



UNDP Pakistan NGO Engagement Policy

**STRATEGIC MANAGEMENT UNIT
UNITED NATIONS DEVELOPMENT PROGRAMME, PAKISTAN**

Approved Version
April 2014

UNDP Pakistan NGO Engagement Policy

This guidance note outlines the policy on the engagement of NGOs by UNDP for projects that follow the Direct Implementation Modality (DIM). This guidance note draws upon UNDP's Programme and Operations Policies and Procedures (POPP) as well as regional best practices.

It is applicable with immediate effect and replaces all previous manuals, guidelines and instructions. The purpose of this guidance note is to outline the policy and procedures applicable to the selection, engagement/contracting, monitoring and oversight, and closure of grants/contracts to NGOs. The focus of this policy is on:

- a. Methods and types of NGO engagement;
- b. Prerequisite for NGOs selection;
- c. Capacity assessment, technical and financial evaluation of NGOs;
- d. Oversight and monitoring arrangements; and,
- e. Grant/contract closure and disposal of assets.

The attached guidance note clarifies the policy, procedures and requirements applicable to the engagement of NGOs by UNDP Pakistan DIM projects. It also clarifies the roles and responsibilities of various parties involved in engaging NGOs.



Key Elements of UNDP's Policy for Engagement of NGOs

1. UNDP may engage an NGO¹ for the implementation of programme and project activities that are included in the approved Annual Work Plan (AWP). UNDP remains the responsible when an NGO is engaged in project implementation.²
2. An NGO may be engaged by using either of the following two methods:
 - a. **Contract for Professional Services (CPS)**. This arrangement will apply to get specific deliverables (consultancy services, training, workshops, community engagement, etc)

¹ A non-governmental organization (NGO) is defined as a non-profit organization, group or institution that operates independently from a government and has humanitarian or development objectives.

² An NGO should not be named in the AWP, unless it has been selected through a competitive process in accordance with the paragraph 8 of this policy.

from an NGO that acts as a service provider for implementing project activities included in the approved AWP.

- b. **Micro Capital Grant (MCG).** UNDP provides a part of project funds to an NGO to undertake specific activities, which are included in the approved AWP. As recipient of grant, NGO is accountable for achieving the grant objectives on a non-profit basis.
3. An MCG or CPS should usually be initiated and completed within the period of the approved AWP. In cases where the scope of work goes over multiple years, the MCG or CPS may cover a longer duration, but these must always end before the project's closure date.
4. The engagement of an NGO (both MCG and CPS) must always be based on a clear and specific terms of reference (TOR). The TOR should be included in the project Annual Work Plan (AWP) and include the following elements:
 - a. The responsibilities of each party (UNDP and NGO);
 - b. Activities to be undertaken;
 - c. Outputs to be produced;
 - d. Geographical areas of the action (province, district, tehsils, union councils, villages, etc);
 - e. Estimated budget for the action;
 - f. Duration of activities;
 - g. Reporting format and frequency;
 - h. Monitoring and assurance arrangements;
 - i. Performance criteria for the release of future tranches of funding;
 - j. Payment schedule, milestones and deliverables (CPS only); and,
 - k. Technical evaluation/scoring criteria (CPS only).
5. The following types of activities may be supported by grants (MCG):
 - a. Strengthening the institutional capacity of local NGOs;
 - b. Supporting community-based self-help initiatives, which may include income-generating activities designed to alleviate poverty;
 - c. Promoting advocacy activities and networking between non-government organizations (NGOs), government and donors; and,
 - d. Supporting local environmental protection and poverty eradication activities.
6. A single MCG may not exceed \$150,000. An NGO may receive multiple grants provided the cumulative grant does not exceed \$300,000 within the same project or country programme period. To receive a second grant, the recipient organization must have completed and produced the results agreed to in the prior grant agreement. Any recommendation for a subsequent grant to the NGO must include: (a) a detailed evaluation/certification by the Project Manager that the NGO has satisfactorily completed the scope of work included in the previous MCG; and (b) recommendation by the grant evaluation committee.
7. An NGO (both MCG and CPS) may only be selected if it meets the following conditions:
 - a. The NGO has been established as a non-profit organization;

