and transaction complexity, such as the banking of funds, authorisations, documentation to track financial transactions and supporting documentation collected and retained	•IP has financial management, audit, accounting and reporting systems •IP has established purchasing/ procurement policies and practices •IP has appropriate accounting systems relevant to the size and transaction complexity •IP has appropriate authorisation policies and practices	•Organisational cash flow budgets and reports •Expenditure policies and procedures, including access to expenditure records •Delegation authorities schedule •Monthly reconciliation processes •Independent audits/ reviews of organisational systems and processes •Financial Management policies •Budget management policies and procedures •Documented Finance and



Due Diligence Pillar	Capacity Domain	Minimum Standard	Baseline Minimum level of assessment for all IPs	Comprehensive Level of Assessment where risk is assessed as high	Possible Means of Verification
					accounting manuals
UN Principles	12. Child Protection	IP is aware of child protection risks and has mitigation practices in place	• IP has some practices in place consistent with the UN's child protection principles including awareness of staff and volunteers of potential risks and mitigation strategies and being informed of staff/volunteers criminal history • IPs working directly with children must also have some form of documented code of conduct (or equivalent) signed by staff or volunteers	• IP has a documented child protection policy • IP has a compliant child protection code of conduct and ensures that all personnel that have contact with children agree to and abide by it • IP refers to its child protection policy in partner and/or funding agreements • IP undertakes training with staff to ensure understanding of child protection issues, their policy and compliance requirements • IP has child-safe recruitment and screening processes for positions that have regular contact with children • IP has a documented child protection complaints management procedure	• Written or spoken description of mitigation practises in place • Documented child protection policy of IP • Documented child protection Code of Conduct of IP • HR policy that relates to child protection employment issues • Staff employment contract template • Partner and/or funding agreement template requiring partners to abide by child protection policy • Inclusion of child protection in risk assessments/risk templates and risk matrices • Whistle-blower policy • Evidence of child protection training for staff • Initiative progress report



Due Diligence Pillar	Capacity Domain	Minimum Standard	Baseline Minimum level of assessment for all IPs	Comprehensive Level of Assessment where risk is assessed as high	Possible Means of Verification
	13. Displacement and Resettlement	IP can demonstrate a track record of sound displacement and resettlement management through the application of established policies and/or practices	Not required for Baseline assessments	• Where it is relevant to the scope of the IPs work, the IP has a documented displacement and resettlement policy • IP refers to its displacement and resettlement policy in partner and/or funding agreements • IP undertakes training with staff to ensure understanding of displacement and resettlement issues, their policy and compliance requirements • IP has a resettlement strategy and plan that is consistent with local laws and regulations • IP adheres to the Minimum Standards in Disaster Response if engaged in a humanitarian response or working with IDPs or refugees	• Documented displacement and resettlement policy of IP • Partner and/or funding agreement template • Documented displacement and resettlement strategy and plan • Project designs • Initiative progress report
	14. Environmental Safeguards	IP can demonstrate a track record of sound environmental	Not required for Baseline assessments	• Where it is relevant to the scope of the IPs work, IP has an environmental management policy. • IP refers to its environmental management policy in partner and/or funding agreements	• Documented environmental management policy of IP • Partner and/or funding agreement template • Environmental Risk Management Plan



Due Diligence Pillar	Capacity Domain	Minimum Standard	Baseline Minimum level of assessment for all IPs	Comprehensive Level of Assessment where risk is assessed as high	Possible Means of Verification
		impact and sustainability management through the application of established policies and/or practices		• IP undertakes training with staff to ensure understanding of environmental impact, management and sustainability issues, their policy and compliance requirements • IP conducts environmental impact assessments and risk management planning where appropriate	• Project Designs • Initiative progress report
Policy Requirements	15. Transparency	IP communicates openly and accurately with stakeholders about itself and its work	• IP makes information about the organisation, its objectives, its funding sources and its activities available to its members, its community or its constituency	• IP makes information about the organisation, its objectives, its funding sources and its activities publicly available • IP provides opportunities for stakeholders to request information, provide feedback or make a complaint • IP accurately portrays recipients and their situations in any reporting and communication materials • IP has a mechanism in place to facilitate stakeholder feedback and information sharing with donor partners	• Written or spoken description of practices • Brochures or pamphlets • Annual Reports • Website(s) for publicly released information of the organisation • Social media such as Facebook, Twitter, blogs and YouTube • Review other forms of evidence of public information at the community level • Check websites and other communication tools for publicly known feedback mechanisms • Conflict of interest policy • Transparency Charter • Publishing Policy



