## A INTRODUCTION

## B OBJECTIVES OF THE AFGHANISTAN HUMANITARIAN FUND

## C GOVERNANCE
- **C1** United Nations Humanitarian Coordinator for Afghanistan
- **C2** AHF Advisory Board
- **C3** Review Processes

## D ALLOCATION MODALITIES
- **D1** Eligibility
- **D2** Grant Duration
- **D3** Allocation Types and Workflows

## E ACCOUNTABILITY
- **E1** Risk Management
- **E2** Risk-based Grant Management
- **E3** Monitoring
- **E4** Reporting
- **E5** Audit
- **E6** Complaints Mechanism
- **E7** Compliance Measures

## F ADMINISTRATIVE ASPECTS
- **F1** Budget Preparation Principles
- **F2** Eligible and Ineligible Costs
- **F3** Guideline on requesting project changes
- **F4** Audit Process

## G ANNEXES
- **Annex 1:** AHF Advisory Board Terms of Reference
- **Annex 2:** AHF Budgeting Guideline
- **Annex 3:** AHF Partner Eligibility and Assessment Guidance

## H ADDITIONAL INFORMATION

## I CONTACT INFORMATION

## J REVIEW DATE
Acronyms

AB  Advisory Board
AHF  Afghanistan Humanitarian Fund
BoA  Board of Auditors
CBPF  Country-Based Pooled Fund
CPF  Common Performance Framework
DD  Due Diligence
GG  OCHA Global Guidelines for Country-Based Pooled Funds
GMS  Grant Management System
HC  Humanitarian Coordinator
HCT  Humanitarian Country Team
HFU  Humanitarian Financing Unit
HoO  Head of Office
HPC  Humanitarian Program Cycle
HQ  OCHA Headquarters (New York and Geneva)
INGO  International Non-Governmental Organization
M&E  Monitoring and Evaluation
MOU  Memorandum of Understanding
MPTF  Multi-Partner Trust Fund (UNDP)
NCE  No-Cost Extension
NGO  Non-Governmental Organization
NNGO  National/Local Non-Governmental Organization
OCHA  United Nations Office for the Coordination of Humanitarian Affairs
OIOS  Office for Internal Oversight
PFMB  Pooled Funds Management Branch (OCHA HQ, New York and Geneva)
PCA  Partner Capacity Assessment / Internal Capacity Assessment (ICA)
PI  Performance Index
SRC  Strategic Review Committee
TOR  Terms of Reference
TRC  Technical Review Committee
UN  United Nations
UNDP  United Nations Development Program
A Introduction

1. The Afghanistan Humanitarian Fund (AHF), formerly known as ‘Afghanistan Common Humanitarian Fund (CHF)’, was established in 2014 in order to enable swift and needs-based humanitarian action in Afghanistan.

2. Under the leadership of the United Nations Humanitarian Coordinator (HC) for Afghanistan and on behalf of the Emergency Relief Coordinator (ERC), the AHF is supporting the timely allocation and disbursement of donor resources to the most critical humanitarian needs defined in the Afghanistan Humanitarian Response Plan (HRP).

3. The AHF provides an opportunity for donors to pool their contributions to deliver a stronger collective response. It supports in-country relief organizations to reach the most vulnerable people and ensures maximum impact of limited resources:
   • Inclusive and promoting partnerships: Funds are directly available to a wide range of relief partners. This includes international, national and local non-governmental organizations (NGOs), UN Agencies, Funds and Programs and Red Cross/Red Crescent Organizations.
   • Timely and flexible: It supports the delivery of an agile response in a fluid emergency.
   • Efficient and accountable: It minimizes transaction costs and provides transparency and accountability. Recipient organizations are thoroughly evaluated, and relief projects are monitored with regular reporting on achievements.

4. As all CBPFs, the AHF is designed to complement other humanitarian funding sources such as bilateral funding and the Central Emergency Response Fund (CERF).  

5. This Operational Manual defines the country-specific rules and regulations of the AHF. It describes the governance arrangements, allocation modalities, priorities, and accountability mechanisms of the Fund, as well as the roles and responsibilities of partners and stakeholders involved in AHF processes.

6. This Operational Manual is issued by the HC and endorsed by the Advisory Board (AB) to:
   i. Provide clarification and instructions for partners and stakeholders involved in AHF management, policy and governance;
   ii. Describe the steps and requirements of allocation processes with the aim of enhancing timely and strategic allocation decisions;
   iii. Guide AHF partners, Cluster Leads and members of Strategic Review Committees at cluster level;
   iv. Describe the accountability and risk management framework of the AHF.

7. This manual is based on and compliant with the Global Guidelines for Country Based Pooled Funds (CBPFs), the global rules and regulations that apply to all CBPFs.

1 CERF allocations in Afghanistan are managed by the OCHA Humanitarian Financing Unit (HFU) (incl. the AHF Secretariat) based in Kabul.
B Objectives of the Afghanistan Humanitarian Fund

8. The AHF is guided by three main objectives:

   i. **Support** humanitarian partners (national and international NGOs, UN Agencies, Funds and Programs and Red Cross/Red Crescent Organisations) to address the most pressing needs in accordance with humanitarian principles.

   ii. **Improve** the relevance and coherence of humanitarian response by strategically funding assessed humanitarian action as identified in the Humanitarian Response Plan (HRP).

   iii. **Strengthen** coordination and leadership through the function of the HC and the humanitarian cluster system.

9. The AHF aims to ensure that humanitarian needs are addressed in a collaborative manner, fostering cooperation and coordination within and between clusters and humanitarian organizations. As such, the AHF contributes to improving needs assessments, enhancing the HRP as the strategic planning document for humanitarian action, strengthening coordination mechanisms, in particular the cluster system, and improving accountability through its monitoring and reporting framework.

10. The AHF follows recommendations made to CBPFs at global level, such as during the 2016 World Humanitarian Summit and adheres to respective ‘Grand Bargain’ work stream commitments:

   i. **Work Stream 1**: AHF data is publicly available through dedicated transparency websites at: https://gms.unocha.org/bi and http://www.unocha.org/ahf. These websites provide detailed contribution and allocation data in real time which can be retrieved for analysis, ensuring also that AHF data is fully compliant and formatted for publication according to International Aid Transparency Initiative (IATI) standards.

   ii. **Work Stream 2**: The AHF promotes inclusive governance of the fund and incentivises further inclusion particularly of national/local partners in humanitarian coordination mechanisms in Afghanistan. The AHF provides targeted training (e.g. on GMS) throughout the program cycle at country-level and supports the involvement of AHF partners through the CBPF-NGO Dialogue Platform at global level.

   iii. **Work Stream 3**: The AHF is cash-ready by design, which means mechanisms are in place to enable funding of cash-based programs. The AHF is able to tag and track cash programs in the GMS and display then on the public GMS Business Intelligence website.

   iv. **Work Stream 4**: The AHF reduces management costs for donors with grant management, monitoring and harmonized 8+3 template reporting handled by OCHA on their behalf. The AHF follows the direct-cost approach and its budget is separated from OCHA country office budgets.

   v. **Work Stream 6**: AHF partners are required to involve affected populations in the project management cycle. Partner capacity assessments verify if policies on accountability to affected populations are in place.

   vi. **Work Stream 8**: AHF allocations are needs based, prioritized through inclusive and transparent processes under the leadership of the Humanitarian Coordinator and support the delivery of the HRP. AHF allocations provide timely funding to promote early action and mitigate the impact of crises on communities and their livelihoods. AHF funding is directly accessible to local, national and international relief organizations, leveraging comparative advantages and encouraging collective ownership of the

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2 The AHF supports inclusion of national/local partners. Whenever funding is not exclusively for that purpose, the best placed and capable humanitarian agency is supported e.g. to deliver life-saving program activities.

3 Harmonized Reporting and 8+3 Template. See: https://reliefweb.int/sites/reliefweb.int/files/resources/harmonized_reporting_pilot_participation_guide_14.6.17.pdf
response. The AHF provides optimal solutions for donors that are unable to directly fund or assess implementing partners in Afghanistan.

vii. **Work Stream 9**: The AHF is using the Common Performance Framework (CPF) developed for all CBPFs. The set of performance indicators standardizes the reporting and performance measurement across all CBPFs, enabling donors to gauge the performance of the AHF. The Common Performance Framework is enhancing OCHAs corporate accountability in the management of CBPFs.

### C Governance

#### C1 United Nations Humanitarian Coordinator for Afghanistan

11. The HC leads the overall strategy and oversight of the Fund. The final decision-making authority rests with the HC.

12. The HC is supported by the OCHA Head of Office (HoO) as the custodian of the AHF, the OCHA Humanitarian Financing Unit (HFU) as the AHF secretariat, and by the members of the AHF Advisory Board.

13. The role of the HC is to:

   i. Endorse the AHF Operational Manual;
   ii. Chair the AHF Advisory Board and provide strategic direction for the operation of the Fund;
   iii. Lead resource mobilisation in liaison with the Humanitarian Country Team (HCT), the OCHA Country Office and relevant OCHA units at headquarters;
   iv. Define the timing, strategic focus and amounts of allocation rounds, in consultation with the AHF Advisory Board;
   v. Approve allocations to projects recommended for funding, and initiate disbursements;
   vi. Ensure complementary use of AHF funding with other funding sources, including the Central Emergency Response Fund (CERF);
   vii. Review and, where appropriate, approve project revisions;
   viii. Ensure that appropriate accountability mechanisms are in place, including arrangements for fund-level risk management and for monitoring and reporting;
   ix. Approve the direct costs of running the AHF following endorsement by the Advisory Board;
   x. Lead the process of periodically reviewing the justification for the continuing operation of the AHF, and its closure if no longer justified.

#### C2 AHF Advisory Board

14. The Advisory Board (AB) is a governance body with an advisory function that supports the HC in the management of the AHF. The AB provides guidance and advice to the HC on strategic and policy matters in pursuit of AHF objectives and convenes at least four times within a calendar year.

15. The AB consists of and thereby represents the views of Donors, UN Agencies, Funds and Programs and the NGO Community.

16. The Terms of Reference (TOR) of the AB (Annex 1) are reviewed annually by the HC/AB and are updated as needed.
17. Core functions of the AB are:
   i. Review\(^4\) and advise the HC on strategic focus of the fund, including allocation strategies, operational modalities, including project selection;
   ii. Support the HC and AHF secretariat in periodic performance analysis, including review of the Risk Management Framework.
   iii. Ensure transparency by ensuring that all partners are treated equally and that the fund complies with all respective policies and guidelines.

18. Members and Observers of the AB, as outlined in the respective AB Terms of Reference (annex):
   i. Humanitarian Coordinator (Chairperson, non-rotating);
   ii. OCHA Head of Office (Custodian, non-rotating);
   iii. AHF Head of Unit (Secretariat, non-rotating);
   iv. 3 Representatives of contributing donors (Members, rotating);
   v. 3 Representatives of UN Cluster Lead Agencies (Members, rotating);
   vi. 3 Representatives of the NGO community (Members, 1 NNGO representative, 2 INGO representatives, rotating);
   vii. 2 Representative of a non-contributing donor (Permanent Observer, rotating);
   viii. 1 Representative of an NGO forum (Permanent Observer, rotating);
   ix. 1 Representative of a Red Cross/Red Crescent organisation (Permanent Observer, rotating).

19. The HC invites technical experts (as observers), incl. OCHA, cluster staff and partner representatives to attend AB meetings as needed.

20. Attendance at AHF Advisory Board meetings is restricted (not a public forum) and requires formal HC invitation at all times.

21. The AHF secretariat provides regular and frequent updates and information on its activities during Advisory Board Meetings. Advisory Board Members may request specific topics to be tabled (meeting agenda) discussed and meetings to be convened. Additionally, AB members and observers are invited to contact the AHF Secretariat (see contact details) at any time in case additional information is needed.

22. The AHF secretariat provides the minutes taken during AB meetings within one (1) week after the meeting. Minutes of meetings are provided to AB members and observers, only.

C3 Review Processes

23. All proposals submitted to the AHF go through both strategic and technical review processes in order to ensure quality and compliance with fiduciary requirements.
   i. A strategic review of project proposals at cluster level in order to prioritise proposals that best align to the Allocation Paper authorised by the HC and AB, the HRP criteria and cluster-specific strategies.

\(^4\) Documents to be discussed and / or endorsed by the Advisory Board shall be provided by the AHF one (1) week in advance so AB members are given sufficient time to review and provide strategic advice to the HC.
ii. A technical review of projects by technical experts at cluster level and by the AHF to ensure high quality of selected project proposals, including review of the project budgets prior to approval and disbursement of funds to partners.

Strategic Review Committees (SRC)

24. Strategic reviews are conducted by committees (SRC) that are convened by respective Cluster Leads. The Strategic Review Committees (SRCs) are composed of active members of the respective cluster, with an equitable representation of UN Agencies, Funds and Programs, INGOs and NNGOs. The AHF secretariat is attending all review committee meetings as a full member while also supporting Cluster Leads in carrying out their respective responsibilities. The SRC assesses and selects proposals to be recommended to the HC for funding, based on pre-determined criteria captured in a balanced scorecard that is established at the beginning of the allocation process. SRC recommended proposals are presented to the HC and AB for endorsement.

Technical Review Committees (TRC)

25. Technical Review Committees (TRCs) are groups of technical experts from the respective cluster, the AHF secretariat and OCHA CBPF Section that assesses the technical soundness and appropriateness of all project proposals. The technical review process involves two-way communication between the review committee and the proposing organization. Partners are able to re-submit project proposals / revisions after receiving written comments by the TRC. The TRC collaborates closely with the AHF in all respective aspects. Technically approved and financially cleared proposals are submitted for HC’s approval and subsequent grant agreement.

D Allocation modalities

D1 Eligibility

26. Donor contributions to the AHF are utilized to fund projects carried out by:

i. United Nations (UN) Funds and Agencies
ii. National and international Non-Governmental Organizations (NGOs)
iii. Red Cross/Red Crescent organisations. For the purpose of eligibility, these organizations will be assessed as per the procedures applicable to NGOs.

27. In order to apply for eligibility assessment and to gain access to the AHF Grant Management System (GMS), organizations must be registered in Afghanistan as non-governmental/non-profit organization (NGOs), Red Cross and Red Crescent Organizations, or UN funds, programmes, and agencies.

UN Eligibility

28. In order to become eligible for funding from the AHF, UN5 funds and agencies must complete the Registration Form on the Grants Management System (GMS). Although UN Funds and Agencies are not required to

5 Where the CBPF is administered by UNDP MPTF, UN Agencies, Funds and Programs must sign a respective Memorandum of Understanding (MoU) to become eligible to receive AHF funding.
complete due diligence (DD) processes at country-level, they are required to provide name and contact of focal points, the legal representative of the organization, address of the main office and banking information.

