

UN-Habitat  
**POLICY FOR  
IMPLEMENTING  
PARTNERS**

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UN-Habitat

**POLICY FOR IMPLEMENTING  
PARTNERS**

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# Preamble

1. In 2015, the recorded number of active Agreements of Cooperation was 160 with a total value of USD 46 million (in 2014, 325 Agreements for USD 69 million). This represents 28 per cent and 36 per cent of UN-Habitat total expenses in 2015 and 2014 respectively. Agreement of Cooperation (AoC) is a critical instrument to the accomplishment of UN-Habitat organizational mission and mandate.
2. This policy is developed to address risks identified by UN-Habitat internal and external auditors and other UN oversight bodies (i.e. United Nations Joint Inspection Unit). It also incorporates guidelines established by the UN Controller on Preparation of Agreements with Implementing Partners.
3. As defined by the UN General Assembly Resolution A/RES/60/215: “A partnership is a voluntary and collaborative relationship between various parties in which they agree to work together to achieve a common purpose or undertake a specific task and to share risks, responsibilities, resources, competencies and benefits.”. UN-Habitat works with Implementing Partners to add value and sustainability to its projects, build capacity and resilience and share risks, resources and opportunities with stakeholders.

# Scope

4. There are two main operational modality choices available to Project Managers to implement projects:
  - **Direct implementation:** UN-Habitat retains the responsibility and the accountability of managing a project and its underlying activities.
  - **Implementing partnership:** the Implementing Partner (IP) is responsible and accountable for managing a project in its entirety but is not the end beneficiary of the project.
5. This policy has been developed to provide guidelines in the selection and management of Implementing Partnership (IP). It is risk-based and designed to mitigate operational, financial and reputational risks arising from the activities from Implementing Partners.

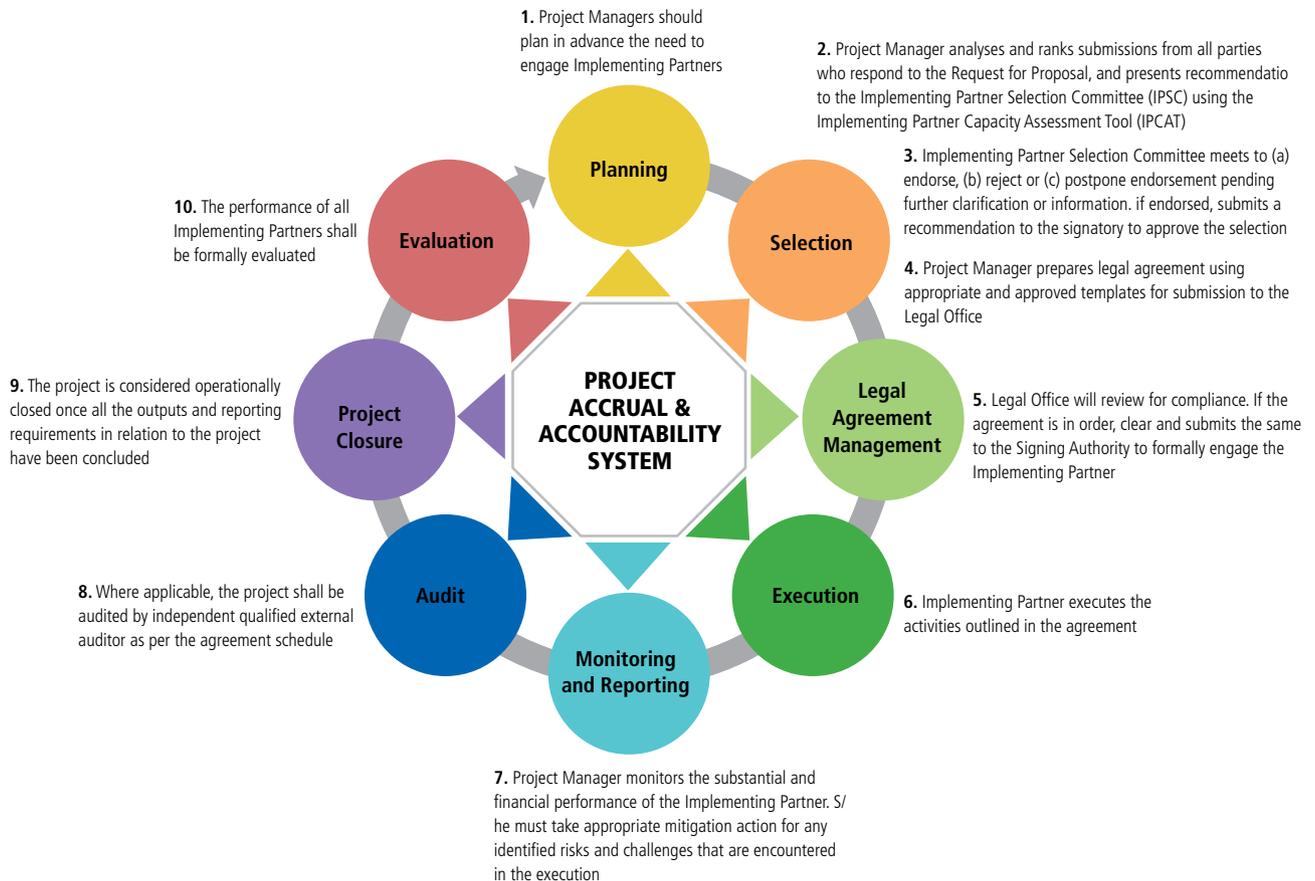
6. This policy does not cover Community Based Implementation whereby the Community is responsible and accountable in executing the project activities and is not the end beneficiary of the project.