Due Diligence Pillar	Capacity Domain	Minimum Standard	Baseline Minimum level of assessment for all IPs	Comprehensive Level of Assessment where risk is assessed as high	Possible Means of Verification
	16. Policy Compatibility	IP has documented policy positions which are not inconsistent with key UN policies as referenced in agreements	Not required for Baseline assessments	• IP has development and humanitarian objectives which are consistent with the objectives of the UN programmes • IP has policies on key safeguard and cross cutting themes which must include as a minimum: child protection, disability inclusion, displacement and resettlement (if applicable to organisation's work), environmental impact and gender inclusion • IP monitors its own initiatives and those of its partners to ensure compliance with its policies • IP is compliant with applicable sector code of good practice (where these exist) in home country • IP adheres to Minimum Standards in Disaster Response if engaged in a humanitarian response or working with internally displaced persons (IDPs) or refugees	• Documented Mission, Vision and development and humanitarian objectives of IP – available in Annual Report or organisation's website • Documented policies for key safeguard and cross cutting themes • Reference on website or documented evidence of compliance with IP sector code of good practice (where these exist) in home country

Annex 3: Communication Protocol- Sample Letter to donors upon initiation of investigation

Subject: - Possible misappropriation of donor funds

Dear donor colleagues,

AGENCY X has requested that an investigation is initiated to look into possible (fraud or misappropriation) by personnel of IMPLEMENTING PARTNER.

The investigation has been requested due to [description of the allegations]. The total value of the funds that are potentially at risk is \$xx. While the investigation is underway, AGENCY has suspended all funding of projects by IMPLEMENTING PARTNER.

In order to ensure the integrity of the ongoing investigation, please treat this information confidentially.

As soon as the investigation is concluded, we will inform you of the results.

Sincerely yours,



Annex 4: Communication Protocol: Letter to donors upon receipt of the investigation report

Subject: - Investigation report of (agency) on fraud and misappropriation of donor funds by personnel of the (implementing partner)

Dear donor colleagues,

On date x, AGENCY received a final investigation report on fraud and misappropriation of donors funds by personnel of IMPLEMENTING PARTNER.

After an in-depth review of the final report and consultation, we will communicate to you again by date x with details about the findings and recommendations of the investigation report and the next steps.

Sincerely yours,

Annex 5: Communication Protocol: Letter to donors after investigation including results and next steps

Subject: - Investigation report of (agency) on fraud and misappropriation of donor funds by personnel of the (implementing partner)

Dear donor

We would like to inform you that (agency) has been officially notified that an investigation of (IMPLEMENTING PARTNER), an implementing partner contracted by (AGENCY), has been completed. The investigation was conducted by ____ at the request of (AGENCY) in ____ when information was received that suggested a high possibility of fraudulent activities. The final investigation report was submitted to (AGENCY) on _____.

(IMPLEMENTING PARTNER) was funded to implement x humanitarian aid projects from date to date at a total value of US\$ x.x million. The investigation assessed x of these projects which amounted to a total value of \$ x.x million. The conclusions drawn from the evidence presented in the investigation report are very serious and suggest that (IMPLEMENTING PARTNER) has systematically misappropriated and concealed the diversion of project funds:

Response to investigation by the Humanitarian Coordinator for Country X and (AGENCY)

(IMPLEMENTING PARTNER) was suspended on date. All on-going projects were immediately suspended. No further activities with (IMPLEMENTING PARTNER) have been approved and outstanding payments have been suspended.

The final investigation report was received on date and included recommendations directed to (AGENCY):

(1)

(AGENCY) submitted its formal response on date and agreed to implement the recommendations contained in the report. As per the Standard Administrative Agreement between contributing donors and the xxx, (AGENCY) will use its best efforts, consistent with its regulations, rules, policies and procedures to recover misused funds. (AGENCY) will, in consultation with the Humanitarian Coordinator (HC) and the relevant Office, credit any funds recovered to the (AGENCY).

Recommendation 1 has been implemented as (AGENCY) has not entered any agreements with (IMPLEMENTING PARTNER) and will seek to eliminate engagement with staff identified in the report. (AGENCY) initiated consultations on the remaining two recommendations to decide on an appropriate approach.

Recommendation 2.....

Confidentiality is a critical element of effective investigation processes. Therefore, information has only been disclosed as required by the legitimate needs of the investigation team and (IMPLEMENTING PARTNER). Yet, (AGENCY) has tried to be as transparent as possible without jeopardizing the effectiveness of the investigation.

At the time the investigation report was issued, the (AGENCY) Head of Office met with contributing donors in field capital on date to inform them that the investigation had been concluded and the approximate scale of the detected fraud. The Advisory Board was similarly briefed by the HC on date. In addition, (AGENCY) held a series of bilateral meetings with key donors in date in New York to further explain the status of the investigation. The HC for xxx informed donors on date about the current status of the follow-up to the investigation. (AGENCY) continues to discuss with its legal office to determine the best modalities to seek legal redress from (IMPLEMENTING PARTNER).