**NGO and Red Cross/Red Crescent Eligibility**

29. All prospective NGO and Red Cross/Red Crescent partners are required to undergo a due diligence process and internal capacity assessment in order to determine their eligibility and risk level (see section E2: Risk-based Grant Management, and annex 3: AHF Partners Eligibility and Capacity Assessment Guidance).

30. NGO and Red Cross/Red Crescent partners that have not received funds from the AHF for a period of 36 months are required to undergo a new capacity assessment in order to re-establish their eligibility.

**Allocation Criteria**

31. The review and approval of project proposals is made in accordance with the objectives of the AHF, the parameters described in the Allocation Strategy Paper (for any particular allocation), and on basis of the following key criteria:

   i. **Partner eligibility and capacity**: eligible partners that have successfully completed the due diligence and capacity assessment processes can apply for funding;
   
   ii. **Access**: accessibility and/or physical presence to areas of operation (itself, or via implementing partner); the location of the project is clearly identified and relevant;
   
   iii. **Strategic relevance**: clear link to HRP strategic and cluster objectives, compliance with the terms of the allocation strategy as described in the allocation paper, and alignment of activities with thematic areas of the AHF;
   
   iv. **Needs-based**: needs are well explained, documented, beneficiaries are clearly described;
   
   v. **Principled**: projects must comply with the core principles of neutral, impartial and independent humanitarian action;
   
   vi. **Appropriateness**: the proposed activities are appropriate to the identified needs;
   
   vii. **Technical soundness and cost effectiveness (value for money)**: the proposal meets all technical requirements for the implementation of the activities and the budget complies with AHF budgeting guidelines;
   
   viii. **Risk management**: assumptions and risks are comprehensively, and clearly addressed, and appropriate risk management measures are being deployed;
   
   ix. **Monitoring**: an effective monitoring and reporting system is being deployed.

**D2 Grant Duration**

32. Standard grant implementation lengths of projects funded by the AHF is twelve (12) months for Standard Allocations and six (6) months for Reserve Allocations, from the project start date as indicated in the Grant Agreement (GA). Reimbursement of project pre-financing is limited to the budgeted costs (of the approved project proposal) incurred in the interim period between the project’s approved start date and the date of actual disbursement of funds to the recipient.

33. The AHF liaises with the partner to determine the start date of the project. The agreed start date is included in the grant agreement. The start date on the grant agreement can be as early as the signature date of the partner
on the grant agreement (contract). If the signature of the grant agreement occurs after the agreed upon start date in the proposal, the date of the signature of the grant agreement takes precedence.

34. If necessary, implementing partners may request revisions of the project in order to re-program and/or extend the duration of the grant.

D3 Allocation Types and Workflows

35. The AHF conducts two types of allocations. Standard and Reserve allocations:

   i. **A Standard Allocation** is the usual process through which AHF funds are disbursed. Funding permitting, at least two standard allocation processes are conducted during a calendar year.
   
   ii. **A Reserve Allocation** is used for rapid disbursement of funds in the event of unforeseen emergencies based on acute humanitarian needs. It provides funds to specific humanitarian situations that require a timely response and in addition to standard allocations.

**Standard Allocation Strategy and Workflow**

36. The standard allocation process enables the HC to provide vital funds to the most urgent priorities identified in the HRP. Based on guidance provided by partners, clusters, the HC and the AB, the AHF secretariat is developing an allocation strategy (paper) that defines the intent of the allocation and a framework for proposal selection by the respective clusters. The allocation paper includes information on:

   i. Total amount to be allocated;
   
   ii. Humanitarian priorities (strategic, cluster, and geographical);
   
   iii. Criteria for project prioritization;
   
   iv. Timeline of the allocation;
   
   v. Applicable rules and regulations for the allocation.

37. An indicative workflow for a Standard Allocation is outlined in the matrix below. Key steps in the process typically include:

   i. Partner/Cluster consultation;
   
   ii. Draft allocation strategy development;
   
   iii. Allocation strategy endorsement by HC/AB;
   
   iv. Submission of proposals;
   
   v. Strategic review;
   
   vi. Presentation to the HC/AB;
   
   vii. Preliminary endorsement by HC;
   
   viii. Technical and financial review;
   
   ix. Final approval by the HC;
   
   x. Disbursement of funds.
### AHF Indicative Workflow for a Standard Allocation Process

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
<th>Stakeholders Involved</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Allocation Strategy Paper Development</td>
<td>Development and launch of allocation paper at the request of the HC, in consultation with humanitarian partners using existing coordination mechanisms.</td>
<td>HC / AB&lt;br&gt;AHF&lt;br&gt;Cluster Leads&lt;br&gt;Cluster members&lt;br&gt;OCHA HQ/CBPF Section</td>
</tr>
<tr>
<td>2. Submission of project proposals</td>
<td>Call for proposals, disseminated through sectors. Eligible partners prepare project proposals that address priorities identified in the allocation paper and submit online in the Grant Management System.</td>
<td>Partners&lt;br&gt;Cluster Leads</td>
</tr>
<tr>
<td>3. Preliminary Review</td>
<td>Preliminary review of submitted proposals for completeness (compliance with application template), eligibility of partner, and non-duplication of proposals.</td>
<td>AHF</td>
</tr>
<tr>
<td>4. Strategic review</td>
<td>Cluster Strategic Review Committees (SRCs) review submitted proposals using scorecards in GMS focusing on: (i) strategic relevance, (ii) programmatic relevance, (iii) cost effectiveness, (iv) management and monitoring, and (v) engagement with coordination mechanisms.</td>
<td>SRCs&lt;br&gt;AHF</td>
</tr>
<tr>
<td>5. Preliminary endorsement by HC</td>
<td>SRC recommended projects presented to the HC and AB for review and pre-approval. The presentation summarizes the expected outcomes/results of the recommended projects including the link to the priorities outlined in the allocation paper for the HC’s and AB’s consideration and comparison to the initial Allocation Paper.</td>
<td>HC&lt;br&gt;AB&lt;br&gt;AHF</td>
</tr>
<tr>
<td>6. Technical and financial review</td>
<td>Cluster Technical Review Committees (TRCs) review pre-approved projects to ensure (i) they meet technical cluster and AHF requirements, and (ii) budget provisions are appropriate and feedback to partners. AHF and OCHA HQ/CBPF Section conduct financial review. Partners revise and re-submit their proposals. Technically sound and financially cleared projects are recommended to the HC for approval.</td>
<td>AHF&lt;br&gt;TRCs&lt;br&gt;Cluster Leads&lt;br&gt;OCHA CBPF Section</td>
</tr>
<tr>
<td>7. Final approval by HC</td>
<td>HC approves recommended projects, and signs Grant Agreements (GAs). Partners and OCHA CBPF Finance counter-sign GAs.</td>
<td>AHF, Partners&lt;br&gt;OCHA CBPF Finance</td>
</tr>
<tr>
<td>8. Disbursement</td>
<td>Fund disbursed to partners as per AHF operational modalities.</td>
<td>OCHA CBPF Section&lt;br&gt;MPTF&lt;br&gt;Partners</td>
</tr>
</tbody>
</table>

A Standard Allocation process takes usually about 4 weeks (Launch of Allocation Paper to Funds received by Partners)
Reserve Allocation Strategy and Workflow

38. Reserve Allocations enables the HC to address unanticipated and time-critical humanitarian needs, promoting early action and life-saving response to emergencies in order to prevent or reduce loss of life. For example, needs resulting from unanticipated natural disasters or armed conflict, disease outbreaks and population displacement. In exceptional cases projects not previously included in the HRP and geographic locations outside the HRP, but within Afghanistan, may be considered for funding.

39. The Reserve Allocation process is designed to be faster than the one for Standard Allocations. Unless there are extraordinary circumstances, the HC consults with the AB on the activation of a Reserve Allocation. Consultation with the AB is done either through an extraordinary meeting convened specifically for this purpose, or by phone/email whenever a meeting is impractical. Consultations for AB endorsements are conducted by email on a ‘no reply - no objections’ basis, typically within a 24 hours turn-around period.

40. Whenever a Reserve Allocation is activated, only pre-selected and directly invited partners are eligible to apply for funding (non-competitive process). Proposals are subject to a technical review by the AHF and the respective clusters in order to ensure high quality prior to final endorsement by the HC.

41. Based on guidance provided by partners, clusters, the HC and the AB, the AHF secretariat is developing an allocation strategy (paper) that defines the intent of the allocation and a framework for proposal selection by the respective clusters. The Reserve Allocation paper includes guidance on:

   vi. Total amount to be allocated;
   vii. Humanitarian priorities (strategic, cluster, and geographical);
   viii. Criteria for project prioritization;
   ix. Timeline of the allocation;
   x. Applicable rules and regulations for the allocation.

42. An indicative workflow for a Reserve Allocation is outlined in the matrix below. Procedures may vary in order to optimise the process in view of the particular circumstances under consideration. Key steps typically include:

   i. Allocation strategy development and announcement;
   ii. Submission of project proposal;
   iii. Strategic, technical and financial review;
   iv. Final approval by the HC
   v. Disbursement of funds.
### AHF Indicative Workflow for a Reserve Allocation Process

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
<th>Stakeholders Involved</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Allocation Strategy Paper Development</td>
<td>Development and launch of allocation paper in consultation with humanitarian partners through email and/or other fast means of communication. Process will include definition, compilation and consolidation of cluster priorities and requirements.</td>
<td>HC, AB, AHF, Cluster Leads, Cluster members, OCHA HQ/CBPF Section</td>
</tr>
<tr>
<td>2. Submission of project proposals</td>
<td>Call for proposals, disseminated through Cluster Leads. Eligible partners prepare project proposals that address priorities identified in the allocation paper and submit online in the Grant Management System (GMS).</td>
<td>AHF, Partners, Cluster Leads</td>
</tr>
<tr>
<td>3. Strategic, technical and financial review</td>
<td>Cluster Strategic Review Committees (SRCs) review submitted proposals using a balanced scorecard in GMS, focusing on: (i) strategic relevance, (ii) programmatic relevance, (iii) cost effectiveness, (iv) management and monitoring, and (v) engagement with coordination mechanisms. Cluster Technical Review Committees (TRCs) review SRC recommended projects to ensure (i) they meet technical sector and AHF requirements, and (ii) budget provisions are appropriate and provide feedback to partners. AHF and OCHA HQ/CBPF Section conduct financial review. Partners revise and re-submit their proposals. Technically sound and financially cleared projects are recommended to the HC for approval.</td>
<td>SRCs, AHF, TRCs, HQ/CBPF Section</td>
</tr>
<tr>
<td>4. Final approval by HC</td>
<td>HC approves recommended projects, and signs Grant Agreements (GAs). Partners and OCHA CBPF Finance counter-sign GAs.</td>
<td>AHF, Partners, OCHA CBPF Finance</td>
</tr>
<tr>
<td>5. Disbursement</td>
<td>Fund disbursed to partners as per AHF operational modalities.</td>
<td>OCHA CBPF Section, MPTF, Partners</td>
</tr>
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</table>

A Reserve Allocation process takes usually about 2 weeks (Launch of Allocation Paper to Funds received by Partners)

### Accountability

43. Accountability is an important foundation for effective AHF management. It is exercised through a set of components that enable the HC to ensure:
i. The AHF is achieving its main objectives and is managed responsibly in compliance with the respective policies and guidelines.

ii. Implementing partners are delivering the intended results. This means, partners are ultimately responsible for project activities, project outputs and for reporting accurately on their results.

44. The AHF accountability framework incorporates four interlinked pillars which include Risk Management, Capacity Assessment and Performance Review, Monitoring and Reporting, and Auditing.

E1 Risk Management

45. The management of AHF procedures follows a risk-based approach to ensure that potential risks are assessed, and adequate modalities are implemented to mitigate these risks. It enables the HC, supported by the AB, to ensure strategic decision making and that the AHF remains relevant in the context in which it operates.

46. The AHF Risk Analysis and Mitigation Matrix (see below) addresses risks and hazards that have been identified, their relative likelihood, the potential impact of each on the achievement of AHF objectives, proposed mitigation actions and risk ownership/responsibilities. The AHF reviews and updates the matrix annually to address i.e. contextual changes that may have a bearing on risks, as well as mitigation measures.

<table>
<thead>
<tr>
<th>AHF Risk Analysis and Mitigation Matrix</th>
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<tbody>
<tr>
<td><strong>Risk / Hazard Description</strong></td>
</tr>
<tr>
<td>A) Strategic Risks and Hazards</td>
</tr>
<tr>
<td>Lack of strategic guidance and supervision, impacting on technical and financial compliance of the AHF required to achieve annual priorities in-line with applicable policies and guidelines</td>
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<tr>
<td>Low quality needs analysis / assessments / consultations by the AHF with partners and other stakeholders during allocation prioritization and proposal preparation / submission.</td>
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<tr>
<td>Unpredictability of new funding by donors to the AHF.</td>
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<tr>
<td>Fluctuation and declining trend in donor contributions</td>
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<tr>
<td>Weakness in coordination structures, lack of participation of clusters/partners needed to ensure transparency, inclusiveness and sound technical input during AHF processes.</td>
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<tr>
<td>Unfavorable perception / reputation affecting AHF funding, decisions, strategies and partnerships. Inadequate knowledge of AHF guidelines/management procedures and administrative rules by partners and stakeholders.</td>
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<tr>
<td>Weak systems and frameworks i.e. operational modalities, accountability, risk management, monitoring and reporting.</td>
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<tr>
<td>Internal Risks and Hazards</td>
</tr>
<tr>
<td>------------------------------------------------------------------------------------------</td>
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<tr>
<td><strong>Unpredictable/frequent staff turnover resulting in capacity/competency gaps.</strong></td>
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<td><strong>Loss of information/data and/or unauthorized dissemination/access of confidential information/data.</strong></td>
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<tr>
<td><strong>Loss of internet connectivity, impacting on GMS functionality and overall operations.</strong></td>
</tr>
<tr>
<td><strong>Delay in disbursement of funds to partners after Grant Agreements have been approved</strong></td>
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<tr>
<td><strong>Sexual Exploitation and Abuse (SEA) involving OCHA/AHF staff</strong></td>
</tr>
</tbody>
</table>