## Definition

7. **Implementing Partner (IP)**, in the context of AoC, is a non-profit organization (such as, Government Ministries, Local Governments, Public Institutions, International Organizations, Non-Governmental Organizations (NGO's), Universities, Foundations and Research institutions ) contracted by UN-Habitat to execute a project. The Implementing Partner is responsible and accountable for managing a project in its entirety and using project resources effectively and efficiently in order to deliver the project outputs and outcomes to end beneficiaries. The Implementing Partner is also responsible for project monitoring and reporting back to the UN-Habitat on progress status.
8. **Agreement of Cooperation (AoC)** is the legal instrument which governs the rights and obligations of the Implementing Partner and UN-Habitat (the two parties to the agreement) in relation to the project. The General Terms and Conditions (Annex A), the description of the project activity, including Implementation Schedule (Annex B) and the Budget, including Payment Schedule (Annex C) form an integral part of the agreement. The agreement can also include other requirements/information as additional annexes. These documents together serve as the legally binding terms of reference against which the Implementing Partner's performance and delivery will be reported, monitored and evaluated for signature. Agreements of Cooperation (AoC) is used when UN-Habitat is providing funds to an Implementing Partner for the implementation of projects particularly where there is necessary technical capability and/or expertise and commitment to implement a particular project.
9. **Project Manager (PM)** is the person who has the overall responsibility for the implementation of the project. This includes planning, execution and managing the people, resources and scope of the project.
10. **Signatory** is the person with the delegation of authority to sign an Agreement of Cooperation.

# The Implementing Partner Management Cycle

11. The cycle and processes for management of the agreements of cooperation through Implementing Partners is illustrated in the diagram below, and forms the basis for the structure of the rest of this policy document.



## Planning

12. Project Managers should plan reasonably in advance the need to engage Implementing Partners and include in their project document and work plan the necessary resources and time required to conduct a fair, transparent and competitive selection process. Single sourcing attributed to urgency resulting from lack of planning will not be accepted.