Managing Risk while providing humanitarian assistance in high-risk environments

Country X has long been considered one of the most insecure environments for humanitarian operations. Remote management modalities have been increasingly adapted by humanitarian organizations to provide assistance in areas considered unsafe for international staff while shifting responsibilities for programme delivery to local staff or partners.

Allegations against partners contracted by the agency have and will always be taken seriously. In this context, it is important to underscore the challenges faced in delivering humanitarian assistance with restricted access for effective monitoring. (AGENCY) endeavours to strike a balance between saving lives and implementing oversight mechanisms. The investigation of (IMPLEMENTING PARTNER) demonstrates that (AGENCY) is determined to ensure that donor funds are used for the intended purpose and that fraud and misuse of funds are intolerable for the humanitarian community.

As discussed with donors and the advisory board, humanitarian operations in Country X will always be subject to financial and programmatic risks if assistance is delivered to people living in inaccessible areas with priority humanitarian needs.

(AGENCY) has made significant progress in implementing an approach to risk management in Country X. A comprehensive accountability framework has been implemented since date which has the following key components:

- (1)
- (2)

In addition, (AGENCY) is...[describe other relevant actions]

Bearing in mind the high risk operational environment, we are confident that the enhancements to the risk management process, outlined above, will reduce the likelihood and limit the magnitude of such cases in the future.

As the humanitarian needs in Country X remain high, we count on your continuous support of Country X.

Sincerely yours,

Annex 6: Governance- Risk Management in the context of UN Pooled Fund

Scope, Coverage and Structure

3. The UN Pooled Fund organizes its programmatic and operational work in line with national priorities and recovery and reconstruction goals as identified by the national government. It will cover activities across the different national priority areas, recognizing the UN's activities and mandates throughout and will focus on immediate delivery, building resilience and capacity development, as a comparative advantage in relation to the other windows.
4. Any programmatic activities financed by the UN Pooled Fund will demonstrate clear alignment between the results of the individual programmes/projects and the results areas targeted by the UN Pooled Fund.

Entities eligible for funding from the UN Pooled Fund

5. The UN Pooled Fund will be a Trust Fund model with multiple channels of execution (the Participating UN Organizations and National Implementing Entities).
6. **Participating UN Organisations** (UN Agencies, UN Mission and UN entities) are eligible to receive funding from the UN Pooled Fund by concluding a Memorandum of Understanding (MOU) with the Administrative Agent. Financing may be provided to national and sub-national institutions and international NGOs through one of the UN Agencies. Use of funds, reporting obligations, liability, audit and other matters relating to the management of the funds provided, and the activities shall be addressed in such project agreements in the manner that is customary for the concerned UN organisation. Participating UN organisations shall assume full programmatic and financial accountability for the funds disbursed to them by the Administrative Agent. Such funds shall be administered by each participating organisation in accordance with its own regulations, rules, directives and procedures.
7. Financing from the UN Pooled Fund can be provided directly to the **National Implementing Entities** that are included as Government Implementing Partners in the programmatic documents approved by the Steering Committee. The Government Coordinating Entity
8. would conclude a Memorandum of Agreement (MOA) with the Administrative Agent of the Fund. The Government Coordinating Entity would assume full financial accountability for the funds transferred to National Implementing Entities, which will be managed in accordance with the national budgetary framework (full on-budget – including financial, procurement, accounting and audit procedures), provided that they do not contravene the principles of UNDP's Financial Regulations and Rules.

Governance structure

9. To avoid an overly complex structure and to lower transaction costs, the UN Pooled Fund would share its governing bodies with the wider aid coordination architecture. The main UN Pooled Fund governance arrangements will include a **high-level Steering Committee** and a **Technical Secretariat**.
10. The UN Pooled Fund results framework establishes a robust mechanism for reporting and monitoring the performance of participating funds and for managing risks. The risk analysis is a structured process undertaken in order to achieve strategic, operational objectives of the pooled funding. The analysis needs to take into account Contextual, Institutional and Programmatic

risks. The analysis includes identification of events that may impact the achievement of the objectives, assessing the seriousness of the risk, and determining and appropriate response, with identified mitigation action owners. The residual risk needs to be clearly stated and communicated to all stakeholders, including donors. To ensure visibility across funding instruments, the Technical Secretariat will develop common reporting standards for implementation and results and will prepare periodic progress reports for the UN Pooled Fund governance and the broader aid coordination bodies.

