The UNDP Sudan Funds Management Unit

A mature approach to NGO capacity building and accountable funds management

Established in 2006 to allow the international community to address increasing humanitarian needs in Sudan through the transparent and accountable management of significant humanitarian funds, the FMU has developed over time one of the most effective approaches to civil society capacity building, both in the humanitarian and development sector.

High Standards of public financial management. The FMU is embedded in the UNDP Country Office structure and benefits from continuous management support and oversight. In the past 6 years, the FMU has managed over US$ 1.5 billion, out of which more than US$ 600 million were channeled to national NGOs. With continuously positive outcomes of independent annual audits of the Management Agent function, UNDP’s approach is living up to the highest standards of accountable public financial management.

Effective civil society capacity development. Working with over 60 national and international NGOs annually, the FMU accompanies the Sudanese civil society in the development of effective and accountable management systems. As a result, there are today over 80 national NGOs that qualify for the receipt of grants and have proven their capacities to manage grants ranging between US$ 100,000 and 800,000 in an effective and accountable way. As highlighted in the recently conducted beneficiary survey, FMU’s services are highly appreciated by its civil society partners.¹

Addressing real needs. With its tested and innovative approach, the unit is today one of UNDP’s most effective responses to addressing jointly identified capacity needs of NGOs in Sudan.

¹ 89% of partners certify the importance and usefulness of FMU’s services. 79% are appreciative of capacity development provided.
The FMU Approach

The FMU’s approach is based on the belief that full-cycle on-the-job support and stewardship is the most effective way to ensure the development of sustainable NGO capacities and the accountable management of public funds.

To that end, UNDP has over the years developed and matured specific processes and tools, the FMU “Standard Operating Procedures”, which are used to manage funds entrusted to us and to accompany our partners. The Standard Operating Procedures provide the required flexibility of funds management in a complex operational environment, while at the same time ensuring the required levels of oversight.

The management cycle consists of six consecutive steps or phases:

1. **Capacity Assessment**: An assessment of the management capacities of the NGO is carried out. This assessment is not a simple “tick-list”, but a meaningful process jointly carried out with the partner, which results – if required - in the development of a realistic capacity development plan.2

2. **Contracting**: The Project Partnership Agreement is developed jointly with the NGO. The signature of this contract establishes a full-cycle management and learning compact between the NGO and UNDP. Amounts, levels of authority, monitoring arrangements and reporting frequency are

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2 For more details on UNDP’s approach to capacity assessments and development, please refer to:

http://www.undp.org/content/undp/en/home/ourwork/capacitybuilding/approach/
dependent on the results of the capacity assessment.

3. **Start-up support**: Partners, especially those contracted for the first time, receive dedicated start-up support from the FMU. This ranges depending on the partner from simple weekly “checking-in” to the joint development of work plans, business processes and other management tools.

4. **Continuous guidance**: An FMU staff member will be designated as focal point for the partner. S/He will maintain all regular communication with the NGO and available to provide guidance and support whenever required.

5. **Quarterly contract monitoring**: At least every 3 months, the partner will submit to UNDP its quarterly progress and financial report. The FMU will review the reports against contractual obligations. In addition, the FMU monitoring staff will carry out monitoring visits (jointly with OCHA and the Sector leads in the case of the CHF). In case of problems identified, an adequate response will be determined.

6. **Annual performance review**: UNDP maintains a comprehensive database that includes NGO performance data. This database is updated on an annual basis, and includes information related to the audit performance of the NGO, timeliness of reporting, the progress against the capacity development plan, etc. Key performance data will be fed back into the next round of allocations, and forms the foundation for partner-based risk assessment.

The outlined approach was refined over the years. Initially the FMU was mostly focused on reviewing financial reports and processing financial transactions. It became clear, however, that the most effective conduct of the managing agent function requires a strong element of guidance, capacity development, as well as tools that can be adjusted to the individual needs of partners.