- b. The NGO has been incorporated under the relevant government law, e.g. the Companies Ordinance 1984, the Societies Act 1860, Cooperative Societies Act 1925, and Voluntary Social Welfare Agencies' Ordinance 1961;
 - c. The NGO has been registered with the relevant government authority; which is the Economic Affairs Division (EAD) for international NGOs and the Securities and Exchange Commission of Pakistan (SECP) for national NGOs under the Government of Pakistan's, "Policy for Regulation of Organisations Receiving Foreign Contributions;"³
 - d. The aim of the NGO is to promote development, welfare, research and/or advocacy;
 - e. The NGO has been registered for at least three years at the time of the MCGA or CPS;
 - f. The cumulative expenditure managed by the NGO in the last three years is equal to or greater than the proposed amount of MCG or the CPS;
 - g. The NGO, board of directors and/or management are not blacklisted by the Government of Pakistan;
 - h. The NGO, its board of directors and/or management do not appear in the list established and maintained by the 1267 Committee of the United Nations Security Council (http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml); and,
8. The NGO must go through a capacity assessment and/or technical and financial evaluation before award of a MCG or CPS as per the matrix below. Only those NGOs should be awarded MCG or CPS that have a positive track record and technical assessment and obtain a "low" or "medium" financial risk rating.

| Method | MCG/CPS Value | CSO Capacity Assessment | Technical Evaluation | Financial Evaluation | Financial/HACT Micro Assessment | Compliance Review |
|--|----------------------------|-------------------------|----------------------|----------------------|---------------------------------|-------------------------------|
| Micro Capital Grant (MCG) | Less than \$50,000 | √ | x | x | x | Programme Unit and SMU |
| | \$50,000 to \$150,000 | x | √ | x | √ | Programme Unit and SMU |
| Contract for Professional Services (CPS) | Less than \$50,000 | x | √ | √ | x | Procurement Unit |
| | \$50,000 to \$300,000 | x | √ | √ | √ | Procurement Unit and CAP |
| | \$300,001 to \$2,000,000 | x | √ | √ | √ | Procurement Unit and CAP/RACP |
| | Greater than \$ 2,000, 000 | x | √ | √ | √ | Procurement Unit and CAP/ACP |

9. Selection of an NGO must always be based on a transparent and competitive process. The solicitation or request for proposals should be widely disseminated through various methods

³ For further details, please visit the EAD website or the weblinks given below:
<http://ead.gov.pk/gop/index.php?q=aHRocDovLzE5Mi4xNjguNzAuMTM2L2VhZC91c2VyZmlsZXMxL2ZpbGUvRUFEL1BvbGljaWVzLoIORogQb2xpY3lOb3YyMDEzLnBkZg%3D%3D>
<http://ead.gov.pk/gop/index.php?q=aHRocDovLzE5Mi4xNjguNzAuMTM2L2VhZC9mcm1EZXRhaWxzLmFzcHg%2Fb3BoPWVzZW50cyZpZDooMw%3D%3D>

(see table below) (CPP), allowing a maximum number of eligible NGOs to apply for the grant or contract. NGOs will be encouraged to register themselves on CPP and submit technical and financial proposals through CPP. The requirement for competition may be, exceptionally, waived off by the Country Director, based on a justification note (prepared the Project Manager and endorsed by the DCD Programme).⁴

| Method | MCG/CPS Value | Email/ Relevant Networks* | CO website (national) | Newspapers | UN Common Partners Profile ⁵ | UNDP Corporate website (International) |
|--|------------------------|---------------------------|-----------------------|------------|---|--|
| Micro Capital Grant (MCG) | Less than \$50,000 | √ | x | x | √ | x |
| | \$50,000 to \$150,000 | √ | √ | x | √ | x |
| Contract for Professional Services (CPS) | Less than \$100,000 | x | √ | √ | √ | x |
| | Greater than \$100,000 | x | √ | √ | √ | √ |

* Email to relevant NGOs, Linked-in groups, professional networks, etc.