**External Risks and Hazards**

| Inadequate number of suitable/eligible partners particularly in hard-to-reach locations affected by armed conflict/insecurity. | Very Likely | Major | Proactive engagement with HC/AB, partners, stakeholders, fora and donors as to if/how AHF systems and protocols can be adapted. Enable partners to/that operate in such contexts. | Ongoing AHF Partners Clusters |
| Access restrictions in parts of Afghanistan affecting AHF monitoring and reporting efforts. | Very Likely | Moderate | Close monitoring of the context with coordination/ CivMili/Access and selection of context appropriate monitoring tools/modalities including third-party, peer-review and remote call monitoring. | Ongoing | AHF |
| Low administrative, technical and project management capacity of partners, failing to meet required standards and use required tools and systems (i.e. GMS). | Likely | Major | Activities such as trainings, clinics and workshops designed to improve partner capacity. Collaboration with and support (in-kind) of capacity development activities by stakeholders. | Ongoing | AHF |
| Fraud/Corruption/Diversion/Theft incidents in AHF (co-) funded projects. | Very Likely | Major | Implement and contextualize fraud and corruption prevention and response policies, guidelines and protocols based on global guidelines and best practice. Implement robust and context appropriate monitoring framework. Close cooperation with HQ, partners, stakeholders and donors to enable early detection. Verification of internal prevention and control mechanisms of partners. | Ongoing | AHF Partners |
| Selection/Sub-Contracting of NSA/AOG affiliated partners/suppliers. | Possible | Major | Implement and contextualize respective policies, guidelines and protocols based on global guidelines. Check partners/suppliers against respective blacklists. Implement robust and context appropriate monitoring framework. Adhere to eligibility and audit policies. | Ongoing | AHF Partners |
| Sexual Exploitation and Abuse (SEA) in AHF-funded projects | Possible | Major | Ensure all PSEA protocols are fit for purpose, implemented and monitored by both the partner and the AHF. | Ongoing | AHF Partners |

### C) Safety and Security Risks and Hazards

#### Internal Risks and Hazards

| Non-compliance with preventative measures, static/ non-static safety and security protocols and use of safety/security equipment. | Unlikely | Major | Implementation of preventative measures, static/non-static safety and security protocols and equipment. Training and awareness of staff/partners in prevention, mitigation and response. Full compliance | Ongoing | AHF Head of Office |
### External Risks and Hazards

| Risks/Hazards to safety and security of staff and assets due to targeted/non-targeted attacks, kidnapping, ambush, banditry, looting, intimidation, threats, physical violence and corruption. | Very Likely | Major | Continuous monitoring/analysis of the context in collaboration with Coordination, CivMil, Access, UNDSS, partners and stakeholders. Implementation of preventative measures, static/non-static safety and security protocols and equipment. Training and awareness of staff in prevention, mitigation and response. Full compliance with all respective safety/security protocols i.e. OCHA and UNDSS. | Ongoing | AHF Head of Office |
| Environmental Hazards/Risks including disease outbreaks impacting on staff health and safety. | Unlikely | Major | Implementation of preventative measures, static/non-static safety/health protocols and equipment. Training and awareness of staff in response. Full compliance with all respective protocols and advice i.e. by OCHA and UNDSS. | Ongoing | AHF Head of Office |

**Descriptors for Likelihood of Risks and Hazards:** 1. **Rare** (highly unlikely, but it may occur in exceptional circumstances. It could happen, but probably never will), 2. **Unlikely** (not expected, but there’s a slight possibility it may occur at some time), 3. **Possible** (the event might occur at some time i.e. there is a history of casual occurrence), 4. **Likely** (there is a strong possibility the event will occur and there is a history of frequent occurrence), 5. **Very Likely** The event is expected to occur in most circumstances as there is a history of regular occurrence.

### E2 Risk-based Grant Management

#### Capacity Assessment

47. Analysing risks before and during the disbursement of funds to partners is an essential activity of the AHF. In order to become eligible for funding, NGOs must undergo an internal capacity assessment (ICA). The objective of assessments is to systematically review the institutional, technical, management and financial capacities of the partner, and to ensure that the AHF has the necessary information to make informed decisions.

48. The ICA includes a desk-based review of the documents provided by the implementing partner and may include interviews with the organization’s staff members, where possible visits to the implementing partner’s offices, spot checks and interviews including with key informants such as previous/existing donors and partners, as well as Cluster Leads.
49. If conducting an ICA is not possible due to extenuating circumstances, such as security concerns or lack of access, then externally-contracted capacity assessments, or proxy capacity assessment as described in Global Operational Handbook for CBPFs will be considered.

50. Based on the score obtained during the capacity assessment, eligible partners are categorized into three risk levels (low, medium and high).

<table>
<thead>
<tr>
<th>Score (in percentage)</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>91 - 100</td>
<td>Organization is categorized as a Low Risk partner.</td>
</tr>
<tr>
<td>81 - 90</td>
<td>Organization is categorized as a Medium Risk partner.</td>
</tr>
<tr>
<td>51 - 80</td>
<td>Organization is categorized as a High-Risk partner.</td>
</tr>
<tr>
<td>0 – 50</td>
<td>Organization is not eligible to receive AHF funding. A new submission for a new capacity assessment may be considered by the AHF, six (6) months after the initial review date.</td>
</tr>
</tbody>
</table>

51. In accordance with the AHF Operational Modalities, the risk level is used to pre-determine aspects of management and administration of any new grant provided to a partner. Quality assurance mechanisms that are used to manage grants vary, depending on three factors: i. Partner risk level, ii., Value of the project, iii., Duration of the project.

**AHF Operational Modalities, Matrix**

<table>
<thead>
<tr>
<th>Risk level</th>
<th>Project duration (months)</th>
<th>Project value (’000 USD)</th>
<th>Maximum amount per project (’000 USD)</th>
<th>Disburse. (in % of total)</th>
<th>Financial reporting</th>
<th>Narrative reporting</th>
<th>Monitoring</th>
<th>Audit</th>
<th>NGO and RC</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>For disbursments</td>
<td>31-Jan</td>
<td>Final</td>
<td>Final</td>
<td>Project monitoring</td>
</tr>
<tr>
<td>High</td>
<td>&lt; 7</td>
<td>&lt; 250****</td>
<td>-</td>
<td>60-40</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>1 mid</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td></td>
<td>&gt; 250</td>
<td>500</td>
<td>50-50</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>1 mid</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>7 – 12</td>
<td>&lt; 250****</td>
<td>-</td>
<td>40-4-20</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>2</td>
<td>1-2**</td>
</tr>
<tr>
<td></td>
<td></td>
<td>&gt; 250</td>
<td>800</td>
<td>40-30-30</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>2-3**</td>
<td>1</td>
</tr>
<tr>
<td>Medium</td>
<td>&lt; 7</td>
<td>&lt; 250****</td>
<td>-</td>
<td>100</td>
<td>-</td>
<td>Yes</td>
<td>Yes</td>
<td>1 mid</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td></td>
<td>&gt; 250</td>
<td>700</td>
<td>80-20</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>1 mid</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>7 – 12</td>
<td>&lt; 250****</td>
<td>-</td>
<td>80-20</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>1 mid</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td></td>
<td>&gt; 250</td>
<td>1,000</td>
<td>60-40</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>1 mid</td>
<td>Yes</td>
</tr>
<tr>
<td>Low</td>
<td>&lt; 7</td>
<td>&lt; 400</td>
<td>-</td>
<td>100</td>
<td>-</td>
<td>Yes</td>
<td>Yes</td>
<td>-</td>
<td>***</td>
</tr>
<tr>
<td></td>
<td></td>
<td>&gt; 400</td>
<td>1,500</td>
<td>80-20</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>7 – 12</td>
<td>&lt; 400</td>
<td>-</td>
<td>100</td>
<td>-</td>
<td>Yes</td>
<td>Yes</td>
<td>1 mid</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td></td>
<td>&gt; 400</td>
<td>1,500</td>
<td>80-20</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>1 mid</td>
<td>Yes</td>
</tr>
</tbody>
</table>

**UN Agencies, Funds and Programs**

- Low
  - 7 – 12
    - < 400
      - 100
      - Yes
      - Yes
      - 1 mid
    - < 400
      - 100
      - Yes
      - Yes
      - 1 mid
    - > 400
      - 100
      - Yes
      - Yes
      - 1 mid

* Three progress reports are only required for projects of 10 months or more.
** Additional field visits are only required for projects of 10 months or more.
*** Additional monitoring activities required at the discretion of the AHF Head of Unit
**** Projects should not be below 250K, but the HC can approve smaller grants, but not below 100K, on an individual and exceptional basis only (Ref.: CBPF Global Guidelines).
52. Once a partner has received AHF grants, all related data is analysed to establish an up-to-date risk rating through the partner performance assessment (see Performance Management and Partner Performance Index).

53. In compliance with the global guidelines for CBPFs, the assurance and control mechanisms include for example and depending on risk levels:

   i. **Disbursements**: The implementing partner receives a first instalment at the beginning of the project and is entitled to request the next disbursement(s) after submission of a financial statement.
   
   ii. **Fund ceiling**: The maximum amount a partner can receive per project.
   
   iii. **Financial reporting**: All partners have to submit a financial report by the dates specified in the Grant Agreement and submit a final financial report within two months after the end of the project.
   
   iv. **Audits**: Partners will be audited according to an audit plan specific to their grants.
   
   v. **Narrative reporting**: The type of report (progress, final) and their schedule is determined based on the risk level of the partner, the duration, and the size of the project.
   
   vi. **Monitoring**: Monitoring plan and its frequency is determined based on the risk level of the partner, the length, and the grant size of each project.
   
   vii. **Financial Spot Checks**: These checks assess the soundness of internal controls and the accuracy of the financial records of partners.

**Performance Management and Partner Performance Index (PPI)**

54. Performance of the partner during the implementation of AHF funded projects is used alongside their capacity assessment to determine and adjust risk levels.

55. The AHF is tracking and assessing the performance of all partners throughout project implementation and in relation to:

   i. quality and timeliness of submissions of project documents (proposals, budgets, concept notes);
   
   ii. project implementation against agreed targets;
   
   iii. quality and timeliness of narrative reporting;
   
   iv. frequency, timeliness and justification of project revision requests;
   
   v. quality and timeliness of project and financial management.

56. The assessment of these factors is recorded in the AHF Partner Performance Index (PPI). Whenever the partner has undertaken more than one project, the PPI will consider and combine the performance results of each of the projects.

57. The PPI rating determines the continuing eligibility of the partner to receive AHF funding. Whenever a partner is declared ineligible, the organisation may request a new capacity assessment after six months.

58. The PPI is also used to influence the prioritisation and selection of projects for funding during any given allocation. The intention is to incentivise good performance, with better performing partners more likely to receive new funding, while reducing the risk of allocating funds to partners with low performance.

**E3 Monitoring**

*Definition of Monitoring in the context of AHF funded projects*
59. Monitoring is the systematic and regular process of collecting, verifying and triangulating information to assess progress made against project outputs and activities. Information gathered is used to make informed decisions and to strengthen partnerships and humanitarian coordination.

60. A sample of projects are subject to monitoring visits from the AHF, in-line with the AHF Operational Modalities and CBPF global guidelines. Following each allocation, AHF prepares a monitoring plan based on the risk level of the partner, the length and the grant volume of each project. The type of monitoring will be determined such as field site, remote call, or third party depending on the context.

61. All implementing partners are contractually required to implement internal mechanisms needed for the implementation of projects funded by the AHF, including monitoring and reporting of both programme and financial aspects.

62. Monitoring of UN partner projects is mandatory and based on a sampling methodology, considering country specific factors as required. Factors are determined at country level, according to specific agreements determined by the HC and endorsed by the AB. Monitoring tools are tailored by types of project, e.g. stakeholder satisfaction surveys for pipeline projects.

63. Partners that implement activities funded by the AHF are required to address the five Commitments to Accountability to Affected Populations (CAAP) of the Inter-Agency Standing Committee (IASC) (Leadership/Governance, Transparency, Feedback/Complaints, Participation, Design Monitoring and Evaluation). At the project proposal development stage, implementing partners are required to describe how affected populations and specific beneficiaries have been and will be involved throughout the humanitarian project cycle. AHF reporting and monitoring procedures verify how this has been applied.

64. Partners and Clusters are required to ensure that projects are designed, implemented, monitored and evaluated considering the specific needs, risks and constraints faced by women, girls, boys and men, as well as the specific needs and risks of elderly people and people with disabilities. The AHF prescribes the use of tools to promote sound gender analysis and gender integration in all projects. Partners are required to ensure routine collection, collation and utilization of sex and age disaggregated data and information throughout the project.

65. Gender equality and protection aspects, including the Gender and Age Marker, are part of assessment criteria used by Strategic Review Committees during project proposal appraisal. AHF monitoring assesses the extent to which gender and protection considerations have been given during project implementation.

66. Strategic Review Committees are required to ensure that gender and protection analysis forms is part of needs identification and that the Gender Marker is accurately assessed/assigned. Partners are responsible to ensure that gender considerations are operationalized in project activities, that there is adequate capacity to address gender and protection issues during the life of the project and that the implementation of the Gender Marker is accurately reported on.

**Monitoring Objectives**

67. A main purpose of monitoring is to assess project progress and to verify reports submitted by partners based on the following key objectives:

   i. Verify project progress, outputs and activities (as per logical framework and workplan), the beneficiary targeting process, use of resources (as per budget) and internal monitoring and reporting systems.
ii. Triangulate information, identify gaps and trends in project operations, best practice and lessons learned, using findings and recommendations for results management, risk mitigation and public information.

iii. Strengthen partnership and coordination with partners and stakeholders.

iv. Engage with and seek feedback by affected communities/beneficiaries.

Roles and Responsibilities

68. The HC is responsible for ensuring that AHF funded projects are effectively monitored through appropriate modalities. The AHF secretariat informs the HC and AB about its monitoring activities during AB meetings.

69. Following each allocation round the AHF develops a monitoring plan for projects, selects the monitoring methods to be used and creates a schedule. The monitoring plan may be adjusted depending on changes in the operational context and information gathered through reporting. The following are aspects are key responsibilities of the AHF:

i. Develop and maintain a monitoring plan that meets the requirements of the AHF Operational Modalities;

ii. Work with Cluster Leads and OCHA units/sub-offices to ensure that AHF monitoring activities are undertaken in close collaboration with other relevant activities;

iii. Undertake monitoring (incl. missions) and any other monitoring activities as prescribed in the AHF Operational Manual and other applicable guidelines/policies.

iv. Review and analyse information collected through monitoring and reporting activities.

Process and Monitoring Tools

70. In addition to partners’ project management systems, AHF monitoring tools provide an additional level of verification of project results. Partners declare the tools they are using for AHF funded project in their respective project proposals.