Innovative aspects today include the in-built component of “on-the-job training”, pragmatic and matured tools for funds management, and dedicated focal-point support. In fact, many of the tools conceived and matured in Sudan have been adopted by other UNDP country offices worldwide.

**FMU functions, capacities and costs**

It is obvious that UNDP’s approach to the Managing Agent function and the mere scope of operations requires more than financial transaction capacities. It requires a diverse team of practitioners, systems, tools, dedication, and effective oversight.

From an analytical perspective, the following seven functions can be distinguished:
1. Financial and Project Transaction Management  
2. Monitoring & Reporting  
3. Capacity Building & Training  
4. Partner Performance Analytics  
5. FMU Management  
6. Coordination & Communication  
7. FMU Performance Monitoring, Oversight & Audit  

A recently conducted in-depth analysis reveals that contrary to common expectations, the guidance and capacity development component absorbs most of the FMU capacities, together with the continuous oversight from the country office. In total, the successful execution of all functions requires capacities amounting to roughly 19 full-time equivalents (FTEs)\(^3\).

Roughly speaking, dedicated full-cycle support costs UNDP between US$ 35,000 and US$ 40,000 per NGO contract and year. These costs are due to the operating environment and the level of civil society capacities.

However, economies of scale are significant. The more contracts are managed, the more the capacity development and management costs decrease. In 2012, with a total of 170 contracts and 67 NGOs, approximate costs for UNDP amounted to US$ 2.7 million or US$ 16,300 per NGO contract.\(^4\) Economies of scale allowed UNDP therefore to reduce capacity development and management costs by over 50%.

**Partnerships**

Partnerships are paramount for the successful execution of the managing agent function. The following for types are the most important ones in this context.

**OCHA and Humanitarian Sector Leads.** UNDP works in close coordination and collaboration with OCHA when it comes to the management of resources allocated to NGOs in the framework of the Common Humanitarian Fund. Information is exchanged on a weekly and sometimes daily basis. Monitoring of NGO-executed projects is carried out in conjunction with OCHA and sector leads. Last but not least, performance analytics and lessons learned are systematically fed into annual evaluation and funds allocation processes.

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\(^3\) One Full Time Equivalent is equivalent to the capacity of one person per year, calculated on the basis of 220 days and 8 hours per day.

\(^4\) Detailed capacity needs assessment available on request.
International Development Partners. As part of the Oversight and Support Division, which manages UNDP partnerships, the FMU can draw continuously on existing UNDP partnerships and networks. In addition, the FMU is part and parcel of all MPTF steering committees and other partner forums that are linked to multi-partner funding mechanisms.

National and local authorities. The FMU engages with national, state-level and local authorities through Senior Management of the UNDP country office and UNDP representatives in the field. In addition, it maintains direct contact with technical counterparts in the areas of intervention.

National and International Civil Society. In addition to its contract-based interactions with partners, the FMU pro-actively engages with national and international civil-society in existing civil-society platforms and exchanges. This engagement serves to jointly review and draw lessons from existing forms of collaboration.

The way forward

While the execution of the managing agent function has matured over the years, there are certain areas and aspects that UNDP is seeking to refine and improve. These areas were determined based on feedback from national and international partners as well as on experiences and lessons drawn at FMU and country office level.

Synchronization of management information. UNDP is working towards improving information exchanges including the synchronization of management information systems between UNDP and technical trust-fund leads (OCHA, DCPSF technical secretariat).

NGO performance measurement. UNDP is currently reviewing its approach to NGO performance measurement so as to automatize it as much as possible based on clearly defined indicators and performance thresholds.

NGO monitoring. The FMU is increasing its NGO monitoring capacity, with a view to perform more frequent field monitoring visits and to expand the approach to monitoring.

Capacity building. Based on the results of the 2012 NGO audit exercise, capacity building activities targeting national partners will be expanded so as to ensure more effective linkages between financial management and programme/grant management. This is based on the insight that a disconnect between the two areas reduces the sustainability of capacity building efforts.