## Selection

13. Implementing Partners should be selected following a fair, transparent and competitive selection process which adheres to the following principles:
  - (a) Best value for money;
  - (b) Fairness, integrity and transparency;
  - (c) Effective competition;
  - (d) The interest of the Organization.
14. The selection should follow a due diligence process which comprises (i) an assessment of the capacity to deliver (*capacity check*), (ii) background checks on the reputation and integrity of the Implementing Partner (*integrity check*) and (iii) *value for money check* (as defined in the Standard Operating Procedures). The selected Implementing Partner should not be in any UN sanction or ban list. Implementing Partners with prior history should be checked for positive evaluation.
15. A selection committee will review the assessment of Implementing Partners to ensure adherence to the selection principles and recommend on the best suitable partner to execute the project. Selection committees will be set up at headquarter, divisional, regional and branch levels. Separate standard operating procedures will be governing the operation of the selection committees (See Annex 1).

16. The requirement for competitive selection<sup>1</sup> may be waived when (i) the Implementing Partner is a government entity<sup>2</sup>; (ii) there is an exigency<sup>3</sup> requiring a need for an urgent intervention during a humanitarian crisis; (iii) on exceptional circumstances where the reputation of the organization is at risk and where this would serve the interest of the organization; (iv) When, within a reasonable prior period, a formal solicitation has not produced satisfactory results and it can formally be demonstrated that there are no other available option; (v) The Implementing Partner was defined in a contribution agreement with the donor.
17. Regional Directors will be granted the authority to waive the competitive selection for projects up to USD 100,000 for organizations currently in the Database of Implementing Partners. The Director of Management and Operations Division will grant waiver above USD 100,000. The delegation holder will be personally accountable for the exercise of the authority to waive and should justify in writing the basis of the waiver in accordance with the four criteria in the previous paragraph. The Management and Operations Division will periodically monitor compliance which would define the continued renewal of the delegation of authority.
18. The selection of an Implementing Partner shall be conditional to the existence of adequate funding and a signed contribution agreement.

## Legal Agreements

19. Any agreement between the Implementing Partner and UN-Habitat, called Agreement of Cooperation (AoC), must use the most recent officially approved templates and follow applicable legal clearance process. It is the responsibility of the Project Manager to ensure the latest version is used.
20. The agreements can only be signed by individuals who have received written delegation of authority from the Executive Director.
21. All activities and outputs agreed under an AoC should be delivered during the validity of the agreement. The Project Manager needs to monitor the validity of the agreement and

<sup>1</sup> Despite the waiver all due diligence assessments should be carried out in order to assess the capacity, integrity and value for money of the proposal (except for government entities – see next footnote).

<sup>2</sup> A capacity assessment on the selected government entity is still required in order to identify any capacity gap and devise appropriate mitigation controls.

<sup>3</sup> An exigency is defined as “ an exceptional, compelling, emergent need or situation of force majeure not resulting from poor planning or management or from concerns over the availability of funds, that will lead to serious damage, loss or injury to property or persons, if not addressed immediately.”

ensure timely and advance extension of the agreement, when needed, and with appropriate justification. Retroactive agreements expose the organization to legal uncertainty and should be avoided at all times.

## Database of Implementing Partners

22. A database of properly screened Implementing Partners with previously successful AoCs in a variety of geographical and technical areas will be maintained in the Project Accrual and Accountability System (PAAS). This database is meant to assist in expediting the selection of Implementing Partners. The Management and Operations Division will be in charge of maintaining it.
23. Implementing Partners in the database will be exempt of capacity assessment checks in the selection process for a period of two (2) years from the date of the last assessment (but will be subject to integrity and value for money checks).

## Project Accrual and Accountability System (PAAS)

24. PAAS will serve as UN-Habitat's official repository of key documents related to selection, management and monitoring of Implementing Partners. These data will assist with the provision of key management information for decision making in the selection, management and monitoring of activities of Implementing Partners.
25. At a minimum, Project Managers are responsible to capture in PAAS the following documentation in a timely and comprehensive manner: selection reports, Implementing Partner agreements, mission reports, financial and narratives reports, audit reports, asset reports and evaluation reports. The Legal Office within the Management and Operations Division will be the custodian of this database.