71. The AHF uses a variety of monitoring tools, depending on the context, including:

v. **Field Monitoring** - implemented by the AHF and supported by clusters, OCHA sub-offices and partners, is a primary component to verify that AHF-funded projects are delivering against planned outputs, allowing the AHF, HC/AB and clusters to assess the qualitative aspects of programme implementation. Field monitoring visits, at a minimum, collect information that: (i) assesses the timeliness of the overall project implementation, (ii) verify reported results, and (iii) assesses progress on key project activities.

vi. **Peer-to-Peer Monitoring** – is conducted amongst implementing partners to review each other’s activities, share lessons, as well as improve relevance of project/programme implementation. It is a cost effective, remote type of monitoring that has the potential to transform a compliance-based approach to one of active learning and network building.

vii. **Financial Spot Checks** - are conducted to assess the soundness of internal controls and the accuracy of financial records provided by the partner. On-site financial spot checks by the AHF and special audits by audit firms are conducted on the basis of AHF Operational Modalities, when warranted due to concerns, and at the discretion of the AHF Head of Unit.

viii. **Third-Party Monitoring** - is used when access to the project location is very limited particularly in high-risk areas. It enables the AHF to obtain independently verified information about the status of AHF projects with particular emphasis on project outputs. The approach combines field visits and desk
reviews of available documentation (e.g. project proposals, reports and any other relevant information/documentation).

ix. **Remote Call Monitoring** – is a routine activity but occurs especially when it is not feasible to conduct physical visits of projects being implemented in insecure and highly volatile environments and with restricted access. It results in statistic information and records observations from key informants and beneficiaries regarding progress made and the level of satisfaction by beneficiaries / clients / stakeholders. The AHF routinely conducts telephone interviews by using structured multiple-choice questionnaires. All information is captured by call centre operators using validation logics that provide real-time progress information on projects.

x. **Remote Sensing and Aerial Imagery** - where access is restricted, new technologies can contribute towards a more accountable project monitoring system. Aerial imagery and geospatial analysis e.g. in collaboration with UNOSAT can capture independent and objective information from areas that are too remote or insecure to reach. Aerial photography is particularly useful in engineering, construction, infrastructure and shelter programmes.

### E4 Reporting

#### Partner Reporting

72. The AHF requires narrative and financial reporting to ensure that activities carried out are on-track and achieve the planned project objectives. The frequency of reporting is determined by the AHF Operational Modalities and included in grant agreements. All reports are collected through and recorded the GMS.

<table>
<thead>
<tr>
<th>Progress Narrative report</th>
<th>Final narrative report</th>
<th>Interim financial statement</th>
<th>Final financial report</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NGOs and Red Cross/Red Crescent Organisations</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>According to AHF Operational Modalities</td>
<td>Within 2 months of completion of the project</td>
<td>To be submitted to the AHF before disbursement of the next instalment/tranche at any time once 70% of the previous instalment has been spent. By 31st January covering expenditures up to 31st December</td>
<td>Within 2 months of completion of the project.</td>
</tr>
</tbody>
</table>

| **United Nations Organisations** | | | |
| According to AHF Operational Modalities | Within 2 months of completion of the project | By 31st January to reflect expenditure incurred for project activities up to 31st December | Upon completion of the project, covering the period between inception and completion of the project, due no later than 30 June of the following year |

73. The reporting timelines for each project are configured in the GMS and partners receive automated system notifications before reports are due.

74. To enable aggregation of project outputs, the AHF is using standard cluster output indicators for all grants and as provided by Cluster Leads.
Reporting by the AHF

75. The AHF uses the common performance framework (CPF) for CBPFs to measure its performance. The CPF is a management tool that provides a set of indicators to assess how the AHF performs in relation to the policies objectives and operational standards set out in the CPF Global Guidelines and the AHF Operational Manual (annex). The CPF includes 20 performance indicators to assess AHF ability to deliver its overarching objectives in-line with five principles:
   v. Inclusiveness;
   vi. Flexibility;
   vii. Timeliness;
   viii. Efficiency;
   ix. Accountability and risk management.

76. The AHF discusses the indicators of the CPF with the AB and sets targets/benchmarks and definitions of scores according to the context the AHF operates in. Prior to finalizing the Annual Report, the AHF presents the results and the draft Annual Report to the AB and addresses all findings (critical, below normal, normal, above normal, or exceeding). Final results are published in the AHF Annual Report.

77. The HC, supported by AHF secretariat and in close collaboration with Cluster Leads, prepares a narrative annual report on the performance and results of the fund. The report summarizes (i) how the AHF has performed in relation to its strategic objectives (including links with HRP, strengthening of HC, promoting partnership with NGOs and strengthening of coordination system); (ii) describes how funding has been allocated in relation to key humanitarian events, timeliness and transparency, and other considerations (i.e. gender); (iii) synthesizes achievements by cluster; (iv) highlights risk management initiatives, including monitoring and reporting; (iv) presents any challenges encountered, and (v) the main priorities for the next (reporting) period.

78. The AHF produces periodic and allocation specific dashboards to highlight donor contributions, beneficiaries (targeted and reached), as well as any other relevant information.

79. AHF Annual reports and dashboards are made available on the Fund’s website and e-copies are provided to stakeholders.

80. The Multi-Partner Trust Fund (MPTF) Office of the United Nations Development Programme (UNDP), in its capacity as the Administrative Agent of the AHF, undertakes the following functions:
   i. Organise signature of the Memorandum of Understanding (MoU) with the Participating United Nations Organisation (PUNOs), and the Standard Administrative Arrangements with donors;
   ii. Receive, administrate and manage contributions received from Donors;
   iii. Disburse funds to PUNOs and the International Organisation for Migration (IOM) in accordance with the decisions of the HC;
   iv. Provide periodic (annual and final) financial reports on the AHF Account to the HC, contributing donors, the AHF Advisory Board and PUNOs;
   v. Provide the HC, the Advisory Board and donors with the statements of donor commitments, deposits, transfers and other financial information related to the AHF, available directly at MPTF GATEWAY (http://mptf.undp.org);
vi. Assist the AHF in fund administration matters.

81. The AHF acknowledges the importance of reporting and providing information i.e. regarding its activities, systems and performance, also to ensure transparency, collaboration and confidence in AHF activities. It therefore welcomes requests for additional information by both contributing and prospective donors, Advisory Board members, as well as partners and stakeholders. Request should be submitted to the AHF Head of Unit (see contact details) directly.

E5 Audit

82. UN Agencies, Funds and Programs are subject to internal oversight audit systems and mechanisms established by their respective governing bodies.

83. NGO partners receiving funds from the AHF are subject to external audits as per their individual grant agreements.

84. External audits are an oversight mechanism and essential component of the AHF accountability framework. They enhance transparency and enable sound financial management and control of resources allocated to partners. Detailed information on audit process, including timelines for audits is available in section F4 and F5 of this manual.

85. In particular, external audits help to mitigate financial risks; including misuse of resources and fraud; identify weaknesses in financial and operational management, recommend critical improvements and identify ineligible expenditures. External audit findings provide essential feedback to the partner, promoting continuous improvement of financial and operational management and performance.

86. Internal oversight bodies (Office of Internal Oversight Services and the Board of Auditors) audit OCHA and AHF operations annually. Audits performed by these entities are subject to the single audit principle. The BOA, comprising Auditors-Generals of three Member States, provides external audit services for the United Nations and its funds and programmes with the exception of the World Food Programme (WFP) which has its own external auditor.

E6 Complaints Mechanism

87. Stakeholders (incl. beneficiary) concerns or complaints regarding the AHF processes or decisions can be addressed to the AHF Head of Unit and OCHA Head of Office via email (chafgcomplaints@un.org). Complaints are compiled, reviewed and raised with the HC for decision making. The HC informs the AB of complaints and any actions taken.

88. The AHF responds to all complainants within 24hrs, clearly stating the next steps that will be taken i.e. further information requested or complaint referred to HC for decision making.

E7 Compliance Measures

89. Compliance control measures enable the AHF and the HC to address any non-compliance on basis of the legal terms (the grant agreement) signed between OCHA and the recipient organization, such as:

vii. Overdue financial or narrative reports;

viii. Refund of unspent funds;
ix. Critical (high risk) audit findings/qualified audit opinion (especially on lack of critical internal controls, serious weaknesses in internal controls, lack of bank reconciliation; lack of double-entry accounting system; lack of supporting documents, lack of authentic receipts);

x. Critical findings from monitoring and financial spot checks;

xi. Violation of humanitarian principles and code of conduct;

xii. Fraud, corruption, or misuse of funds.

90. Whenever a partner does not comply with the requirements described in this operational manual and reflected in the contractual agreement, or violates any other obligations stemming from the contractual agreement, the AHF is taking corrective actions commonly referred to as compliance measures (Annex 4: Compliance Measures for Country-based Pooled Funds).

91. The general principle underpinning the application of compliance measures is that whenever a partner does not comply with requirements stemming from the accountability framework, or in applicable contractual agreements, the HC will take actions to address non-compliance. Further actions will be pursued as and when deemed appropriate by OCHA.

92. OCHA HQ (Chief of CBPF Section) will be informed immediately by the AHF Head of Unit whenever there is a credible indication of possible fraud, corruption or misuse of funds related to CBPF projects. Individual cases are reported to determine whether an investigation process is warranted. The CBPF Reporting Form on Suspected Fraudulent Acts by IPs is used to document the facts of the case. The decision to trigger a formal investigation is made by OCHA HQ/EO after a consultative process involving OCHA HQ/CBPF Section and the AHF Head of Unit while keeping the HC informed. OCHA HQ may apply appropriate measures (e.g. suspension of funding) to partners that are being investigated.

93. The OCHA Standard Operating Procedure (SOP) on Suspected Fraud and Misuse of Funds describes the steps that OCHA will take in the event of an investigation into a partner contracted under a CBPF. Information sharing, and communication is conducted confidentially.

94. Any incidents during the project cycle that affect a partners’ ability to account for the use of funds or goods, must be reported to the AHF Head of Unit in writing as soon as they occur. An Incident Report and supporting documents must be submitted by the AHF Head of Unit to OCHA HQ/CBPF Section within 30 calendar days. Incidents include fraud, corruption theft, diversion of humanitarian assistance, looting, loss of vital documents. The AHF Head of Unit is reporting any incidents that require a formal investigation and response to the HC and also during AB Meetings (standing item on AB meeting agenda).

F Administrative Aspects

F1 Budget Preparation Principles

95. A customized AHF budgeting guidelines (Annex 5) provides partners with a common framework to enable context appropriate preparation and approval of project budgets. The guideline’s focus is to define eligible and ineligible costs, direct and indirect costs, shared costs, budget categories and the adequate breakdown of budget lines.

96. The AHF budgeting guideline forms part of the AHF Operational Manual, applies to all AHF funded projects and is reviewed annually by the HC/AB.

97. The AHF budgeting guideline prescribes a clear segregation of duties, underpins the preparation, review and clearance of the project budgets. It ensures central and internal controls designed to reduce the risk of approving erroneous or inappropriate project budgets (e.g. miscalculations, inconsistency, lack of transparency or admission of ineligible costs). The AHF Head of Unit and the OCHA certifying finance officer at headquarters have specific roles, responsibilities and level of authority:

The AHF Head of Unit is responsible to ensure that:

i. Principles of economy, efficiency, effectiveness, transparency and accountability are adhered to in the sense that the project budget inputs are commensurate with the planned activities and the expected outputs. More specifically, that the project budget is a correct, fair and reasonable reflection of the project proposal/logical framework;

ii. The cost estimates are reasonable in the specific context where the project will be implemented, and that funding is used in the most efficient way (value for money).

The OCHA certifying finance officers at headquarters is responsible to:

i. Verify and approve the budget’s factual correctness and its coherence with the project proposal and logical framework;

ii. Flag concerns and seek clarification by the AHF Head of Unit on any matters that could compromise compliance with UN rules and affect financial transparency and accountability of the AHF.

98. In the budget planning process, AHF partners are expected to:

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

ii. Use and comply with the budget template and guidance provided by AHF for the classification and itemization of planned costs;

iii. Provide a budget narrative (as an essential component of the budget) that clearly explains the objective and rationale of every budget line. For example, shared costs, expensive assets, and costs/equipment required to support regular operations of the partner, are cases that require a substantive narrative.

F2 Eligible and Ineligible Costs

99. The following attributes are used to define eligible costs:

i. Is necessary, reasonable and proportionate for the delivery of the objectives of the project.

ii. Complies with the principles of sound financial management, in particular the principles of economy, value for money, efficiency, effectiveness, transparency and accountability.

iii. Identifiable in the accounting records and backed by original supporting evidence as incurred and in accordance with the approved project proposal and period.

100. The following attributes are used to define ineligible costs:

i. Costs not included in the approved budget (taking into consideration duly approved budget revisions).

ii. Costs incurred outside the approved implementation period of the project (taking into consideration duly approved no-cost extensions).

iii. Debts and provisions for possible future losses or debts.
iv. Interest owed by the implementing partner to a third party.

v. Items already financed through other sources.

vi. Purchases of land or buildings.


viii. Cessions and rebates by the implementing partner, contractors or staff of the implementing partner of part of declared costs for the project.

ix. Government staff salaries.

tax. Hospitality expenses, provision of food/refreshments for project staff (not including basic hospitality during trainings, events and meetings of approved project implementation activities).

xi. Incentives, mark-ups and gifts.

xii. Fines and penalties.

txiii. Duties, charges, taxes (including VAT) recoverable by the implementing partner.

txiv. Global evaluations of programmes.

xv. Audit and system audit fees – these costs are paid directly by the AHF for NGO and Red Cross/Red Crescent projects.

F3 Guideline on requesting project changes

101. Changes to a project may be required due to various reasons and may have different consequences for the project’s scope, duration and budget. All variations must be brought by the partner to the attention of the AHF Head of Unit, who in consultation with Cluster Leads, assesses whether the proposed changes need formal authorization, require an amendment to the initial grant agreement, or whether the breath of the proposed changes is such that the change is to be rejected.

Deadline for submission of a request to revise a project

102. Project revision requests, whether for no-cost extension, budget modification or any other change, need to be submitted to the AHF Head of Unit at least four weeks prior to the end of the project. Late submissions will not be considered.

103. A project revision request needs to clearly explain why the grant agreement should be amended and indicate the current operational status of the project. A financial statement detailing expenditure incurred to date needs to be submitted.

104. Depending on the nature of the revision, relevant GMS workflows will be activated by the AHF Head of Unit that allow partners to formally process an amendment.

105. The HC responds (delegated by the HC to the OCHA Head of Office) though the AHF Head of Unit to the implementing partner in writing, accepting, modifying or rejecting the request. If a request is accepted, the amendment forms part of the initial grant agreement and must be approved by OCHA HQ before being issued to the partner.

106. A signed amendment to the Grant Agreement is required in the following circumstances:

i. Changes to the project budget exceeding the 15 per cent tolerance permitted for each budget category;

ii. Addition of a new budget line, irrespective of whether it is below or over the 15% tolerance allowed for each budget category;

iii. Change in duration of the project (No-Cost Extensions);
iv. Change of partner banking information relevant to the project;

v. Any other changes that have financial or legal implications and that from part of the Grant Agreement.

