

## UNFPA

Policies and Procedures

Policy for the Management of Non-Core Funds

Resource Mobilization

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Policy Title	Policy and Procedures for the Management of Non-Core Funds
Policy objective	Establishes a harmonized, transparent and accountable system for the allocation, approval, management and reporting of non-core funds while identifying control actions to mitigate potential risks.
Target audience	UNFPA Country, Regional and Headquarters Offices
Risk Control matrix	Controls of the process are detailed in the <a href="#">Risk Control Matrix</a>
Checklist	N/A
Effective date	2 <sup>nd</sup> December 2016
Revision History	Issued: Revision 1: Revision 2:
Mandatory revision date	3 years from latest revision
Policy owner unit	Non-Core Funds Management Unit (NCFMU)
Approval	Approved by EC via circulation

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Effective Date: 2 December 2016

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**I. Purpose**

- UNFPA operates in a constantly changing aid environment which forces it to continuously adapt to new challenges and realities. The increase of contributions to UNFPA non-core funds requires a more coordinated management of UNFPA's non-core funds. A more transparent approach with a sensitive and balanced allocation criteria and a stronger coordination with the regional and country offices is needed to increase the synergies between programmes implemented with non-core and core resources.
- Non-core funds also known as other resources (which include but are not limited to trust funds), earmarked or restricted, shall mean the resources of UNFPA other than regular resources, which are received for a specific programme purpose consistent with the mandate of UNFPA and for the provision of specific services to third parties (see [UNFPA's Financial Regulations and Rules](#)). These are utilized within a corporate governance framework that fosters harmonization, integration and transparency in decision-making processes, accountability across the value chain in the management of non-core resources, and standardization of processes and practices.

**II. Policy**

3. The policy applies to the management of non-core funds received by headquarters and regional offices and distributed to other UNFPA units. Such distribution must be in accordance with a [Non-Core Funds Allocation System \(NCFAS\)](#). Non-core funds mobilized by country offices are exempted from this policy.
4. Some select non-core funds (e.g. “pass-through funds” where UNFPA plays the role of Administrative Agent) will be managed and disbursed in accordance with the Standard Arrangement Agreement and based on instructions from the Steering Committee and approved Programmatic Document.
5. The Non-core Funds Management Unit will review all active non-core fund codes and facilitate the development and application of a NCFAS as required. For new contributions, the Resource Mobilization Branch, upon signing of donor agreements, will notify the NCFMU for appropriate action.
6. This policy establishes a harmonized, transparent and accountable system for the allocation, approval, management and reporting of non-core funds, identifies control actions to mitigate potential risks related to its use and establishes the following procedures:

**III. Procedures****A. Non-Core Fund Allocation System (NCFAS)**

7. A Non-Core Funds Allocation System is developed to guide the allocation and management of non-core funds received by headquarters or regional offices and distributed to other UNFPA units.
8. Principles of the NCFAS
  - Transparent decision-making criteria;
  - Robust programmatic and financial review mechanism;
  - Well-defined non-core funding requests and approval process to reflect the catalytic nature of non-core funds;
  - Well-documented monitoring process; and
  - Well-defined roles and responsibilities.
9. Criteria of the NCFAS  
The NCFAS (based on a standardized/approved criteria) allows for a more transparent and realistic decision making and better synchronization with regular resources. The

allocation criteria for each specific fund will be developed through collaboration of the relevant unit with the NCFMU and presented for the consideration and approval of the Executive Committee.

10. Headquarters' and regional offices' allocation limits must follow a documented criteria with a logical methodology in addition to meeting the donor requirements, business plan and other relevant frameworks.
11. Adjustments up to 10% variation of the approved allocation limits can be made with documented justification. In the event that a required adjustment exceeds 10%, a formal approval by the Executive Committee will have to be facilitated by the NCFMU.

#### B. Non-core Funding Request (NCFR) Process

12. The Non-Core Funding Requests should align with (a) standardized/approved criteria, (b) approved allocation limits, (c) expected programme outputs, (d) expected strategic plan outputs, (e) indicators (baselines and annual targets).
13. Non-core funds will be allocated based on the [NCFR template](#) signed by the head of the unit<sup>1</sup>; and the Non-Core Funds Allocation Cover Page ([NCFACP template](#)) cleared by appropriate supervising unit<sup>2</sup> and approved by the funding Division/Regional Office Director (see detailed process outlined below). Financial clearance of NCFR and NCFACP will be undertaken by NCFMU.
14. Non-Core Funding Requests shall cover all direct costs, including UNFPA and implementing partners' costs, arising from the implementation of programmes. This includes staff, personnel and any other direct inputs to the programme, as well as administrative costs, support costs and other costs as a direct result of programme implementation. See [UNFPA's Cost Recovery Policy](#) for additional details.
15. Estimated indirect costs, using the applicable cost recovery rate, will be treated in accordance with the above Cost Recovery Policy and further elaborated in the [UNFPA Guidance Note on Recovery of Direct and Indirect costs](#).
16. Based on availability, funds for activities will be allocated in installments. First tranche will be allocated upon approval of the NCFRs and NCFACP. Subsequent tranche(s) will be allocated upon satisfactory programmatic and financial implementation, as evidenced in the (appropriate) progress report.