# Budget, Payments and Financial Management

26. Payments to Implementing Partners should be disbursed in multiple instalments to mitigate any possible risk of non-performance and ensure outputs are delivered as agreed. Payments should be disbursed in a minimum of three (3) instalments as follows:
  - (a) The initial advance should not exceed 30% of the total value of the AoC;
  - (b) The last instalment should not be less than 10% of the total value of the AoC;
  - (c) With the exception of small scale agreements which can have two payments with first payment not exceeding 50%.
27. It could happen that the nature and complexity of certain activities require exceptions to these rules ( i.e. higher initial advance and/or lower final payment) in order to ensure faster delivery of the project (for example emergency humanitarian operations). In that case and when there is need for exception, the Project Manager should provide to the Signatory of the AoC a written justification supporting the request. The signatory of the AoC should review the rationale and validity of the supporting justification and may approve or decline any exception.
28. The installments due in a given year shall not exceed the annual budget of the project for that year. Cash instalments due to the Implementing Partner should not exceed cash on hand in the main donor agreement. Exceptions for emergency situations could be granted by the Director, Management and Operations Division.
29. The first installment shall be made upon signing of the AoC. Subsequent installments shall be made within reasonable period from the submission of satisfactory substantive and financial reports, and upon verification and confirmation by the responsible Project Managers. No payment of installment should be released prior to a satisfactory review and sign-off of the substantive and financial reports submitted by the Implementing Partner by the responsible Project Manager.
30. The amount of each installment shall not exceed the lowest of i) the authorized actual expenditures (i.e. eligible expenditures) and ii) the budgeted expenditures of the reporting period.

31. The Implementing Partner is authorized to make variations not exceeding 10 per cent on any one budget line item, provided that the maximum amount set out in the project budget is not exceeded. Any variation exceeding that percentage must be approved in writing by UN-Habitat in advance.
32. Scheduled payments shall accurately reflect the progress in the implementation of the project and shall be conditional to the submission of the substantive and financial reports. All installments should be linked against specific and clear outputs and/or progress milestones to be delivered and/or achieved by the Implementing Partner. This will ensure the effective monitoring of the performance of the Implementing Partner and value for money for the organization. Any shortfall of outputs should lead to a proportionally reduced payment and when necessary a formal review of the Implementing Partner's capacity to complete the outstanding outputs.
33. All funds advanced to the Implementing Partner should be utilized within 6 months from the date of disbursement. The Implementing Partner should provide quarterly financial statements.
34. No Implementing Partner should receive more than one advance at any given time against a single AoC. The AoC should specify the point at which the next advance is generated. It should normally be when at least 80 per cent of the funds provided have been used by the Implementing Partner unless previously agreed in the AoC.
35. Unspent balances including interest accrued shall be returned to the Organization within thirty (30) days of the completion of the project, and no later than at the time of submission of the final financial report.
36. All AoCs as well as reports will be in US dollars in order to mitigate any risk from foreign exchange fluctuations. Foreign exchange fluctuations - gains and losses will be borne by the Project funds. It is the responsibility of the Implementing Partner to ensure that financial commitments in local currency do not exceed funds provided in US dollars in the AoC.
37. As part of prudent financial management of project funds, the Implementing Partner will be required to:
  - (a) Maintain an exclusive bank account for the project funds (governmental entities and universities exempted);
  - (b) Provide financial reports in the same currency stated in the Agreement of Cooperation;
  - (c) Use an automated accounting system to record and monitor detailed financial transactions and expenditure information for the project activities. The Implementing Partner will need to ensure that its financial system can generate reports in line with UN-Habitat financial reporting requirements.
  - (d) Develop a detailed work plan and budget for the project.