10. The selection of an NGO must always be based on an impartial and objective evaluation, including a determination that the selected NGO has the minimum technical, financial, managerial and administrative capabilities needed to produce the project outputs.
11. Technical and financial evaluation committees should be formed to evaluate the technical and financial proposals as applicable in accordance with the below matrix. The CSO capacity assessment shall be carried out by at least two UNDP staff members of whom one should be outside the project team. HACT micro assessment must be conducted by an independent third party through SMU. (The matrix below summarises the applicable rules).

| Method | Technical & Financial Evaluation | | NGO Capacity Assessment | | Micro Assessment (HACT) | |
|---------------------------|----------------------------------|---|---------------------------|---|-------------------------|----------------------------------|
| | Who appoints Committee? | Committee Composition | Who appoints Committee? | Committee Composition | Who appoints? | Who conducts? |
| Micro Capital Grant (MCG) | ACD and approved by DCD-P | <ul style="list-style-type: none"> • Subject Specialist • Project Manager or his/her nominee • One person from Programme Unit or any other project | ACD and approved by DCD-P | <ul style="list-style-type: none"> • Subject Specialist • Project Manager or his/her nominee • One person from Programme Unit or any other project | SMU | Third party audit firm under LTA |

⁴ Any request for Direct Contracting or waiver of competition must follow the POPP guidance available at <https://info.undp.org/global/popp/cap/Pages/dir-cont.aspx>.

⁵ UN Common Partner Profile (CPP) is a web based common platform for UN agencies to manage government and NGO partners, expected to be launched around mid-2014.

| | | | | | | |
|--|---|---|---------------------------|---|-----|----------------------------------|
| Contract for Professional Services (CPS) | Procurement Manager and approved by DCD-O/P | <ul style="list-style-type: none"> • Subject Specialist • Project Manager or his/her nominee • One person from Programme Unit or any other project | ACD and approved by DCD-P | <ul style="list-style-type: none"> • Subject Specialist • Project Manager or his/her nominee • One person from Programme Unit or any other project | SMU | Third party audit firm under LTA |
|--|---|---|---------------------------|---|-----|----------------------------------|

12. Any person (UNDP staff, government counterpart or project board member) who is currently or has been previously engaged with an NGO being considered must disclose their potential conflict of interest and excuse him/herself from the selection and review committees reviewing or evaluating the proposals. The types of relationship may include a financial or non-financial stake in the NGO, past or present employment or procurement relationship of the staff member or his/her direct relations with the NGO management, or any other linkage that has the potential to affect the objectivity, integrity and transparency of the selection process leading to the potential award of an MCG or CPS. For additional guidance on UN code of ethics, visit the web-link: <http://www.un.org/en/ethics/>.
13. All members of technical and financial evaluation and NGO capacity assessment committees shall sign the confidentiality statement and adhere to the principles of confidentiality, integrity and transparency.
14. The payment schedule of an MCG should be clearly outlined and the schedule of payments must always follow the achievement of milestones or deliverables, duly certified by the UNDP Project Manager. In the case of MCGs, the advance payments may be made to enable the NGO to mobilize staff and resources; however, the payment plan must include two or more payments, while retaining at least 10% of the total grant to be reimbursed after the completion of work and final evaluation/spot check by UNDP Project Manager or staff.
15. In accordance with UNDP Financial Rules, advances/payments to NGOs under MCGA are treated as an expense, but these must be monitored by the Project Manager and any unspent or remaining funds must be adjusted against the subsequent/final payment.
16. The title of all assets purchased by an NGO with UNDP funds (under a MCGA or CPS) remains with UNDP and these assets should be returned to UNDP at the end of agreement/contract. In the case of MCGA, the NGO may request UNDP for transfer of assets, which is considered by UNDP on a case to case basis and determined in accordance with UNDP rules.