11. The UN Pooled Fund is a UN Multi-Partner Trust Fund governed by a Steering Committee. When meeting to discuss the UN Pooled Fund, the Steering Committee will adapt its composition/voting rights, be co-chaired by the UN Resident Coordinator count with the participation of two representatives of participating UN Agencies (on rotational basis), the World Bank, and two donor representatives contributing to the UN Pooled Fund. The governance structure of the UN Pooled Fund is depicted below:
12. The **Steering Committee** will be responsible for:
 - Providing oversight, manage risk and exercising overall accountability of the UN Pooled Fund;
 - Manages risk based on the analysis /findings of the due diligence process.
 - Conduct joint risk assessments, capacity assessments and due diligence activities and report on the Pooled Fund risk profile to internal and external partners;
 - Reviewing and approving proposals submitted for funding;
 - Developing and approving the criteria by which the implementation and managerial capacities of National Implementing Entities will be reviewed, as part of the overall funding evaluation process;
 - Reviewing UN Pooled Fund status and its overall progress, both in regard of itself and its contribution to the implementation of programmatic activities financed by the UN Pooled Fund ;
 - Reviewing and approving the periodic progress reports (programmatic and financial) consolidated by the Administrative Agent, based on the progress reports submitted by the Participating UN Organisations and National Entities;
 - Commissioning reviews and “lessons learned” reports on the performance of the UN Pooled Fund, and discussing follow-ups with Participating UN Organisations and National Implementing Entities on recommended actions relevant to the Pooled Fund.
13. The Steering Committee meets periodically. It will make funding decisions by consensus. Reports, recommendations and minutes of its meetings will be shared with the stakeholders of the UN Pooled Fund.
14. The Development Partners Groups will provide a technical forum for sectoral policy formulation, planning and programmatic co-ordination would serve as a common governance and coordination function for the UN Pooled Fund. Donors to the UN Pooled Fund will participate in this governance arrangement together with a wider set of development partners. This platform would ensure joint oversight (donor and government) of the strategic direction, implementation and results of Pooled Fund, the MPFs, and other financing instruments. The objective is to achieve shared oversight and coordination between the UN Pooled Fund and other financing instruments that adhere to common reporting standards agreed.
15. A **Secretariat** will set up to support the proper functioning of the UN Pooled Fund Steering Committee and the High Level Partnership Forum, and to advance day-to-day work on financing,

aid effectiveness and co-ordination, monitoring and reporting. The UN will designate dedicated staff (who will be recruited or seconded), who will be dedicated to the work of the UN Pooled Fund. UN staff located in the Technical Secretariat will be responsible for:

- Facilitating the preparation and conduct of the Steering Committee meetings related to the UN Pooled Fund, including the preparation of agenda and minutes, distribution of documents, distribution of programme/project proposals submitted to the Steering Committee for funding decisions, etc.;
 - Organising programme/project vetting process/review;
 - Recording the Steering Committee decisions, approvals and allocations and submitting those to the Administrative Agent;
 - Tracking implementation progress, and identifying challenges to be reported to the Steering Committee;
 - Undertaking monitoring, reporting and evaluation on Fund-level progress on periodic basis, and preparing analytical progress reports relating to agreed UN Pooled Fund objectives.
16. Costs for the tasks of the staff dedicated to the Technical Secretariat will be agreed and approved by the Steering Committee, and would be charged to the UN Pooled Fund account as direct costs.
 17. The UN Pooled Fund will be administered by an Administrative Agent. The Administrative Agent will conclude a Memorandum of Understanding (MOU) with Participating UN Organisations Memorandum of Agreement (MOA) with the host government and Standard Administrative Arrangements (SAAs) with contributing partners. It will receive, administer and transfer funds to Participating UN Organisations, and National Implementing Entities upon instructions from the Steering Committee and submit yearly consolidated narrative and financial reports, to the Steering Committee and all contributing Partners that have provided financial contributions to the UN Pooled Fund.
 18. Subject to the availability of funds, the Administrative Agent shall normally make each disbursement to the Participating UN Organisation and National Implementing Entity within three to five business days after receipt of instructions from the Steering Committee, accompanied with the approved Project Document and the relevant transfer forms, signed by all parties concerned.
 19. Upon its composition, the Steering Committee will adopt an Operational Manual, prepared by the Technical Secretariat with the support from the Administrative Agent, detailing the rules and procedures of the UN Pooled Fund and its Steering Committee, call for proposal and approval cycle, project proposal and reporting templates, etc., in line with the principles and commitments embedded in the Compact. The Steering Committee will also develop the format for the one report and manage the risk associated with programme implementation using the funds of the UN Pooled Fund.
 20. Risk is assessed in the context of the impact on the achievement of objectives. So for risk management to be effective, RBM, division of roles, responsibilities and delegations from the steering board the individual project managers need to be formalized.