38. The Implementing Partner should disclose funding from other sources for the same project.
39. As at January 1, 2014, UN-Habitat adopted the International Public Services Accounting Standards (IPSAS). IPSAS will require financial reporting from all Implementing Partners to coincide with UN-Habitat's year end i.e. December 31.
40. All Implementing Partners will have to report through financial statements which are:
  - (a) Output based: reflecting the costed deliverables; and
  - (b) Input based: reflecting the following 8 categories, namely:
    - i. Staff and other personnel costs
    - ii. Travel
    - iii. Contractual Services
    - iv. Transfers and Grants to counterparts
    - v. Supplies, Commodities, Materials
    - vi. Equipment, Vehicles and Furniture
    - vii. General operating and other direct costs
    - viii. Indirect Support Costs

## Procurement Management

41. Under no circumstances should UN-Habitat Agreement of Cooperation legal instruments be used to circumvent the UN procurement or recruitment processes.
42. Procurement through an AoC may be permitted in the following circumstances:
  - i. The Implementing Partner is a not-for-profit organization;
  - ii. The Implementing Partner is responsible and accountable for managing a project (set of activities) in its entirety rather than the simple delivery of goods and services;

- iii. The procurement component in the AoC budget is less than 50 per cent of total project budget and;
  - iv. No single procurement action should exceed USD 40,000. Procurement requirements shall not be artificially split into smaller requisitions in order to reduce the dollar value in a way that evades or circumvents this threshold. Such splitting or separating of a requirement shall mean and include reducing the scope and amount of goods or services to be procured by breaking into separate requirements that belong together by their nature, purpose, geography, timeline or mandate.
  - v. Restrictions in procurement can be waived by the Director, Management and Operations Division if required to address life saving needs in an environment where procurement mechanisms cannot provide the necessary items due to lack of humanitarian access.
43. The capacity of an Implementing Partner to procure should be assessed as part of the capacity assessment during the selection process (see *Selection* section above) when it is required to engage in procurement activities for the project.

## Asset Management

44. All properties acquired with UN-Habitat funds provided for under an AoC remain UN-Habitat legal properties until formally handed over to third parties, including the Implementing Partner. Transfer of properties should occur through a formal handover and only once the project is completed in order to mitigate risk of non-performance and misuse of properties. Properties are defined as tangible or intangible items valued at USD1,000 or more per unit at the time of purchase and having a useful life of at least one (1) year. Formal handover should be approved by the Signatory of the AoC.
45. Implementing Partners shall report on a regular basis, and most importantly at the end of each calendar year (31 December) the list of properties acquired with UN-Habitat funds and still under their custody.

# Counterpart contributions

46. A common practice in UN-Habitat is to have Implementing Partners make monetary or in-kind contributions to the project under consideration for an Agreement of Cooperation. Counterpart contributions from Implementing Partners are highly encouraged whenever possible.
47. Monetary and in-kind counterpart contributions whenever committed by Implementing Partners should be captured, reported, and monitored to ensure that they have been delivered as intended. In-kind contributions provided by the implementing entity should comply with all the following criteria:
  - (a) It must be necessary and reasonable for accomplishing the project objectives under the Agreement of Cooperation;
  - (b) It must be reported in the financial statements of the project and auditable;
  - (c) It must be valued at the fair market value. The basis for determining the value of the in-kind contribution should be documented and must be independently assessed.
48. Overhead costs and other indirect support costs (e.g. office space, equipment, staff time) related to the activities under the AoC should be considered the minimum counterpart contribution to be expected from Implementing Partners. Therefore, these costs should not be paid for by the funds provided by UN-Habitat. Exceptions could be granted with justification by the Signatory of the AoC.

# Visibility

49. The Implementing Partner should prominently and visibly display the logo of UN-Habitat and the mention “This project is funded by <name of Donor> and UN-Habitat” in the project site, publications and reports to stakeholders.