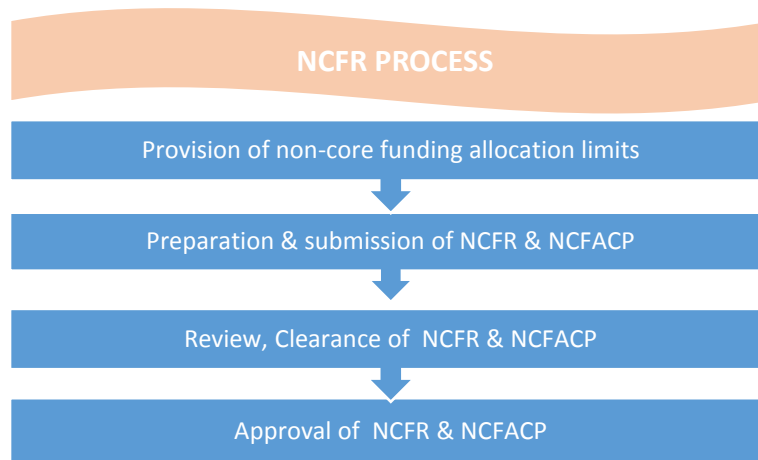
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<sup>1</sup> Can be the head of unit or designate

<sup>2</sup> HQ, regional or sub regional director or designate.

17. Unspent balances of non-core funds cannot be automatically rolled over, budgeted or expended without prior discussion with the respective headquarters unit for possible inclusion in the following year's allocation limit/NCFRs. Any unliquidated OFA and/or goods and services ordered but not received in the current year, must be included in the requests for the following year's allocation<sup>3</sup>.

*Figure 1: NCFR process*



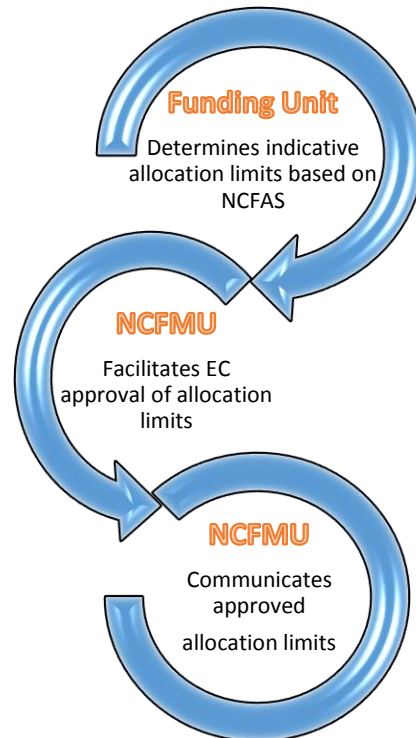
#### IV. Other

##### A. Roles and Responsibilities

###### **NCFAS development and determination of allocation**

18. Funding unit develops/reviews existing NCFAS and determines the allocation limits in collaboration with the NCFMU.
19. NCFMU facilitates approval of the allocation limits and communicates approved allocation limits to relevant UNFPA units.

<sup>3</sup> May affect the following year's allocation limit based on availability of fund

*Figure 2: NCFAS development and determination of allocation limits*


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### NCFAS development and determination of allocation

#### 20. Country offices receiving non-core funds from headquarters:

- Country offices develop NCFRs in collaboration with regional offices and relevant headquarters units.
- Regional offices conduct programmatic and operational review and forward the cleared NCFRs and NCFACP to headquarters funding unit for review and approval.
- Funding headquarters unit conducts programmatic and operational review of NCFRs and NCFACP.
- NCFMU undertakes financial clearance of NCFRs and NCFACP.
- Funding unit facilitates approval<sup>4</sup> and forwards the signed NCFRs and NCFACP to NCFMU. NCFMU advises Finance Branch to allocate funds.

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<sup>4</sup> Approval by Division Director or designate

*21. Country Office receiving non-core funds from regional office:*

- Country offices develop NCFRs in collaboration with regional offices.
- Regional offices conduct programmatic and operational review of NCFRs and NCFACP.
- NCFMU/regional offices undertake financial clearance of NCFRs and NCFACP.
- Regional office approves and advises Finance Branch to allocate funds.