107. The following changes do not require a Grant Agreement Amendment and can be approved by the AHF Head of the Unit in the GMS through 'approval without GA amendment'.

   i. Change in project location, unless the entire project area has changed;
   ii. Change in number of beneficiaries, unless it changes the nature of the project significantly;
   iii. Change in approved project activity, unless it changes the project’s key objective(s) and results.

108. Significant Deviations from the original project objectives, including extensive changes in the geographic location of the project, the target population, or the scope of project activities will be referred to the HC (or if delegated by the HC to the OCHA Head of Office) by the AHF Head of Unit.

No-Cost Extensions (NCEs)

109. No-Cost Extension (NCE) requests are considered on a case-by-case basis, depending on reasons justifying the request, evidence of progress collected through narrative and financial reports (i.e. progress/interim), and at the discretion of the AHF Head of Unit through request specific field monitoring visits and financial spot checks.

110. The NCE can modify the agreement to extend the duration of the project, with or without any changes to the project’s budget (without exceeding the approved total amount) or activities. To extend the duration, an amendment to the original agreement must be signed by all parties to the grant agreement (legal contract).

Budget Modifications

111. Under no circumstances can budget revisions increase the approved total budget in the initial grant agreement.

112. There are three types of potentially acceptable budget revisions partner may request:

   i. Budget revision not exceeding 15 per cent of the approved budget per budget category;
   ii. Budget revision exceeding 15 per cent of the approved budget per budget category;
   iii. Addition of a new budget line

113. Budget revision not exceeding 15 per cent of the approved budget category.

   i. Cost re-deployments to budget categories not exceeding 15 per cent of the originally approved budget category are usually acceptable for all budget categories except the “Staff and other Personnel Costs” category. Any re-deployment must be done against existing budget lines and changes exceeding 15 per cent of the approved budget category require a formal amendment process.
   ii. Budget variations of this type are usually acceptable as long as activities retain the same scope and nature of the original grant agreement. The partner needs to inform the AHF in writing whenever a change might exceed a total value of US$ 1000.

114. Cost redeployments to budget categories exceeding 15 per cent of the budget amount per category require HC (delegated to OCHA Head of Office) authorization.

   i. After prior consultation with the AHF Head of Unit, the implementing partner submits a formal request through the GMS.
   ii. Should the budget modifications imply programmatic changes (within the scope and nature of the original grant) the implementing partner needs to submit a revised logical framework.
iii. HC approval of such modification will be formalized through an amendment to the original grant agreement (inclusive of all necessary supporting documents, project proposal and project budget).

115. Addition of a new budget line within a category, even if it has no impact on the total amount of the category, should be brought to the attention of the AHF.

116. Budget line variations within the same category, not affecting the total value of the category, are acceptable if approved by the AHF Head of Unit in writing.

Interest Income Earned on Project Funds

117. Any financial interest income earned on project funds must be declared in the appropriate financial statements and reports.

118. Interest income up to $10,000 may be used in-line with previously approved project budget and activities, with prior approval by the AHF Head of Unit and OCHA HQ.

Project Closure

119. A project will be considered closed when the following conditions are met:

i. Final narrative report received and cleared by the AHF Head of Unit. Partners must submit the final narrative report within two calendar months after the end of the project implementation (including NCEs). The AHF Head of Unit has up to one calendar month from receipt to review, verify as needed, and to clear the final narrative report.

ii. Partners submitted the final financial report (including an inventory of assets purchased under the grant with purchase value over $10,000 per asset) within two calendar months after the end of the project implementation (including NCEs). Once the final financial report has been received, it will be pre-cleared by the AHF Head of Unit and OCHA HQ/CBPF Section within one month.

iii. After clearance of the final financial report, projects have been audited within two months.

iv. AHF and OCHA CBPF Section reviewed and close the project within two months from receipt of the audit report.

v. Following the closure of a project and its audit (when applicable), partners are notified by the AHF Head of Unit about the exact amount to be refunded (if any). Partners have one month from the date of notification to refund amounts due. Non-compliance with the request will be subject to specific measures outlined in the Annex 4 (Compliance Measures). Proof of payment needs to be received and acknowledged by OCHA CBPF Section.

120. The AHF reserves the right conduct additional audits with NGO partners. The AHF may also request the reimbursement of unspent or qualified expenditures. Upon written notification from the AHF, the implementing partner shall refund the requested amount within one calendar month.

F4 Audit Process

121. Audits are conducted according to the Global Operational Handbook for CBPFs.

122. External audits are an oversight mechanism and an essential component of the accountability framework. It enhances the transparency and sound financial management of resources allocated by the AHF.
123. External audits enable the AHF to obtain evidence-based assurances on the use of funds transferred to NGOs. In particular, external audits help to mitigate financial risks; including misuse of resources and fraud; identify weaknesses in financial and operational management and recommend critical improvements; identify ineligible expenditures.

124. External audit findings provide essential feedback to the partner and the system, promoting continuous improvement of NGO financial and operational management and performance, and enabling the AHF to make informed funding decisions.

**Project Audits of UN Organizations**

125. Participating UN Organisations are audited in accordance with their own financial rules and regulations and the framework for auditing multi-donor trust funds subject to single audit principle (as agreed to by the Internal Audit Services of Participating UN Organisations and endorsed by the UN Development Group (UNDG) in September 2007).

126. The Board of Auditors (BoA), comprising Auditors-Generals of three Member States, provides external audit services for the United Nations and its funds and programmes, with the exception of the World Food Programme (WFP) which has its own external auditor.

**Project Audits for NGOs**

127. NGO implemented projects will be audited in compliance with applicable financial regulations, rules and directives as per the AHF Grant Agreements. The costs of such will be borne by the AHF as a direct cost to the AHF. One or several external auditing companies can be contracted by the AHF to deliver financial and operational audit requirements of NGO partners. The audit process:

i. Once the final financial report is cleared by OCHA CBPF Finance, the partner receives a notification via GMS about the launch of the audit process.

ii. Additionally, the AHF Head of Unit informs the partner by email about the start of the audit and is available to the partner for questions.

iii. The auditors contact the partner to agree on a field visit of the partner’s office and share the final audit plan with the AHF.

iv. After the audit, the auditor shares the draft report with the partner and requests their response. Whenever there are critical findings, the auditors are required to immediately inform the AHF and to seek advice prior to informing the partner.

v. After receiving feedback from the partner and finalising the report, the auditors share the final draft report with the AHF for review.

vi. Once the report is reviewed/finalized by the AHF, the auditors issue the final and signed audit report to both to the partner and the AHF.

vii. The AHF uploads the report into GMS for OCHA CBPF Finance clearance.

viii. After OCHA CBPF Finance clearance of the report and processing of any refunds or disbursements, the project will be closed by the AHF in GMS.

128. The AHF is recording all audit findings, particularly those that may expose OCHA to risks and to ensure that partners address findings before applying for additional AHF funding. The audit performance of partners feeds into their Performance Index and may impact on the risk level of the partner.
129. In case there are reasonable concerns regarding the implementation of a project, the AHF Head of Unit may recommend to the HC to trigger a specific (i.e. forensic) audit process.

G ANNEXES

Annex 1: AHF Advisory Board Terms of Reference
Annex 2: AHF Budgeting Guideline
Annex 3: AHF Partner Eligibility and Assessment Guidance

H Additional Information

Additional policies, guidelines and standard-operating procedures are available on the AHF website.

I Contact Information

Afghanistan Humanitarian Fund
United Nations Office for the Coordination of Humanitarian Affairs (OCHA)
Kabul, Afghanistan
Email: afg-ahf@un.org

J Review date

This AHF Operational Manual, all annexes, as well as AHF Standard Operating Procedures (SOP) and Terms of Reference (TOR) are reviewed annually and revised as necessary. The most current version is published on the AHF (OCHA Afghanistan) website.
1. The AHF Advisory Board (AB) is a governance body with an advisory function that supports the HC and HFU in the management of the AHF. The AB provides guidance and advice to the HC on strategic and policy matters in pursuit of AHF objectives.

2. The AB is guided by the terms of the AHF Operational Manual, reviewed annually.

Members and Observers

i. Humanitarian Coordinator (Chairperson, non-rotating);
ii. OCHA Head of Office (Custodian, non-rotating);
iii. AHF Head of Unit (Secretariat, non-rotating);
iv. 3 Representatives of contributing donors (Members, rotating);
v. 3 Representatives of UN Cluster Lead Agencies (Members, rotating);
vi. 3 Representatives of the NGO community (Members, 1 NNGO representative, 2 INGO representatives, rotating);
vii. 1 Representative of a non-contributing donor (Permanent Observer, rotating);
viii. 1 Representative of an NGO forum (Permanent Observer, rotating);
ix. 1 Representative of a Red Cross/Red Crescent organization (Permanent Observer, rotating).

3. Upon request by the HC, UN Cluster Lead Agencies, contributing donors and NGOs select representatives as AB members.

4. Members attend AB meetings in their capacity as technical and/or strategic experts and not to represent the interest of their organizations or constituencies.

5. Members are high-level representative of their respective organisation.

6. Members commit to attend all AB meetings and to provide AHF relevant support to the HC when required.

7. Members may request specific topics to be tabled (meeting agenda), discussed and meetings to be convened.

8. Members may request technical reviews of specifics aspects of the AHF, including its performance.

9. Members may attend strategic (SRC) and/or technical (TRC) review committees as observer.

10. Permanent Observers are selected and invited at the discretion of the HC.

11. Permanent Observers may contribute to discussions at AB meetings but may not contribute to discussions whenever the AB is convening for presentations by clusters on projects recommended for funding. Observers may provide feedback to the HC and AB members in relation to procedural and strategic matters.

12. Equal gender representation will be maintained whenever possible.

13. The HC may invite technical experts (as observers), incl. OCHA, cluster staff and partner representatives to attend AB meetings as needed.

14. Attendance at AHF Advisory Board meetings requires formal HC invitation at all times.
Specific Responsibilities of Advisory Board Members

i. Advise the HC on the strategic focus of the AHF and support the HC to ensure that the objectives of the AHF are met i.e. by reviewing allocation strategies to verify compliance with agreed objectives;

ii. Provides guidance regarding the Common Performance Framework in terms of setting targets/benchmarks and definitions of scores according to the context.

iii. Analyse risks that may affect the achievement of agreed objectives and advise the HC on risk mitigation strategies; review and endorse the AHF Accountability Framework;

iv. Advise the HC on transparency and equitability of allocation processes;

v. Review AHF processes to ensure that the management of the AHF is consistent with its own and CBPF global guidelines;

vi. Participate in the development of Allocation Strategies, at presentations for project recommendations, and any other allocation stage as requested by the HC;

vii. Ensure accuracy of key AHF information products. Review the AHF Annual Report and other information products to ensure they are accurate and address the needs of target audiences;

viii. Commit to support the HC in resource mobilisation for the AHF;

ix. Endorse the annual AHF cost-plan.

Continuity

1. Members are expected to support the HC for a period of one-year.

2. Continuity of membership and the selection of members and observer is discussed with and decided by the HC at the AHF Annual General Meeting.

3. The Terms of Reference (TOR) of the AB are reviewed annually by the HC/AB and are updated as needed.

Secretariat

4. The HFU provides secretariat functions for all AB meetings.

5. The HFU/AHF Head of Unit provides regular and frequent updates and information on AHF activities during AB meetings.

6. The AHF secretariat is providing the minutes taken during AB meetings within one (1) week after the meeting. Minutes of meetings are provided to AB members and observers, only.
Contents

1. Basic Definitions and Guidance for the Project Budget Preparation Process .................................. 1
   1.1. Rationale and Basic Principles of the Project Budget ................................................................. 1
   1.2. Definitions ..................................................................................................................................... 2
      1.2.1. Eligible and Ineligible costs ................................................................................................. 2
      1.2.2. Other Types of Costs .............................................................................................................. 3
      1.2.3. Direct and Indirect Costs ......................................................................................................... 3
      1.2.4. Budget lines classification ....................................................................................................... 4
      1.2.5. Shared Costs .............................................................................................................................. 5
   1.3. Guidance on itemization of budget lines ....................................................................................... 6
2. Detailed Guidance for Budget Preparation Process ............................................................................. 7
   2.1. Staff and Other Personnel Costs .................................................................................................... 8
   2.2. Supplies, Commodities, Materials ............................................................................................... 8
   2.3. Equipment ...................................................................................................................................... 9
   2.4. Contractual Services ................................................................................................................. 10
   2.5. Travel ......................................................................................................................................... 11
   2.6. Transfers and Grants to Counterparts ........................................................................................ 12
   2.7. General Operating and Other Direct Costs ................................................................................ 13
   2.8. Program Support Costs (PSC) ....................................................................................................... 14
3. Common mistakes during preparation and/or revision of budget ...................................................... 14
4. AHF Budget Tool ............................................................................................................................... 14
1. Basic Definitions and Guidance for the Project Budget Preparation Process

The budget guideline provides implementing partners with a common framework to facilitate appropriate preparation of project budgets. It focuses on defining eligible and ineligible costs, direct and indirect costs (e.g. Program Support Costs – PSC), shared costs, budget categories and the adequate breakdown of budget lines. This guidance applies to all implementing partners.

A project budget must be credible and in-line with sound financial management principles and applicable policies. It should describe what the project proposes to do in financial terms and value. The budget review process ensures that budgeted costs are a correct, fair and reasonable reflection of what is needed to carry out the project. Any concerns about compliance with UN rules and regulations, and financial accountability, must be addressed before projects will be approved.

1.1. Rationale and Basic Principles of the Project Budget

The role of implementing partners in the budgeting process is to:

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

ii. Use and comply with the budget template (Annex: Project Budget and Financial Reporting Tool) and guidance provided by the AHF for the classification and itemization of planned costs. (see table below)

<table>
<thead>
<tr>
<th>Code</th>
<th>Budget Line Description</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.8</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

iii. Provide a budget narrative (as an essential component of the budget) that clearly explains the objective and the rationale of request for every budget line. For example, shared costs, expensive assets, and equipment required to support the regular operation of the implementing partner, are clear cases that require a justified budget narrative. The narrative (in the “Remarks” field) should explain:

a. how the planned costs contribute to the implementation of the project;

b. how unit numbers, unit costs and total costs have been established.
1.2. Definitions

1.2.1. Eligible and Ineligible costs

The following attributes define the nature of eligible costs.

i. Must be necessary and reasonable for the delivery of the objectives of the project.
ii. Must comply with the principles of sound financial management, in particular the principles of economy, efficiency, effectiveness, transparency and accountability.
iii. Must be included in the project budget.
iv. Must be identifiable in the accounting records and supported by original supporting evidence as incurred in accordance with the approved project proposal and project period.