Annex 1: Types of NGO Engagement in a UNDP DIM Project

| Parameter | Contract with NGO | Micro Capital grant to NGO |
|-------------------------------------|---|--|
| Purpose | To get specific inputs required for implementing project activities on a competitive basis | <ul style="list-style-type: none"> Grants are funds to finance a development proposal from civil society. NGO is responsible for achieving the grant objective on non-profit basis |
| Justification | <ul style="list-style-type: none"> To take full comparative advantages of various service providers available in the market (e.g. distribution channels of local NGOs on the one side, and competitive market access of private sector supplier on the other). When priority is given to clear liabilities and accountabilities of the parties involved | <ul style="list-style-type: none"> As stated in Rule 19.01 of the Financial Rules and Regulations, a grant mechanism can be incorporated into technical cooperation programmes and can be implemented through NGOs or grassroots organizations. To serve the partnership and capacity development in line with the project framework While UNDP sets the general parameters and selection criteria, the NGOs themselves design the grant projects based on their ideas, needs and capacity. |
| Selection process | <ul style="list-style-type: none"> UNDP procurement rules apply http://content.undp.org/go/userguide/cap/?lang=en#top For contracts greater than \$50,000, Financial Capacity Assessment (i.e. HACT micro assessment) by a third-party audit firm | <ul style="list-style-type: none"> Evaluation Committee to assess proposal and assessment committee to assess the capacity of NGOs to choose the best-suited one (Framework of Selection Criteria to Assess CSO Capacity). For grants greater than \$50,000, Financial Capacity Assessment (i.e. HACT micro assessment) by a third-party audit firm UNDP's final approval based on the recommendation by the Selection Committee |
| Financial Limits | No limit as such, but approval subject to procurement rules (i.e. CAP, ACP/CPO). | An individual grant should not exceed \$150,000 while cumulatively, grant should not exceed \$300,000 within the same project or country programme period |
| Additional Funding | As per contract | NGO can receive other funds and/or contribute own funds. |
| Intellectual Property | All property rights rest with UNDP unless explicitly stated in contract. | The property rights rest with UNDP unless explicitly stated in MOU. |
| Assets | The title of all assets remains with UNDP and assets are returned to UNDP at contract end. | The title of all assets remains with UNDP and assets are returned to UNDP at contract end. The NGO may request UNDP for transfer of assets, considered by UNDP on a case to case basis and determined in accordance with UNDP rules. |
| Engagement of other Partners | Usually no further sub-contracting | Usually no further contracting; however, the NGO might request specific services from UNDP (e.g. procurement). |
| Financial Reporting | As per contract requirements | As per MCGA requirements. |
| Project Reporting | Responsibility of NGO as defined in the ToR and signed contract | Responsibility of NGO as as defined in the ToR and signed MCG. |
| Overhead of NGO | As part of contract cost (max of 7%) | As part of grant (max of 7%) |
| Agreement template | UNDP Model Contract for Professional Services | Standard Micro Capital Grant Agreement |
| Typical Examples | Grass root level workshop organization, other community based services. | Community based activities, GEF Small Grants Programme, etc. |

Annex 2: Process Flow for NGO Engagement under Micro Capital Grant (MCG)