# Risk Management, Fraud and Corruption

50. Any project involving an AoC has to identify and assess the risks involved. Mitigation controls should be devised for important risks. The risks need to be monitored and regularly reviewed for control purposes.
51. Particular consideration need to be given to the fraud and corruption risks which need to be systematically incorporated in the risk assessment above.
52. Implementing Partners and their personnel are required to cooperate with UN investigations and to exhort their personnel to report any wrongdoing and possible misuse of UN funds in the first instance to UN-Habitat Project Manager; the Regional Director or to the Director, Management and Operations Division.
53. In order to prevent conflict of interest arising from the Implementing Partner employees, the following clauses should be included in the AoC:
  - (i) Partner employee conduct may not foster any suspicion of conflict between professional duty and personal interest;
  - (ii) Nobody will solicit or accept, directly or indirectly, any gift, favor, entertainment, loan or anything of monetary value from vendors or potential vendors;
  - (iii) Bids may not be solicited from, and contracts may not be awarded to, any company that is owned, controlled or actively influenced by any partner employee or by a close relative of a partner employee.
  - (iv) Vendors will not participate in developing or drafting specifications for goods or services for which they subsequently submit offer/proposal.

# Conflict of Interest and Financial Disclosure

54. The staff involved in the selection of Implementing Partners shall be required to
  - i. Ensure that they provide a declaration of conflict of interest, and
  - ii. Complete financial disclosure in line with the requirements of the *ST/SGB/2006/6 (Financial disclosure and declaration of interest statements)*
55. In all cases UN-Habitat will segregate conflicting duties – decision-making, payments and recording - in accordance with best practices in internal controls.

# Monitoring and Reporting

56. All project outputs will be verified by a UN-Habitat staff member. For complex technical outputs the organization may need to hire a technical expert to support the verification.
57. Project managers are responsible for conducting adequate oversight of the activities of the Implementing Partners, including regular monitoring missions and site visits to ensure smooth flow of the project against planned deliverables, timelines and agreed quality and if necessary review its financial records to oversee the use of funds.
58. UN-Habitat shall explore all possible ways to use the project beneficiaries and stakeholders to monitor the efficient delivery of the project outputs.
59. The staff member in charge of the verification will review all narrative and financial reports submitted by the Implementing Partner, and any issue(s) identified should be addressed, followed up and satisfactorily mitigated and resolved in a timely manner.

# Audit

60. Based on the significance of funds provided (see below table), UN-Habitat will select independent qualified external auditors to perform exclusive audit on the use of funds provided to Implementing Partners (thus an audit on the consolidated annual resources of the Implementing Partner does not meet this requirement). The selected auditors should be professionally accredited to perform that service by an auditing professional body. There will be an exception for governmental entities where there is a regulatory requirement for the audit to be performed by a government auditor.
61. UN-Habitat will provide the criteria for selecting the auditors for its Implementing Partners, specifying the scope of the audit and formulating the external auditors' reporting requirements. The audit should be performed in accordance with International Standards of Auditing. Sufficient provision for the cost of audit should be made as part of the AoC budget.
62. The auditors should report directly to UN-Habitat on the results of the audit. Issues raised by auditors should be followed up for resolution. The project administrator is responsible for ensuring the Implementing Partner has adequately addressed audit recommendations.
63. Depending on the size of the AoC, the following audit regime will apply (exceptions could be granted by the Director, Management and Operations Division):

Amounts USD	Audit requirement
100,001 up to 500,000	<p><b>One (1) audit required</b></p> <ul style="list-style-type: none"> <li>• Audit required once 80% of the total AoC funds <b>provided</b> has been <b>utilized</b>.</li> <li>• Final instalment of 10% conditional to the submission of audited financial statements</li> </ul>
From 500,001	<p><b>Two (2) audit required</b></p> <ul style="list-style-type: none"> <li>• <b>Audit 1</b> <ul style="list-style-type: none"> <li>– required once 80% of the total AoC funds <b>provided</b> has been <b>utilized</b>.</li> <li>– Instalments totalling 20% (at minimum) of total funds should be conditional to the submission of audited financial statements.</li> </ul> </li> <li>• <b>Audit 2</b> <ul style="list-style-type: none"> <li>– required once 80% of the total AoC funds <b>provided</b> has been <b>utilized</b>.</li> <li>– Final instalment of 10% conditional to the submission of audited financial statements.</li> </ul> </li> </ul>