Eligible costs may include:

a. All staff costs (including salaries, social security contributions, medical insurance, rest and recuperation allowances and hazard pay (when applicable)) and any other cost included as part of the salary benefits package of staff involved in the project. Salaries and costs may not exceed the costs borne by the implementing partner in other projects.
b. Costs for consultancies involved in the implementation of the project.
c. Support staff costs at country level, directly related to the project.
d. Travel and subsistence costs directly linked to the project implementation for project staff, consultants, and other personnel, provided the costs do not exceed those normally borne by the implementing partner.
e. A contribution to the implementing partner’s Country Office costs as shared costs charged on the basis of a well-justified/explained calculation and reasonable allocation system. Shared costs must be itemized. (Please refer to section 1.2.5 on Shared Costs for more guidance).
f. Financial support to beneficiaries, including cash and voucher-based distribution.
g. Purchase costs for goods and services delivered to the beneficiaries of the project, including quality control, transport, storage and distribution costs.
h. Costs related to non-expendable items (assets), such as information and communications technology (ICT) equipment for the project, medical equipment, water pumps, and generators.
i. Expenditure incurred by the implementing partner related to awarding of contracts required for the implementation of the project, incl. expenses for tendering processes.
j. Costs incurred by sub-implementing partners, directly attributable to the implementation of the project.
k. Other costs derived directly from the requirements of the Grant Agreement, such as monitoring, reporting, dissemination of information, translation, and insurance including financial service costs (in particular bank fees for transfers).

The following costs are ineligible:

a. Costs not included in the approved budget (taking into consideration duly approved budget and approved revision(s)).
b. Costs incurred outside the approved implementation period of the project (taking into consideration duly approved no-cost extension(s)).
c. Debts and provisions for possible future losses or debts.
d. Interest owed by the implementing partner to any third party.
e. Items already financed from other sources.
f. Purchases of land, buildings, and other fixed assets.
g. Currency exchange losses.
h. Concessions and rebates by the implementing partner, contractors or staff of the implementing partner.
i. Government staff salaries.
j. Hospitality expenses, provision of food/refreshments for project staff (not including water and basic hospital for trainings, workshops, events and meetings directly related to project implementation).
k. Incentives, mark-ups, gifts to staff.
l. Fines and penalties.
m. Duties, charges, taxes (including VAT) recoverable by the implementing partner.
n. Global evaluations of programs.
o. Audit fees/system audit fees – these costs are funded directly by the AHF.
p. HQ associated costs of the IP

1.2.2. Other Types of Costs

On a case-by-case basis and depending on the objectives of the Fund, the Head of the AHF in consultation with OCHA CBPFS has flexibility to consider approving the following costs as eligible:

a. Government staff training as a component of a project activity that contributes to the achievement of the overall project objectives.
b. Stipends for government health workers in NGO run facilities (should not be in lieu of salary).
c. Visibility material of the implementing partner directly related to projects funded by the AHF.
d. International travel costs when directly linked to the delivery of the project objectives. When international travel costs are requested to support additional activities outside those of the project, such costs can only be considered if they are well justified and in proportion attributable to the project.
e. Vehicle purchase necessary for implementing the project.
f. Depreciation costs for non-expendable/durable equipment used for the project for which the cost is not funded in the current budget.
g. Equipment for regular operations of the implementing partner including critical hardware e.g. communications, security and related equipment.
h. Recurrent costs for the implementing partner’s current operations.

1.2.3. Direct and Indirect Costs

There are two categories of eligible costs: direct costs and indirect costs.

Direct Costs

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

a. Staff and related personnel costs, including consultants and other personnel.
b. Supplies, commodities, materials.
c. Equipment.
d. Contractual services.
e. Travel costs, including transportation, fuel, and daily subsistence allowances for staff, consultants and other personnel linked to the project.
f. Transfers and grants to counterparts.
g. General operating and other direct costs including security expenses, office stationary, utilities such as telecommunications, internet, office rental and other direct costs, including expenses for monitoring, evaluation and reporting, related to the implementation of the project.

Indirect Costs

Indirect costs are referred to as Program Support Costs (PSC). PSC are all costs that are incurred by the implementing partner regardless of the scope and level of its activities and which cannot be traced unequivocally to specific activities, projects or programs. These costs typically include corporate costs (i.e. headquarters and statutory bodies, legal services, general procurement and recruitment etc.) not related to service provision to a particular project. PSC is charged at a maximum rate of 7 per cent of the approved direct expenditures incurred by the implementing partner.

PSC of sub-implementing partners associated to the implementation of a specific project must be covered by the overall maximum 7 per cent of the actual project expenditures.

PSC do not need to be itemized in the project budget.

1.2.4. Budget lines classification

All budget lines in the GMS have to be classified as Direct (D) or Support (S) for better understanding of the cost structure (as indicated below).

<table>
<thead>
<tr>
<th>Code</th>
<th>Budget Line Description</th>
<th>Remarks</th>
<th>D / S</th>
<th>Unit Quantity</th>
<th>Unit Cost</th>
<th>Duration (per month, per day or lump sum)</th>
<th>Total Cost % charged to GMS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td>Staff Manager</td>
<td></td>
<td>S</td>
<td>1</td>
<td>1850.31</td>
<td>72.83</td>
<td>7,387.22</td>
</tr>
<tr>
<td>1.2</td>
<td>Logistics Manager</td>
<td></td>
<td>D</td>
<td>1</td>
<td>5948.2</td>
<td>120.95</td>
<td>4,163.74</td>
</tr>
<tr>
<td>1.3</td>
<td>Warehouse Assistant</td>
<td>The Warehouse Assistant will be responsible in dispatching, stock control and general storekeeping.</td>
<td>D</td>
<td>1</td>
<td>1204.15</td>
<td>72.83</td>
<td>1,105.74</td>
</tr>
<tr>
<td>1.4</td>
<td>Warehouse Assistant Stand</td>
<td>The Warehouse Assistant will be responsible in dispatching and</td>
<td>D</td>
<td>1</td>
<td>1204.15</td>
<td>72.83</td>
<td>5,487.21</td>
</tr>
<tr>
<td>1.5</td>
<td>Executive Secretary</td>
<td>For trucks and pick-up loading and offloading - it is assumed the Secretary will be responsible.</td>
<td>D</td>
<td>1</td>
<td>158.85</td>
<td>72.83</td>
<td>2,495.65</td>
</tr>
<tr>
<td>1.6</td>
<td>Other Office</td>
<td>One Officer for 5 months and the grant contributes 29% of his/her</td>
<td>D</td>
<td>1</td>
<td>2053.7</td>
<td>72.83</td>
<td>1,979.08</td>
</tr>
</tbody>
</table>

Budget lines that are directly used to conduct the project need to be classified as “D”. The direct budget lines (‘D’) declare costs that can be clearly attributed, either wholly or in part to a project financed by the AHF. They declare costs associated with providing direct management and supplies needed to carry out the proposed activities, including costs for project activities, personnel, related travel, contractual services and procurement.
Budget lines that support the operational aspect of project implementation need to be classified as “S”. The support budget lines (‘S’) declare costs that cannot be traced unequivocally to specific activities of a project financed by the AHF, such as costs for general support staff, administrative and contractual services, office supplies, utilities, office rental, IT equipment and assets.

Amounts of ‘S’ budget lines exceeding more than 30 per cent of the total project budget need to be clearly justified and require approval by the Head of the AHF.

1.2.5. Shared Costs

Sharing costs between different donors and projects within a program of an implementing partner is an acceptable practice for the AHF. The implementing partner may share certain Country Office costs to different projects, for example staff, office rent, utilities and rented vehicles. The following guidance applies to shared costs in the project budget:

a. All shared costs must be directly linked to project implementation.
b. All shared costs must be itemized in the budget, following standard accounting practice and based on a well-justified, reasonable and fair allocation system, to be clearly explained in the budget narrative of the project budget and assessed and approved by the AHF.
c. The implementing partner must be able to demonstrate how costs were derived and explain in the project proposal/logical framework how the calculation was made (e.g. pro-rata, averages).
d. If a position is cost-shared, the percentage of the monthly cost corresponding to the time that the person will be dedicated to the project must be budgeted. Portions of a unit may not be budgeted as staff costs, only percentages are acceptable.
e. Non-staff shared costs can be charged to the AHF on the basis of an equitable cost allocation system. Accordingly, the percentages in the budget are to be assessed and approved by the AHF.
f. Shared-cost, including staff-related costs, should preferably be charged for the entire duration of the project. If this is not possible, the rationale of the apportionment must be explained into the budget narrative.

---

1 Cost-shared staff positions that are intended to last the entire duration of the project should be charged for the entire period and charged as a percentage against the project (e.g. half of the cost of a guard in a 12 months project should be budgeted at 50 per cent of the monthly salary for 12 months). Durations shorter than the project are acceptable only if the position is not intended to last for the entire duration of the project. Implementing partners have the option to record expenditures within the budgeted amount according to modalities that better suit their preferences (e.g. charging 100 per cent of for guard for 6 months).

2 This should be calculated as a percentage against the overall amount of the shared cost and charged as a percentage of the project value. It is preferable to charge shared costs for the entire duration of the project. Implementing partners have the option to record expenditures within the budgeted amount according to modalities that better suit their requirements (e.g.: to cover half of the rent of an office in a 12 months project, the implementing partner should budget the rent for 50 per cent of the monthly cost for 12 months period. The implementing partner may pay the full rent of the office for 6 months with the allocated budget).
1.3. Guidance on itemization of budget lines

Each budget line requires cost breakdown with details provided:

a. Itemize each national and international staff, consultants and other personnel by function and provide unit quantity and unit cost by monthly or daily rates for each staff position\(^3\).

b. Any budget line which total value exceeding US$10,000 (as cumulative value) requires a clear explanation of the calculation in the budget narrative.

c. When budget lines reflect the costs of multiple items (exceeding US$10,000) a budget breakdown must be included (in MS Excel) listing item, unit, quantity, value or cost (per unit and total cost). Documentation must be uploaded in the Grant Management System (GMS).

d. Provide unit or quantity (e.g. 10 kits, 1,000 metric tons) and unit cost for commodities, supplies and materials to be purchased. The budget narrative/remark must properly refer using unit measures (length, volume, weight, area, etc.).

\[
\begin{array}{|c|c|c|c|c|}
\hline
\text{No.} & \text{Item/Description} & \text{Unit} & \text{Quantity} & \text{Unit Cost} & \text{Total Cost} & \text{Remarks} \\
\hline
\text{Total Cost} & & & & & & \\
\hline
\end{array}
\]

Prepared by: ________________
Location: ________________
Date: ________________

\[\text{e. Provide technical specifications for items where unit costs exceeds US$10,000.}\]

\[\text{f. Provide technical specifications for items where unit costs can greatly vary based on specifications (e.g. for generators, a reference to the possible range of power would be sufficient to properly evaluate the accuracy of the estimated cost).}\]

\[\text{g. Provide details in the budget narrative so that the objective of the budget line can be clearly identified.}\]

\[\text{h. Itemize general operating costs (e.g. office rent, telecommunications, internet, utilities) for project implementation by providing quantity and unit cost. A lump sum for operating costs is not acceptable. If it is not possible nor practical to itemize the cost, provide an explanation on how the total cost is determined.}\]

\(^3\) Staff positions must be charged per unit. When staff costs are only partially charged to the given budget this must be reflected in the percentage (50% of a staff, and not half of a staff at 100%).
i. Travel costs can be estimated as long as the calculation is accurately described in the budget narrative (e.g., providing estimates on the number of trips, duration in days, daily subsistence allowance (DSA) rate).

j. National or international travel: provide an estimate of the number of trips and cost per trip.

k. Provide the list of items (the list should be provided as an annex to the budget) and estimated cost per item for kits when the cumulative budget line value is greater than $10,000.

l. Provide the list of items for globally standardized kits such as Post-Exposure Prophylaxis Kits (PEP), Interagency Emergency Health Kits, etc. This does not include standard kits agreed upon for Afghanistan.

m. The implementing partner is responsible and accountable to ensure the budget(s) of the sub-implementing partner(s) adheres to the principles of economy, efficiency, effectiveness and transparency. The partner must ensure the sub-implementing partner(s) budget(s) is commensurate with the planned activities and outputs and is reasonable in the specific context.

n. The sub-implementing partner budget should be provided as a single line under the budget category Transfers and Grants to Counterparts in GMS. The AHF requires partners to provide the same level of details and breakdown of sub-implementing partner’s budget(s) in a spreadsheet and to upload these in the “Documents” tab.

o. The implementing partner is responsible and accountable to provide the required detailed documentation to support the budget and expenditure incurred by the sub-implementing partner.

Kits:

p. Where the cost of a ‘kit’ exceeds $10,000 each item in the kit must be listed, as well as the unit cost of the item and the number of items.

q. Where the cost of a ‘kit’ is $10,000 or less, each item in the kit must be listed, but unit costs are not required.

r. The contents of globally standardized kits (e.g. PEP kits, Interagency Emergency Health kits) must be provided and the budget narrative shall confirm that kit contents are approved by the respective cluster.

Construction works:

s. In the case of construction works above $10,000, only the known labor costs and essential materials shall be budgeted and itemized (unit, number of units and unit cost). The description should explain how the costs have been estimated based on a standard prototype of construction (e.g. latrine, health post, shelter), type of materials (e.g. wood, prefabricated, concrete), and the formula or rationale used to make the calculation (e.g. per square foot or square meter, based on previous experience etc.).

2. Detailed Guidance for Budget Preparation Process

The AHF budget format contains seven budget categories. To facilitate proper budget preparation, a detailed guidance for the budget preparation process including explanation (Do and Do Not) of each budget category are provided below:
2.1. Staff and Other Personnel Costs

This budget category itemizes the costs of staff, consultants and other personnel recruited directly by the implementing partner for project implementation. Please indicate for each position the role it plays in the implementation of the project and its grade/level. Explain how the unit number has been estimated and what costs are included in the monthly or daily rate unit cost (e.g. salary, social security, medical and life insurance, hazard pay, etc.).

**DO**

a. Itemize each national and international staff, consultant and other personnel by grade/level or function and provide unit quantity and unit cost by monthly or daily rates for each staff position.
b. Hiring of national and international consultants must be directly related to the project. Describe the function / expertise of the consultants hired for the project. Remember that costs must not exceed salaries and costs normally borne by the implementing partner in other projects.
c. Ensure budgeting of necessary/relevant program staff is aligned with the cluster/country standard in order for the implementing partner to successfully implement the proposed project. Program staff cost could be charged to the AHF depending on the time of respective staff member contributed to the project. Shared support staff costs at country level must be directly related to the project.
d. Budget the number of staff required for project implementation at a reasonable level also by taking into consideration different locations.
e. Approval by the AHF in writing is required for any variation in “Staff and Other Personnel Costs”.
f. Provide a clear explanation of the calculation used for any personnel budget line where the cumulative/total value exceeds US$10,000 in the budget narrative.