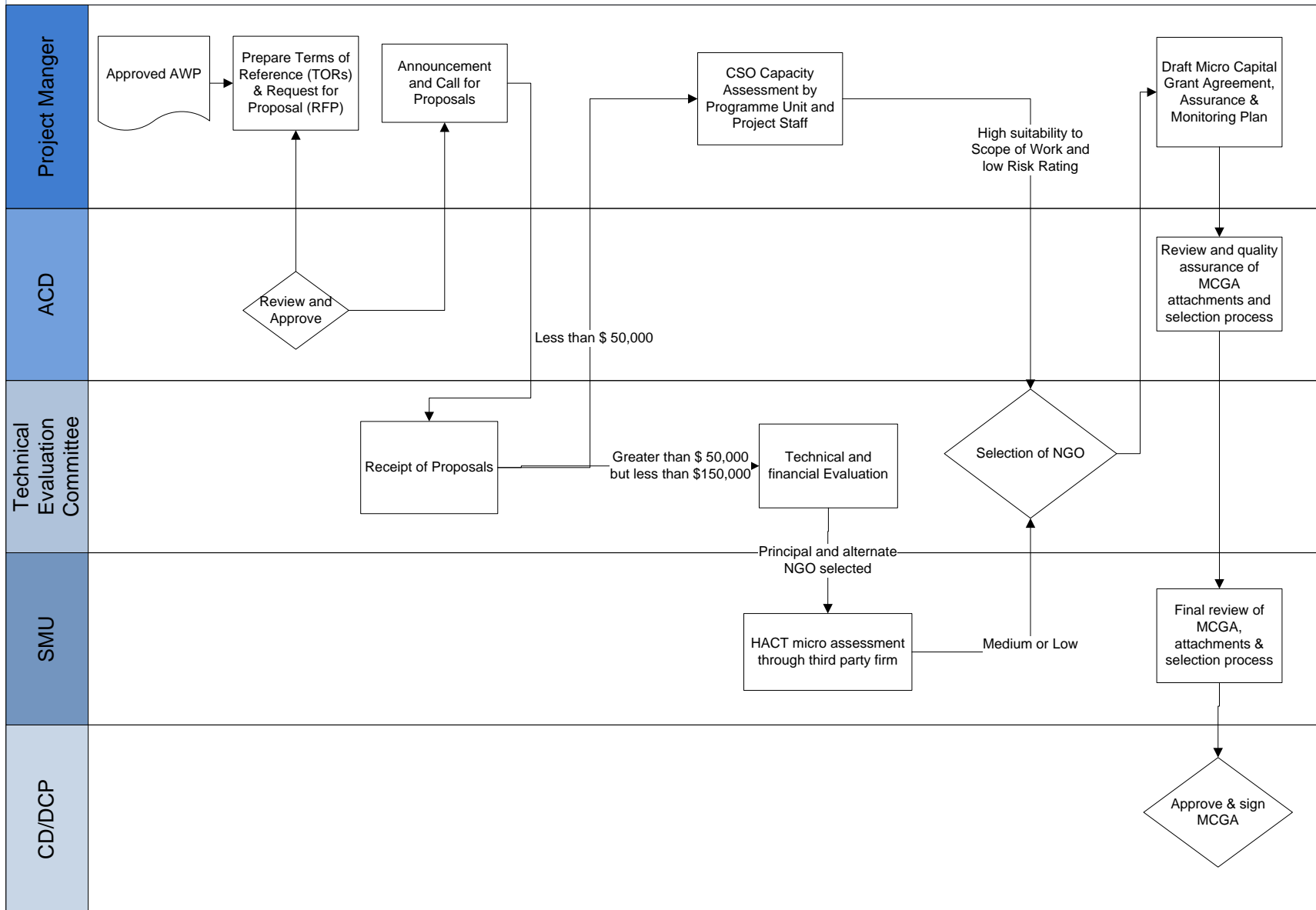
| | Action | Responsibility | Documents |
|---------------------------------------|---|------------------------------------|---|
| PRE-SELECTION | Prepare Terms of Reference (TORs) and Request for Proposals (RFP) | Project Manager | Approved AWP |
| | Review and Approve TOR and RFP | Assistant Country Director | TORs, RFP and approved AWP |
| | Announcement/advertisement | Project Manager | RFP |
| | Submission of technical and financial proposals | NGOs | Proposals and related docs |
| SELECTION OF NGOS | Receipt of proposals | Project Focal Point | NGO proposals |
| | Technical and financial evaluation of proposals | Technical Evaluation Committee | Evaluation sheet NGO Proposal |
| | CSO Capacity Assessment of selected/ qualified NGO (if grant is equal to or less than \$ 50,000) | Capacity Assessment Committee | CSO Assessment Template |
| | Financial/HACT Micro Assessment of selected/qualified NGO (if grant exceeds \$50,000) | SMU through third-party audit firm | HACT Micro Assessment Checklist |
| | Recommendation of the NGO | Technical Evaluation Committee | Selection note |
| | Preparation of draft MCG agreement and attachments (including work plan, deliverables, budget, and monitoring/assurance plan) | Project Manager | Selection note MCG Agreement Template |
| | Review and endorsement of MCG Agreement, attachments and selection note | Assistant Country Director | RFP, TOR, Selection note, MCG Agreement and attachments |
| | Quality assurance of MCG Agreement, attachments and selection note | SMU | |
| Approval and signing of MCG Agreement | Country Director/DCD(P) | MCG agreement and attachments | |
| QUALITY ASSURANCE | Implementation of project activities in accordance with the MCG Agreement | NGO | |
| | Progress and financial reporting to Project Manager | NGO | Progress & Financial Reports |
| | Periodic monitoring and spot checks of project results, management and expenses | Project Manager/Staff | |
| | Review and certification of progress and financial reports and certification of payment requests | Project Manager | |
| | Approval of progress & financial reports and periodic payment requests | Assistant Country Director | Payment request form with supporting documents |
| CLOSURE | Submission of the final progress & financial reports | NGO | Progress & Financial Reports |
| | Final spot check, monitoring and evaluation | Project Staff | Project reports & records |
| | Certification of the final progress & financial reports | Project Manager | Progress & Financial Reports |
| | Transfer of Assets as per UNDP rules | ACD/Project Manager | Assets Handing over note |
| | Approval of the final progress & financial reports and the final payment (at least 5% of the grant) | Assistant Country Director | Payment request form with supporting documents |