*22. Regional Offices receiving non-core funds from headquarters:*

- Regional offices develop NCFRs and NCFACP.
- Funding unit conducts programmatic and operational review of NCFRs and NCFACP.
- NCFMU undertakes financial clearance of NCFRs and NCFACP.
- Funding unit facilitates approval<sup>5</sup> and forwards the signed NCFRs and NCFACP to NCFMU.
- NCFMU advises Finance Branch to allocate funds.

*23. Headquarters/liaison office receiving non-core funds:*

- Recipient unit/office develops NCFRs and NCFACP (for liaison offices supervising headquarters divisions must clear NCFRs and NCFACP).
- Funding unit conducts programmatic and operational review of the NCFRs and NCFACP.
- NCFMU undertakes financial clearance of NCFRs and NCFACP.
- Funding unit facilitates approval<sup>6</sup> and forwards the signed NCFRs and NCFACP to NCFMU.
- NCFMU advises Finance Branch to allocate funds.

*24. Headquarters/regional office funding units allocating funds for global/regional activities under own department*

- Headquarters unit develops NCFRs<sup>7</sup> and NCFACP.
- NCFMU undertakes financial clearance.
- Headquarters unit/regional office facilitates approval.

**B. Monitoring and Reporting**

25. Monitoring and reporting of non-core funded programmes must adhere to [UNFPA's policy and procedures for programme and financial monitoring and reporting](#).

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<sup>5</sup> Approval by Division Director or designate

<sup>6</sup> Approval by Division Director or designate

<sup>7</sup> Or equivalent template

26. In addition to the existing UNFPA policies and procedures, based on donor requirements, the following processes must be undertaken for relevant non-core funds:
27. Midyear review and reporting: monitoring involving all relevant units (headquarters, regional and country offices) is essential to meet those donor requirements and UNFPA targets. The review process should assess the implementation of NCFRs from a programmatic and financial perspective as well as strengthen collaboration, identify risks, challenges, emerging issues and opportunities, including reprogramming needs and amendments to the approved NCFRs. A midyear progress report forms an important part of this review process and also serves as a pre-requisite for allocation of outstanding approved funds.
28. Evaluation of non-core funded programmes must adhere to [UNFPA's Evaluation policy](#).