**DO NOT**

g. Budget for government staff salaries, incentives, stipends, mark-ups, gifts to staff and other personnel.
h. Budget for fringe benefits such as cars provided by the organization to staff.
i. Full housing allowance and the likes are ineligible expenditures.
j. Include consultancies with firms. Such can be budgeted under category 4.
k. Do not budget any costs outside the approved budget (taking into consideration duly approved budget revision(s)). This applies to all budget categories.
l. Do not budget any costs outside the approved implementation period of the project (taking into consideration duly approved no-cost extension(s)). Such expenditures are ineligible. This applies to all budget categories.

2.2. Supplies, Commodities, Materials

This budget category itemizes direct and indirect costs of consumables to be purchased under the project, including quality control, associated transportation, freight, storage and distribution costs. Explain how the unit number and unit cost have been estimated. For standard and low value kits describe the composition of the kits, how the composition was agreed and how the cost of the individual items has been estimated. For non-itemized construction materials describe how
construction costs have been estimated on the basis of a prototype (i.e. latrine, health post, shelter), type of materials (i.e. wood, prefabricated, brick/cement/concrete) and formula or rationale used to estimate construction costs (i.e. per square foot or meter, previous experiences).

DO

a. Provide technical specifications for items where unit cost exceeds US$10,000. Provide a clear explanation of the calculation in the budget narrative.

b. Provide a budget breakdown for budget lines where costs contain multiple items (exceeding US$10,000) by listing item, unit quantity, value or cost (per unit and total cost). Upload the breakdown to the Grant Management System (GMS) under the “Documents” tab.

c. Provide unit or quantity (e.g. 10 kits, 1,000 metric tons) and unit cost for commodities, supplies and materials proposed to be purchased. The budget narrative must properly refer using unit measures (length, volume, weight, area, etc.).

d. Provide the list of items for globally standardized kits such as Post-Exposure Prophylaxis Kit (PEP), Interagency Emergency Health Kit, etc. This does not include standard kits agreed upon for Afghanistan.

e. If an implementing partner is conducting construction works (exceeding US$10,000), labor costs and known essential materials for construction works must be budgeted and itemized by providing unit or quantity and unit cost. The budget narrative must explain how construction costs have been estimated on the basis of a prototype (i.e. latrine, health post, shelter), type of materials (i.e. wood, prefabricated, brick/cement/concrete) and formula or rationale used to estimate construction costs (i.e. per square foot or meter, previous experiences).

f. Provide clear explanation in the budget narrative for financial support to beneficiaries, including cash- and voucher-based distributions. The unit cost must be aligned with the cluster standard per beneficiary and match with targets in the logical framework.

g. Communications materials for training and awareness raising, such as posters, pamphlets, etc., as well as reproduction of such items can be budgeted under this budget category by providing unit quantity, unit cost. If it includes multiple items, it must include a breakdown.

DO NOT

a. Budget for purchase of land or buildings for beneficiaries.

b. Pay for any fines and penalties related to procurement or storage.

c. Include any purchase/activity outside the approved budget (taking into consideration duly approved budget revisions).

2.3. Equipment

This budget category itemizes costs of non-consumables to be purchased for the project. Please explain how the unit number and unit cost have been estimated. For expensive equipment items please describe how the item(s) is (are) necessary to the implementation of the AHF project.
DO

a. Procurement of non-consumables (e.g. IT equipment for registration, medical equipment, etc.) could be budgeted under this budget category. Only equipment directly related to project implementation will be considered.

b. Provide technical specifications for items which unit costs can greatly vary based on specifications (e.g., for generators, a reference to the possible range of power would be sufficient to properly evaluate the accuracy of the estimated cost).

c. On a case-by-case basis, if extensive/expensive equipment is needed for security purposes, this needs to be discussed with and agreed by the Head of the AHF.

d. If there is any procurement of equipment such as medical equipment, water pumps, generators, etc. related to the program activities, it needs to be reflected in the narrative proposal and explained in the budget narrative.

e. Equipment required to support regular operation of the implementing partner (e.g. office equipment such as computers, printers, etc.) should be cost-shared and require a well justified budget narrative. The AHF requires implementing partners to share costs (per cent) unless individually approved by the Head of the AHF and documented in GMS.

DO NOT

f. Purchase of any equipment not included in the approved budget (taking into consideration duly approved budget revisions).

g. Include costs for fines and penalties related to procurement or storage.

h. Budget for duties, charges, taxes (including VAT) recoverable by the implementing partner.

On a case by case basis and depending on the objectives of the Fund, the Head of the AHF has flexibility to consider the following costs eligible:

i. Purchase of vehicles.

j. Depreciation costs for non-expendable/durable equipment used for the project for which the cost is not funded in the current budget.

k. Equipment for regular operations of the implementing partner.

2.4. Contractual Services

This budget category requires listing of works and services contracted for the project. Explain how the unit number and unit cost for each contract have been estimated and describe the type of services provided.

DO

a. If an implementing partner is contracting construction works (exceeding US$10,000), upload an itemized budget breakdown of labor costs, known essential materials for construction and provide unit quantity and unit cost. The budget narrative must explain how construction costs have been estimated on the basis of a prototype (i.e. latrine, health post, shelter), type of
materials (i.e. wood, prefabricated, brick/cement/concrete) and formula or rationale used to estimate construction costs (i.e. per square foot or meter, previous experiences).

b. If an implementing partner is contracting services for evaluations, assessments, surveys, etc., the cost must not exceed the one normally borne by the implementing partner in other projects.

c. List and describe the works and services – normally of a commercial nature - contracted directly by the implementing partner and by following procurement procedures. Please provide unit quantity, unit cost for each contract.

**DO NOT**

a. Budget costs not included in the approved budget (taking into consideration duly approved budget revision(s)).

b. Budget costs incurred outside the approved implementation period of the project (taking into consideration duly approved no-cost extension(s)).

### 2.5. Travel

This budget category itemizes travel costs of staff, consultants and other personnel required for project implementation. For domestic and international travel explain how the number of trips and the cost of each trip have been estimated. For international travel costs not directly linked to the delivery of project objectives, justify why the costs are necessary for the implementation of the project.

**DO**

a. Itemize the travel costs of staff, consultants and other personnel for project implementation by providing estimates on the number of trips, average duration in days, daily subsistence allowances, and number of staff.

b. On a case-by-case basis, international travel costs directly linked to delivery of project objectives may be considered eligible after consultation with and written approval by the Head of the AHF.

c. Travel and subsistence costs directly linked to the project implementation for project staff, consultants, and other personnel can be budgeted under this budget category, provided that the costs do not exceed those normally borne by the implementing partner.

d. Vehicle rental for implementation of monitoring and evaluation activities can be budgeted but such costs must not exceed those normally borne by the implementing partner in other projects.

e. Include fuel and vehicle/boat rental costs for staff, consultants and other project personnel but provide unit quantity and unit cost for vehicle rental.

**DO NOT**

a. The AHF does not fund any international travel costs for international staff/consultants of the implementing partners for attending meetings, trainings or workshops.
2.6. Transfers and Grants to Counterparts

This budget category lists transfers and sub-grants to project implementing partners. For each transfer and/or sub-grant please explain the purpose and objectives. To the best extent possible, provide the estimated cost breakdown in a budget format but include only direct costs. Any indirect costs of implementing partners must be covered by the overall maximum 7 per cent PSC for the project.

DO

a. The implementing partner is responsible to ensure the budget(s) of the sub-implementing partner(s) adhere to the principles of economy, efficiency, effectiveness and transparency. The partner must ensure the sub-implementing partner(s) budget(s) are commensurate with the planned activities and outputs and is reasonable in the specific context. The sub-implementing partner budget should be provided as a single line under the budget category Transfers and Grants to Counterparts in GMS. The AHF requires the same level of details and breakdown of sub-implementing partner(s) budget(s) in a spreadsheet and this to be uploaded under the “Documents” tab in GMS. In addition, the implementing partner is responsible to provide the necessary detailed documentation to support the budget and expenditure incurred by the sub-implementing partner.

b. If an implementing partner contracts any project components or activities to a sub-implementing partner, it must be clearly explained in the project proposal and budget. The implementing partner is responsible for all works and services performed by sub-implementing partners and for all acts and omissions committed by them or their employees.

c. List the sub-implementing partners to receive sub-grants for project implementation. This should be done by the implementing partner through its sub-granting procedures for project implementation.

d. The sub-implementing partner must comply with the budget guidelines provided by the AHF to the implementing partner.

DO NOT

a. Budget costs not included in the approved budget (taking into consideration duly approved budget revision(s)).

b. Budget costs incurred outside the approved implementation period of the project (taking into consideration duly approved no-cost extension(s)).

c. Debts and provisions for possible future losses or debts.

d. Interest owed by the sub-implementing partner to any third party.

e. Items already financed from other sources.

f. Purchases of land or buildings.

g. Currency exchange losses.

h. Concessions and rebates by the implementing partner, contractors or staff of the implementing partner or part of declared costs for the project.

i. Government staff salaries.

j. Hospitality expenses, provision of food/refreshments for project staff (not including water and basic hospitality for trainings, events and meeting directly related to project implementation).

k. Incentives, mark-ups, gifts to staff.

l. Fringe benefits such as cars provided by the organization to staff,
m. Individual full housing allowance and the likes.

n. Fines and penalties.

o. Duties, charges, taxes (including VAT) recoverable by the implementing partner.

p. Global evaluation of programs.

q. Audit fees/system audit fees – these costs are funded directly by the Fund\textsuperscript{4}.

2.7. General Operating and Other Direct Costs

This budget category is for general operating expenses and other direct costs for project implementation. The AHF request cost sharing at a rate of 10 per cent for ‘S’ budget lines. Explain how unit numbers and unit costs have been estimated.

DO

a. General operating costs and other direct costs, including office running costs, office stationary/supplies, security expenses, utilities such as telecommunications, internet, and office rents for project implementation can be charged under this budget category.

b. Any costs should have a narrative how the unit quantity and unit cost have been estimated. If the budget lines include multiple items, provide a breakdown.

DO NOT

a. The AHF does not cover any corporate costs that are not related to service provision of a funded project.

b. Budget costs not included in the approved budget (taking into consideration duly approved budget revision(s)).

c. Budget costs incurred outside the approved implementation period of the project (taking into consideration duly approved no-cost extension(s)).

d. Debts and provisions for possible future losses or debts.

e. Interest owed by the implementing partner to any third party.

f. Currency exchange losses.

g. Concessions and rebates by the implementing partner, contractors or staff of the implementing partner or part of declared costs for the project.

h. Hospitality expenses, provision of food/refreshments for project staff (not including water and basic hospitality for trainings, events and meeting directly related to project implementation).

i. Incentives, mark-ups, gifts to staff.

j. Fringe benefits such as cars provided by the organization to staff, individual full housing allowance and the like.

k. Fines and penalties.

l. Duties, charges, taxes (including VAT) recoverable by the implementing partner.

m. Global evaluation of programs.

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

\textsuperscript{4} Those costs are charged as a direct cost for the management of the AHF.
2.8. Program Support Costs (PSC)

All costs that are incurred by the implementing partner regardless of the scope and level of its activities and which cannot be traced unequivocally to specific activities, projects or programs. These costs typically include corporate costs (i.e. headquarters and statutory bodies, legal services, general procurement and recruitment etc.) not related to service provision to a particular project.

a. PSC is charged as a maximum rate of 7 per cent of the approved direct expenditures incurred by the implementing partner.
b. PSC of sub-implementing partners associated to the implementation of a specific project must be covered by the overall maximum 7 per cent of the actual project expenditures.
c. PSCs do not need to be itemized in the project budget and may not be audited.

3. Common mistakes during preparation and/or revision of budget

a. The budget of the project should be submitted in dollar not in local currency.
b. Incomplete submission of budget details.
c. Did not assign appropriate unit or percentage charged to the AHF.
d. Did not provide a budget breakdown.
e. Did not provide text in the budget narrative section.
f. Budget narrative did not match with budget and/or BoQ/breakdown.
g. Budget breakdown did not match the description in the budget line.
h. Although budget breakdown details provided in budget narrative section, no separate budget breakdown provided.
i. Partner did not fully respond in GMS to all budget related queries raised by HFU or HQ.
j. Budget resubmitted without addressing comments.
k. Delayed resubmission of budgets.
l. Did not use correct budget category.
m. Did not apply harmonized cost within sector/region.
n. Budgeted ineligible costs.
o. Double budgeted PSC cost in both implementing partner and sub-implementing partner’s budget.
p. Lack of transparency regarding cost sharing between the AHF-funded project and other projects.

4. AHF Budget Tool

An MS Excel version of the budget tool shown below is available on request. It can be used to develop the budget offline and then to copy-paste contents into the online budget section in the GMS, but the file cannot be uploaded into GMS.
### Humanitarian Fund Project Budget Tool

This Excel template must be used when preparing proposal budgets to ensure correct calculations of various budget items.

Please use the template below without modifying the section headings. Wherever possible and relevant, please provide a detailed breakdown of items (unit type, quantity, unit cost) and costs for each budget line of the project. The % charged to the CFPP will be 100% with the exception of shared costs, for which please indicate the total cost and the % being charged to the Fund. Where breakdown of unit, quantity and unit cost is unavailable or unnecessary, enter total amount of the line along with sufficient description of cost content. Please add additional rows, as needed. All unit costs and total costs should be rounded to a maximum of 2 decimal places (e.g. 0.00).

For further guidance on the budget preparation process, please refer to the "Basic Definitions and Guidance on the Project Budget Preparation Process" in Section 5 of the Operational Handbook for CFPPs.