Annex 3: Process Flow for NGO Engagement under Contract for Professional Services (CPS)

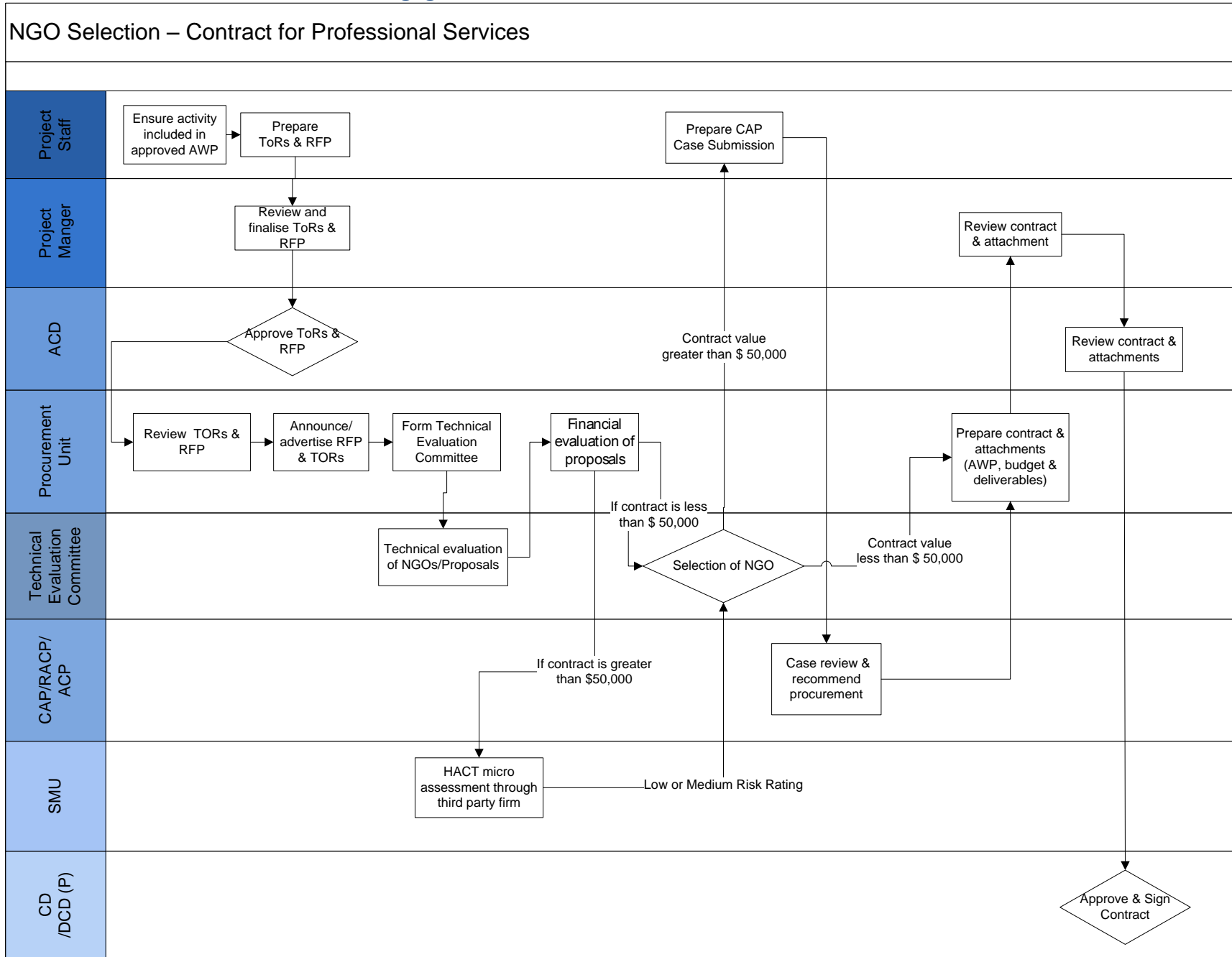
| | Action | Responsibility | Documents |
|--|---|--|--|
| PRE-SELECTION | Prepare Terms of Reference (TORs) and Request for Proposals (RFP) | Project Staff | Approved AWP |
| | Review and Approve TOR and RFP | Assistant Country Director | TORs, RFP and AWP |
| | Review TORs and RFP | Procurement Unit | TORs, RFP and AWP |
| | Prepare requisition in Atlas | Project Staff | TORs and RFP uploaded in Atlas |
| | Approve requisition in Atlas | Project Manager | TORs, RFP and AWP |
| | Announcement/advertisement | Procurement Unit | RFP |
| | Submission of technical and financial proposals | NGOs | NGO proposals |
| SELECTION OF NGOS | Opening of technical proposals | Technical Evaluation Committee established by Procurement Unit in consultation with PM/ACD and approved by DCD O | NGO proposals |
| | Technical evaluation of proposals | Technical Evaluation Committee | Evaluation sheet & NGO Proposal |
| | Financial evaluation of proposals | Procurement Unit | Evaluation sheet |
| | Financial/HACT Micro Assessment of selected/qualified NGO (if contract exceeds \$50,000) | SMU through third-party audit firm | HACT Micro Assessment Checklist |
| | Selection of the NGO | Procurement Unit approved by DCD P | Selection note/UNDP Standard template for evaluation |
| | Preparation of CAP case (if contract exceeds \$50,000) | PM and Procurement Unit | Selection note |
| | Recommendation of NGO selection | CAP/RACP and ACP | CAP/RACP and ACP form |
| | Preparation of Contract and attachments (including work plan, deliverables, budget, etc) | Procurement Unit | Selection note Contract Template |
| | Review of Contract and attachments | Project Manager and ACD | RFP, TOR, Selection note, CAP form, Contract and attachments |
| | Pre-award meeting with the NGO | Project Manager and ACD | |