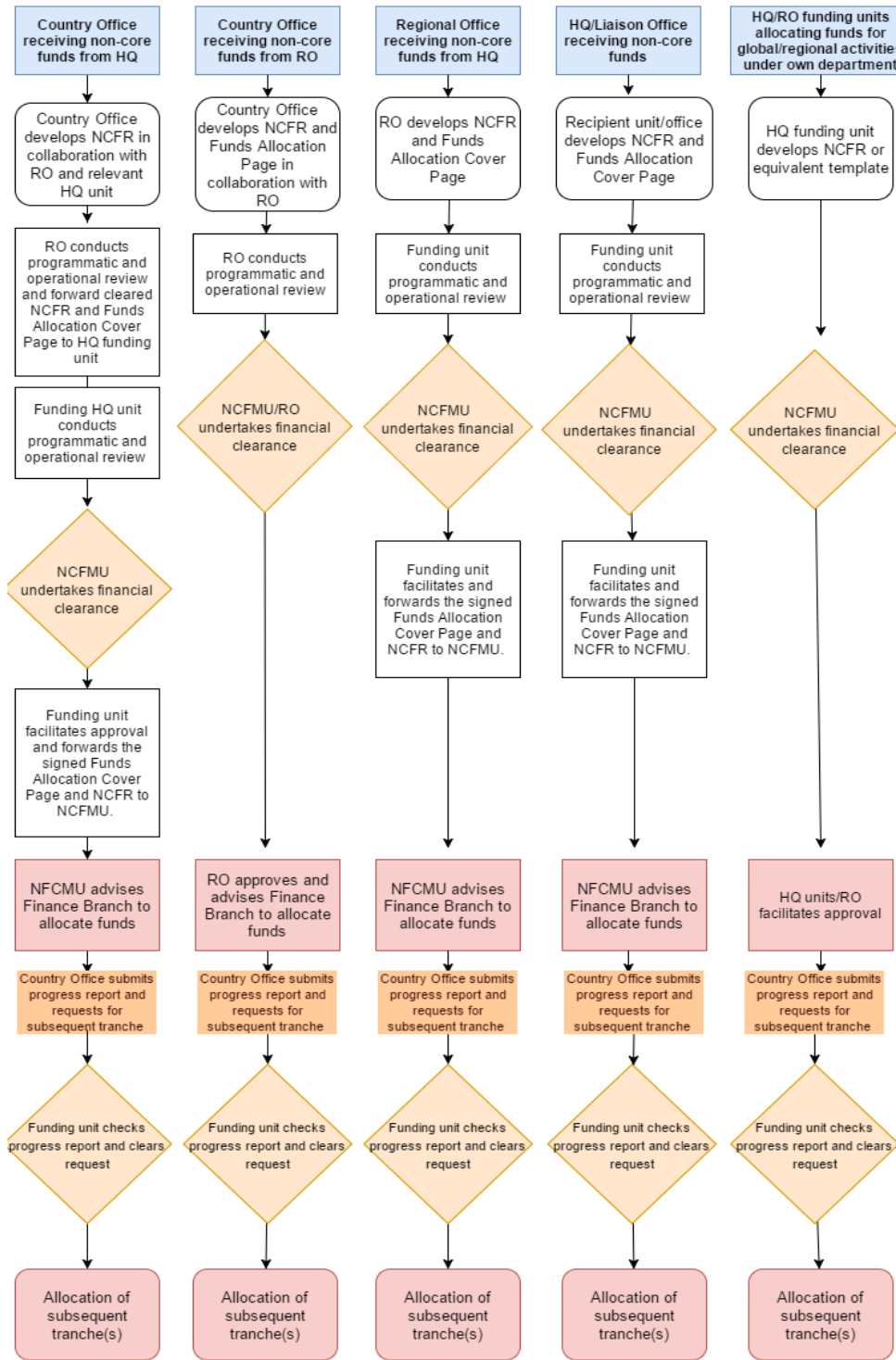
C. Glossary of Terminologies

<b>NCF</b>	Non-Core Funds	Resources (earmarked or restricted) other than regular resources which are received for a specific programme purpose.
<b>NCFMU</b>	Non-Core Funds Management Unit	Unit in the Office of the Executive Director that performs functions related to the management of non-core funds to foster harmonization, integration and transparency in decision-making processes, accountability across the value chain and standardization of processes and practices.
<b>NCFAS</b>	Non-Core Funds Allocation System	Guides allocation of non-core funds received by headquarters or regional offices and distributed to other UNFPA units by using transparent decision-making criteria.
<b>NCFR</b>	Non-Core Funding Request	Request for non-core funds submitted by recipient unit using a standard template.
<b>NCFR Process</b>	Non-Core Funding Request Process	Process to request and approve non-core funds starting with the submission of the NCFR.
<b>NCFACP</b>	Non-Core Funds Allocation Cover Page	Cover Page used by regional offices/headquarters to consolidate all NCFRs for submission to the funding unit for approval of allocation of funds.
<b>Allocation Limit</b>	Allocation Limit	Approved maximum programmable amount for non-core funds.
<b>Funding unit</b>	Funding unit	Unit managing a specific non-core fund/programme with the ultimate responsibility towards the donor.
<b>Funding Division</b>	Funding Division	Division supervising the funding unit. It has approval authority of NCFR and NCFACP.



V. Process Overview Flowchart

Figure 3: NCFR process



**VI. Risk Control Matrix**

<b>Control</b>	<b>Risk Description</b>	<b>Control Objective</b>	<b>Control Activity Description</b>	<b>Who performs</b>
NC-1.0	Allocation of non-core funds is not in line with a consistent set criteria thus hindering effective non-core funding request process and creation of synergies with core resources.	Non-core funds are allocated based on approved criteria.	An approved Non-Core Funding Allocation System is utilized for allocating non-core funds.	NCFMU Chief
NC-2.0	Allotted allocation limits are revised without a structured process, challenging programme implementation.	Changes to allocation limits generated by approved criteria comply with clear approved guidelines.	Alterations to allocation limits are undertaken with documented justification up to 10% and beyond 10% with approval of the Executive Committee.	Branch Chief
NC-3.0	Non-core funding request process for the utilization of non-core funds is undertaken in a vertical manner for each fund code, losing the opportunity to facilitate critical synergies (between non-core funds) in implementation.	Non-core funding request process is undertaken according to the NCF policy to facilitate the exploration of synergies.	NCF policy is applied for joint planning to facilitate the development of NCFRs.	Representative
NC-4.0	Monitoring of implementation is not documented in a consistent and systematic manner to serve as evidence in driving management decisions.	Monitoring is documented in a consistent manner and serves as a basis for subsequent decision making.	Progress report tool is utilized to document programme monitoring and submitted when requesting management decisions.	Branch Chief, Regional Director, Representative
NC-5.0	Country office non-core funding requests are approved by headquarters units without documented evidence of consultation with regional offices, undermining accountability (and leadership) by regional office.	Country office non-core funding requests undergo Regional Office compliance and quality assurance review.	Country office NCFRs are submitted by Representative for clearance by Regional Directors prior to approval by headquarters Division Director.	Regional Director, Representative