<table>
<thead>
<tr>
<th>Budget Lines (specify unit type if applicable)</th>
<th>Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unit</td>
<td>Quantity</td>
</tr>
<tr>
<td>------</td>
<td>----------</td>
</tr>
<tr>
<td>A. Staff and Other Personnel Costs (please itemize costs of staff, consultants and other personnel to be recruited directly by the implementing partner for project implementation)</td>
<td></td>
</tr>
<tr>
<td>Example Project manager</td>
<td>1</td>
</tr>
<tr>
<td>Example Security guards</td>
<td>12</td>
</tr>
<tr>
<td>Example xxxxxxxxxx</td>
<td>5</td>
</tr>
<tr>
<td>Example xxxxxxxxxx</td>
<td>1</td>
</tr>
<tr>
<td>Sub-Total A:</td>
<td></td>
</tr>
<tr>
<td>B. Supplies, Commodities, Materials (Programme inputs) (please itemize direct and indirect costs of consumables to be purchased under the project, including associated transportation, freight, storage and distribution costs)</td>
<td></td>
</tr>
<tr>
<td>Example xxxxxxxxxx</td>
<td>1</td>
</tr>
<tr>
<td>Example xxxxxxxxxx</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Sub-Total B:</td>
<td></td>
</tr>
<tr>
<td>C. Equipment (please itemize costs of non-consumables to be purchased under the project)</td>
<td></td>
</tr>
<tr>
<td>Example xxxxxxxxxx</td>
<td>1</td>
</tr>
<tr>
<td>Example xxxxxxxxxx</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Sub-Total C:</td>
<td></td>
</tr>
<tr>
<td>D. Contractual Services (please list works and services to be contracted under the project)</td>
<td></td>
</tr>
<tr>
<td>Example xxxxxxxxxx</td>
<td>2</td>
</tr>
<tr>
<td>Example xxxxxxxxxx</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Sub-Total D:</td>
<td></td>
</tr>
<tr>
<td>E. Travel (please itemize travel costs of staff, consultants and other personnel for project implementation)</td>
<td></td>
</tr>
<tr>
<td>Example xxxxxxxxxx</td>
<td>12</td>
</tr>
<tr>
<td>Example xxxxxxxxxx</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Sub-Total E:</td>
<td></td>
</tr>
<tr>
<td>F. Transfers and Grants to Counterparts (please list transfers and sub-grants to project implementing partners)</td>
<td></td>
</tr>
<tr>
<td>Example xxxxxxxxxx</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Sub-Total F:</td>
<td></td>
</tr>
<tr>
<td>G. General Operating and Other Direct Costs (please include general operating expenses and other direct costs for project implementation)</td>
<td></td>
</tr>
<tr>
<td>Example xxxxxxxxxx</td>
<td>2</td>
</tr>
<tr>
<td>Example xxxxxxxxxx</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Subtotal Direct Project Costs</td>
<td></td>
</tr>
</tbody>
</table>

**Indirect Programme Support Costs (PSG) rate** (insert percentage, not to exceed 7 per cent)

- **PSG Amount**: $29,266.3

**Total NHP Project Cost**: $447,356.3
# Project Budget Tool - Budget Narrative

Please provide a narrative description of the Project Budget Tool focusing on two aspects: a) how the planned costs contribute to the implementation of the project; and b) how unit numbers, unit costs and total costs have been estimated. For guidance on the latter refer to Section 3. Guidance and basic definition of the CBPF budget guidance document. In particular please ensure that the required information is provided for the following categories, in order to facilitate the evaluation of your proposal:

- **Shared costs**: please explain how the cost contributes to the implementation of the project, how the allocation to the project was derived (e.g. pro-rata, averages), and how it will be verified throughout implementation.
- **Eligible costs**: if any costs listed in Section 1.3 Note on other types of expenditures of the budget guidance document are included in the Budget, please justify how they are necessary for the implementation of the project.
- **Duties, charges and taxes (including VAT)**: please indicate whenever costs are inclusive of duties, charges and taxes, and explain why these could not be recovered.

For further guidance on the budget preparation process, please refer to the “Basic Definitions and Guidance on the Project Budget Preparation Process” in Section 5 of the Operational Handbook for CBPFs.

### Budget Lines

<table>
<thead>
<tr>
<th>Budget Lines</th>
<th>Cost description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Staff and Other Personnel Costs</strong> (please list all budget lines)</td>
<td>Please indicate for each position what role it plays in the implementation of the project and its grade/level. Also explain how the unit number has been estimated, and what costs are included in the monthly or daily rate unit cost (e.g. salary, social security, medical and life insurance, hazard pay, etc.).</td>
</tr>
<tr>
<td>Example: Project manager</td>
<td></td>
</tr>
<tr>
<td>Example: Security guards</td>
<td></td>
</tr>
<tr>
<td>Example: xxxxxxxxx</td>
<td></td>
</tr>
<tr>
<td>Example: xxxxxxxxx</td>
<td></td>
</tr>
<tr>
<td><strong>B. Supplies, Commodities, Materials (Programme Inputs)</strong> (please list all budget lines)</td>
<td>For all Supplies, Commodities and Materials please explain how the unit number and unit cost have been estimated. For standard and low value kits describe the composition of the kits, how the composition was agreed and how the cost of the individual items has been estimated. For non-itemized construction materials please describe how construction costs have been estimated on the basis of a standard prototype of building (latrine, health post, shelter), type of materials (wood, prefabricated, brick/concrete) and formula or rationale used to estimate construction costs (e.g. per square foot or meter, previous experiences, etc.).</td>
</tr>
<tr>
<td>Example: xxxxxxxx</td>
<td></td>
</tr>
<tr>
<td>Example: xxxxxxxx</td>
<td></td>
</tr>
<tr>
<td><strong>C. Equipment</strong> (please list all budget lines)</td>
<td>Please explain how the unit number and unit cost have been estimated. For large and/or expensive equipment items, including vehicles, please describe how the item(s) is (are) necessary to the implementation of the CBPF project.</td>
</tr>
<tr>
<td>C1 xxxxx</td>
<td></td>
</tr>
<tr>
<td>C2 xxxxx</td>
<td></td>
</tr>
<tr>
<td><strong>D. Contractual Services</strong> (please list all budget lines)</td>
<td>Please explain how the unit number and unit cost for each contract have been estimated, and describe the location and type of services provided.</td>
</tr>
<tr>
<td>D1 xxxxx</td>
<td></td>
</tr>
<tr>
<td>D2 xxxxx</td>
<td></td>
</tr>
<tr>
<td><strong>E. Travel</strong> (please list all budget lines)</td>
<td>For domestic and international travel please explain how the number of trips and the cost of each trip have been estimated. For international travel costs non directly linked to the delivery of project objectives, please justify how the costs are necessary for, and support the implementation of the project.</td>
</tr>
<tr>
<td>E1 xxxxx</td>
<td></td>
</tr>
<tr>
<td>E2 xxxxx</td>
<td></td>
</tr>
<tr>
<td><strong>F. Transfers and Grants to Counterparts</strong> (please list all budget lines)</td>
<td>For each transfer and/or sub-grant please explain the purpose and objectives. Whilst breakdown of sub-partners costs is not required by OCHA, to the extent possible counterpart budgets and financial reports should be structured around the categories in this budget template. Include only direct costs: indirect costs of implementing partners should be covered by the overall maximum 7 per cent PSC for the project.</td>
</tr>
<tr>
<td>F1 xxxxx</td>
<td></td>
</tr>
<tr>
<td>F2 xxxxx</td>
<td></td>
</tr>
<tr>
<td><strong>G. General Operating and Other Direct Costs</strong> (please list all budget lines)</td>
<td>Please explain how the unit number and unit cost have been estimated. For shared costs refer to guidance above and in Section 5.1 “Basic Definitions and Guidance on the Project Budget Preparation Process” Operational Handbook for CBPFs.</td>
</tr>
<tr>
<td>G1 xxxxxxxxx</td>
<td></td>
</tr>
<tr>
<td>G2 xxxxxxxxx</td>
<td></td>
</tr>
</tbody>
</table>
NGO and Red Cross/Red Crescent Organisations that wish to apply for funding from the Afghanistan Humanitarian Fund (AHF) are required to undergo an eligibility assessment process. Its main objective is to ensure that the AHF Humanitarian Financing Unit (HFU) is equipped with the necessary information regarding the capacity of new partners as described in the AHF accountability framework.

**Why Assess Partners?**
There are two main reasons for assessing partners:

- **Performance Management**: to review the strengths and areas for improvement of an organization’s internal management systems. This information will be considered also in the overall partner performance index.
- **Risk Management**: to consider all available information, to weigh the final risks and potential benefits, and to enable the AHF to make an informed decision regarding the most appropriate assurance methods.

**The Assessment Process**
The eligibility process consists of five inter-linked steps, each with its own review and feedback process to ensure full transparency.

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**Eligibility Assessments**
**Guidance for Partners**

Partner completes the Initial Application Form and Checklist and submits to HFU together with requested supporting documents

Capacity Assessment process undertaken by Humanitarian Financing unit

Partner receives feedback and encouraged to make institutional adjustments – can re-submit application within 6 months

Capacity Assessment overall score is equal or less than 30%

Capacity Assessment overall score is above 30%

Assessed as Low Risk Partner (score above 90%)

Assessed as Medium Risk Partner (score between 71% to 90%)

Assessed as High Risk Partner (score between 31% to 70%)

Applicable Operational Modalities and Control Mechanisms

Page 1 of 4
Step 1: GMS Registration
Prospective partners initiate the process by requesting access to the AHF Grant Management System (GMS) and submit a copy of the organisation’s national registration certificate.

Step 2: Due Diligence
Once the initial registration process is concluded, the partner is granted access to the GMS (https://chfagghanistan.unocha.org) the Due Diligence (DD) process begins. The AHF conducts a review of DD applications and documents to ensure that new partners meet the minimum requirements. The due diligence requirements and forms include:

(i) Application form: fully completed, including contact details, brief information about organisation’s activities, geographical areas of work and funding sources.

(ii) Due Diligence declarations (signed, stamped and dated)

☐ Declaration of any Previous or Pending Legal Processes or Investigations; in case of previous or pending legal processes, please provide detailed explanation and relevant supporting documentation

☐ Declaration of Non-Support for a United Nations Designated Entity

☐ Declaration of Recognition and Support of/for any United Nations Compliance Activity

☐ Declaration of Conflict of Interest

☐ Declaration of Accurate Information

(iii) National Registration Certificate in Afghanistan.

(iv) Bank account information to be completed in the GMS.

(v) Bank statement: If the account name is different from the partners name in the registration certificate, a letter by the organization (on official letterhead, signed and stamped by its authorized signatory) is necessary, certifying that the bank account as per bank statement belongs to the organization.

(vi) Identification documents: copy of passport or national identity card and curriculum vitae (CV) of the legal representative in Afghanistan.

Once the DD process has been finalized and the partner has been approved, the organization will undergo an Internal Capacity Assessment to determine their eligibility for funding and risk rating.

Step 3: Internal Capacity Assessment
In order to become eligible for funding, NGOs and Red Cross/Red Crescent Organisations must undergo a capacity assessment. As one of the major pillars of the AHF accountability framework, the objective of the capacity assessment is to systematically review the institutional, technical, management and financial capacities of the partner and to ensure that the AHF has the necessary information to make an informed decision about eligibility and initial risk rating.
Conducting the capacity assessment process, partners are required to submit the documents listed in the *AHF Internal Capacity Assessment Checklist* and to provide electronic copies to the AHF office in Kabul. The assessment is carried out through a desk-based review of documents and scoring in the GMS using the CBPF Internal Capacity Assessment (ICA) tool. A visit to the organization in order to verify information will be conducted whenever deemed necessary (risk-based approach) by the Head of the AHF.

The ICA questionnaire captures key elements of the partner’s capacity in the following categories:

<table>
<thead>
<tr>
<th>ICA Category</th>
<th>Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due Diligence</td>
<td>YES/NO</td>
</tr>
<tr>
<td>Governance and Institutional Capacity</td>
<td>25</td>
</tr>
<tr>
<td>Programmatic Response Capacity</td>
<td>30</td>
</tr>
<tr>
<td>Coordination and Partnership Capacity</td>
<td>15</td>
</tr>
<tr>
<td>Financial Capacity(^1)</td>
<td>30</td>
</tr>
<tr>
<td><strong>Total Weight</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

**Step 4: Risk Rating**

Based on the score obtained during the capacity assessment, eligible partners are categorized into three risk-levels (low, medium and high). The HC, in consultation with the AB, approves the threshold for eligibility, as well as score bands of each risk level on an annual basis. The score and resulting risk level determine AHF operational modalities and assurance mechanisms that are applicable to partners. These include disbursement modalities, frequency of narrative and financial reporting, and planning for monitoring visits and spot checks in accordance with the various risk levels, as well as the duration of the project and its total budget.

<table>
<thead>
<tr>
<th>Score(^2)</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>91 - 100</td>
<td>Organisation is eligible as a Low Risk partner.</td>
</tr>
<tr>
<td>81 - 90</td>
<td>Organisation is eligible as a Medium Risk partner.</td>
</tr>
<tr>
<td>51 - 80</td>
<td>Organisation is eligible as a High-Risk partner.</td>
</tr>
<tr>
<td>0 – 50</td>
<td>Organization is not eligible. A new submission for capacity assessment can be considered by the AHF six (6) months after this review date.</td>
</tr>
</tbody>
</table>

**Step 5: Performance Index**

Partner capacity assessments reflect the capacity of a partner at a particular point in time. As partners implement projects, the AHF reviews and scores their performance with the Performance Index Tool (PI). Performance indicators will be used alongside the original capacity assessment to determine if a risk level of a partner needs to be adjusted. During project implementation, the following categories of partner performance are tracked and scored:

i) quality and timeliness of submissions of project documents (proposals, budget and concept notes);

ii) quality and timeliness of implementation against approved targets;

iii) quality and timeliness of reporting;

iv) frequency, timeliness and justification of project revision requests;

\(^1\) If the organization has been HACT1 assessed, category E of ICA will use HACT results as follows: High = 0; Significant = 10; Medium = 20; Low = 30

\(^2\) Reviewed annually and subject change.
v) quality of financial management;
vi) audit findings.

The PI score is recorded in GMS and used along with the original capacity assessment score to determine the performance score and risk level. In order to reward sound project implementation, the PI score will progressively be given more weight and the capacity assessment score will become less significant the more projects a partner has implemented.

<table>
<thead>
<tr>
<th>PI Component</th>
<th>Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project submission: quality and timeliness of submitted project document</td>
<td>10</td>
</tr>
<tr>
<td>Monitoring finding: quality and timeliness of implementation against approved targets and time-frame</td>
<td>25</td>
</tr>
<tr>
<td>Narrative reporting compliance: quality and timeliness of narrative reporting</td>
<td>15</td>
</tr>
<tr>
<td>Revision: frequency, timeliness and justification of project revision request/s</td>
<td>10</td>
</tr>
<tr>
<td>Financial performance: expenditure rate and reporting</td>
<td>20</td>
</tr>
<tr>
<td>Audit findings</td>
<td>20</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

The scoring is standardized and automated in GMS across all country-based pooled funds. The risk score is updated each the partner completed a project.

Partners that have not implemented an AHF funded project for more than three consecutive years are required to undergo a new capacity assessment.

The scoring is standardized and automated in GMS across all country-based pooled funds. The risk score is updated each the partner completed a project.

Partners that have not implemented an AHF funded project for more than three consecutive years are required to undergo a new capacity assessment. Whenever a partner risk rating score moves from high risk to ineligible, the partner cannot receive AHF funding for a period of 12 months. Ineligible partners can re-apply for a capacity assessment provided they demonstrate that all low performance aspects have been addressed and improved.