| | Approval and signing of Contract Agreement | Country Director/ DCD(O/P) | Contract and attachments |
| | Creation of Contract/Purchase Order in Atlas | Procurement Unit | Contract and attachments |
| | Approval of Contract/Purchase Order in Atlas | ACD or DCD-P | Contract and attachments |
| | QUALITY ASSURANCE | Implementation of project activities in accordance with the Contract Agreement | NGO |
| Submission of periodic reports to Project Manager | | NGO | Progress and Financial Reports |
| Periodic monitoring and spot checks of project deliverables, management and expenses | | Project Manager/Staff | |
| Review and certification of progress and financial reports and certification of payment requests | | Project Manager | |
| Approval of progress and financial reports and periodic payment requests | | Assistant Country Director | Payment request form with supporting documents |
| Create receipts in Atlas & upload documents on DMS | | Project Manager | Reports and deliverables |
| CLOSURE | Submission of the final progress & financial reports | NGO | Progress & Financial Reports |
| | Final spot check, monitoring and deliverables' review | Project Manager/Staff | NGO Reports & records |
| | Certification of the final progress & financial reports | Project Manager | Progress & Financial Reports |
| | Approval of the final progress & financial reports and the final payment request (under \$30,000) | Assistant Country Director | Payment request form with supporting documents |
| | Approval of the final progress & financial reports and the final payment request (above \$30,000) | Deputy Country Director Programme | Payment request form with supporting documents |
| | Transfer of Assets as per UNDP rules | ACD/Project Manager | Assets Handing over note |
| | Create receipts in Atlas, upload documents on DMS and Close the Contract/Purchase Order in Atlas | Project Manager | Reports and deliverables |

Annex 4: Process Flow Chart for NGO Engagement under Micro Capital Grant (MCG)