## Evaluation of performance

64. Evaluation of performance is important to ascertain whether UN-Habitat has received good value for money for the work done. The performance of all Implementing Partners shall be formally evaluated and a copy of the evaluation shall be recorded in the central roster of Implementing Partners as a reference for consideration of future contracts.
65. Evaluation of performance is mandatory upon completion of work performed by implementing entities and should be conducted timely upon completion of the work annually. The evaluation shall measure the quality of the work performed and take into account the activities established in the work plan, as well as compliance with delivery deadlines and agreed quality and budget.
66. If performance expectations have not been met satisfactorily, no further contracts will be granted to the implementing entity. Exceptions could be granted with justification from the Director of Management and Operations Division.

## Project Closure

67. The project is considered operationally closed once all the outputs and reporting requirements in relation to the project have been concluded. These must be managed within the timeframe outlined for delivery in the agreement of cooperation.
68. Within 90 days from the date of the operational closure, the project should be financially closed and any money which has not been used should be refunded to UN-Habitat.

# Delegation for approval of exceptions and waivers

69. Exceptions to this policy could be authorized as follows:

<b>Exception</b>	<b>Authority</b>
Competitive selection waiver (Para. 17)	<ul style="list-style-type: none"> <li>Regional Directors: up to USD100,000 for organizations currently in the Database of Implementing Partners</li> <li>Directors, Management and Operations Division: all cases</li> </ul>
Number and value of instalments (Para.26 and 27)	<ul style="list-style-type: none"> <li>Signatory of the AoC</li> </ul>
The amount of each installment shall not exceed the lowest of i) the authorized actual expenditures (i.e. eligible expenditures) and ii) the budgeted expenditures of the reporting period (Para.30)	<ul style="list-style-type: none"> <li>Signatory of the AoC</li> </ul>
The Implementing Partner is authorized to make variations not exceeding 10% on any one budget line item, provided that the maximum amount set out in the project budget is not exceeded. (Para.31)	<ul style="list-style-type: none"> <li>Signatory of the AoC</li> </ul>
Overhead costs and other indirect support costs (e.g. office space, equipment, staff time) related to the activities under the AoC should be considered the minimum counterpart contribution to be expected from Implementing Partners. Therefore, these costs should not be paid for by the funds provided by UN-Habitat. Exceptions could be granted with justification by the Signatory of the AoC (Para.48).	<ul style="list-style-type: none"> <li>Signatory of the AoC</li> </ul>
Any other exception	<ul style="list-style-type: none"> <li>Directors, Management and Operations Division</li> </ul>

# Operationalization of the Implementing Partners Management Policy

70. This policy will be reviewed regularly to accommodate any change in business processes, lessons learnt and emerging risks.
71. This policy is maintained by the Director of Management and Operations Divisions.
72. This policy comes into force following approval by the Executive Director of UN-Habitat. It is supplemented by the Standard Operating Procedures for Management of Implementing Partners.



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Dr. Joan Clos  
United Nations Under-Secretary-General and  
Executive Director, UN-Habitat

# UN-HABITAT POLICY FOR IMPLEMENTING PARTNERS

This policy has been developed to provide guidelines in the selection and management of Implementing Partnership. It is risk-based and designed to mitigate operational, financial and reputational risks arising from the activities from Implementing Partners

**UN**  **HABITAT**

UNITED NATIONS HUMAN SETTLEMENTS PROGRAMME

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