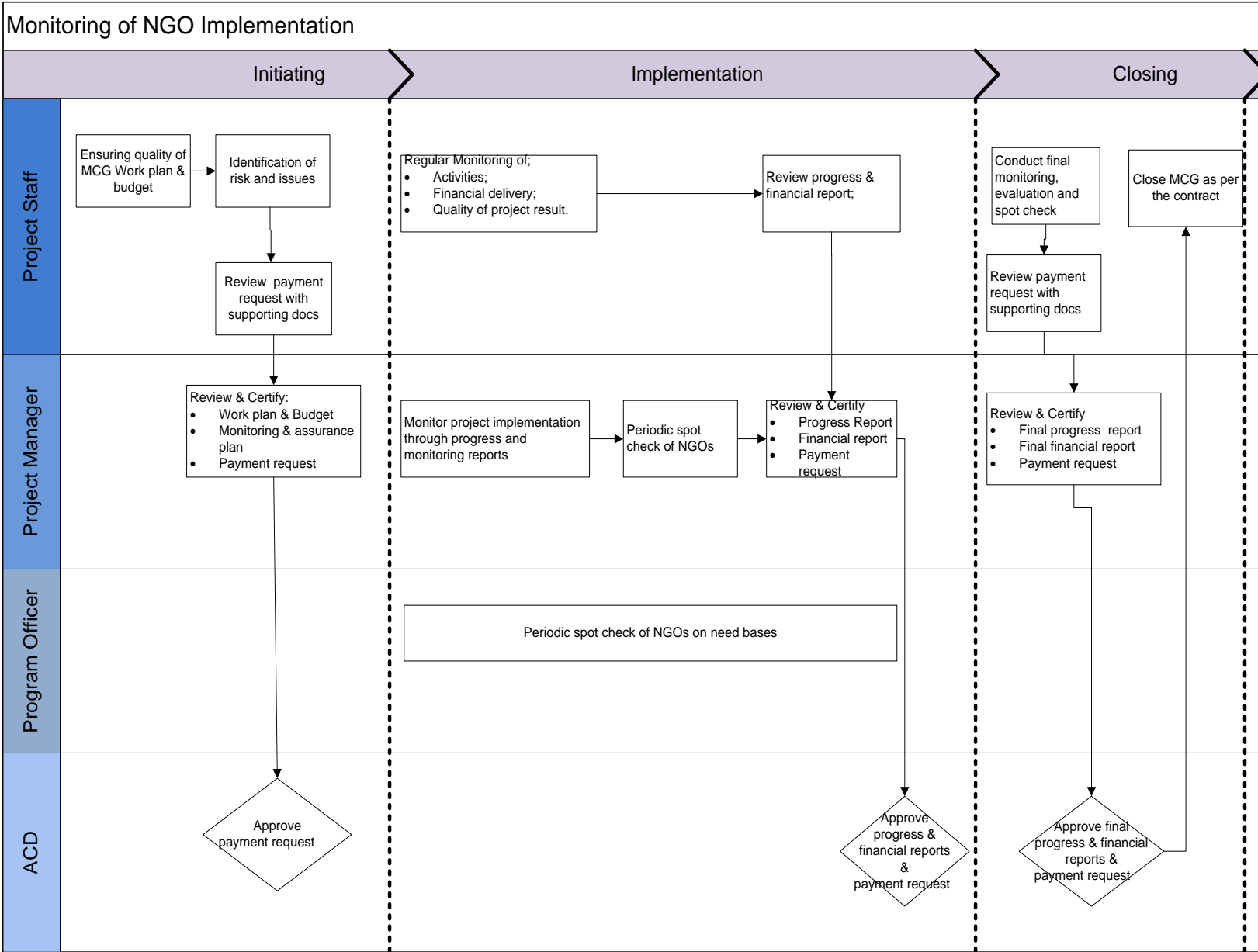
NGO Selection – Micro Capital Grant



Annex 5: Process Flow Chart for NGO Engagement under Contract for Professional Services (CPS)



Annex 6: Process flow for NGO Engagement under Contract for Professional Services (CPS)



CHECKLIST, TEMPLATES AND FORMS

- A. [CSO Capacity Assessment Checklist](#)
- B. [HACT Micro Assessment Checklist](#)
- C. [Micro Capital Grant Agreement Template](#)
- D. [Contract for Professional Services Template](#)
- E. [Policies and Procedures for Procurement](#)