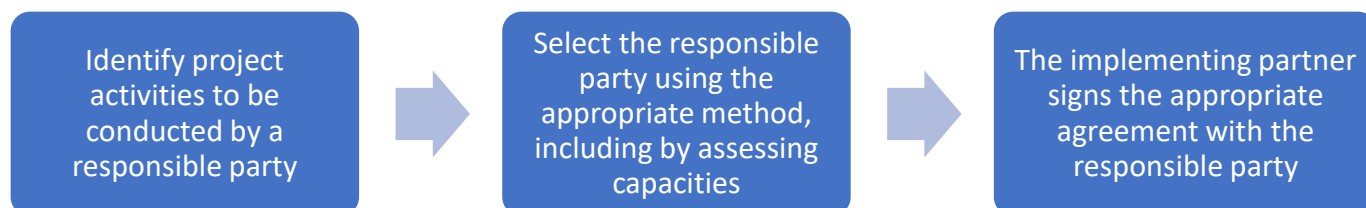


A3. Select Responsible Parties and Grantees



Related policies: Engaging CSO/NGO as a Responsible Party (procurement chapter); [Innovation Challenge](#) (procurement chapter); the UN Capital Development Fund (UNCDF) Microfinance Policy

Definition and Accountabilities of a Responsible Party

1. An implementing partner may enter into a written agreement with other organizations, known as responsible parties, to provide goods and/or services to the project, carry out project activities and/or produce outputs using the project budget. Implementing partners use responsible parties to take advantage of their specialized skills, to mitigate risk and to relieve administrative burdens.
2. Responsible parties are directly accountable to the implementing partner in accordance with the terms of their agreement or contract with the implementing partner.

Assessment and Selection of a Responsible Party

3. Any organization that is legally constituted and duly registered may become a responsible party for a UNDP project where UNDP is the implementing partner or providing country office support to the implementing partner (and that support involves contracting a responsible party for certain activities). This includes government agencies, intergovernmental organizations, private sector, other UN agencies, or civil society organizations, including non-governmental organizations, advocacy groups, state-owned enterprises and academia. The same policies and procedures for selecting civil society organizations as Responsible Parties are used for private sector and non-governmental academic institutions and foundations (notwithstanding their form of ownership, i.e., public or private) and state-owned enterprises.
4. Non-legally constituted or non-registered civil society/non-governmental organizations may not be engaged as a responsible party. Such non-legal entities may only receive funding through low-value grants (see below).
5. UNDP may provide support services, such as carrying out project activities, procurement, recruitment, payments or other services for a UNDP project implemented by another partner (i.e., a NIM project). This is called country office support (COS).
6. The financial rules and regulations of the responsible party will apply only to the extent that they do not contravene the principles of UNDP's Financial Regulations and Rules. The partner capacity assessment tool is mandatory for all responsible parties, except for UN agencies. The HACT micro-assessment is mandatory for responsible parties if the amount expected to be transferred exceeds \$150,000 per year at the Business Unit level (not per individual project).
7. Engaging UN agencies, intergovernmental organizations and government agencies as responsible parties:

7.1. UN agencies, intergovernmental organizations and government agencies selected to serve as responsible parties are exempted from competitive procurement processes. They can be selected under programming modalities described in this policy and identified in a signed project document or project board decision.

7.2 UN agencies can also be engaged through an agreement for advisory services to enable reimbursement for programmatic contributions of staff from other UN agencies. This helps facilitate UN collaboration in ways beyond joint programmes and cash transfers to implement project activities.

8. Engaging civil society organizations, including NGOs and foundations, as well as duly accredited academia and state-owned enterprises as responsible parties:

8.1. There are two approaches:

8.1.1. Collaborative advantage: This is appropriate for engaging organizations in programmatic activities that are uniquely positioned in terms of their value, legitimacy and/or access to particular groups of beneficiaries or geographic areas. It is also suitable for delivering project outputs or a component of the project as opposed to well-defined inputs/activities. See [Engaging CSO/NGO as a Responsible Party](#) in the Contracts and Procurement Section.

8.1.2. Competitive selection: This is appropriate for involving organizations to provide specific project inputs and/or undertake well-defined project activities in situations where competition is expected to optimize results. Depending on the scope of engagement and availability in a country/location, selection can be based on:

8.1.2a. A **quality-based fixed budget selection**. This is a procurement process where (a) the call for proposals is limited to civil society organizations, (b) the budget is disclosed upfront and (c) UNDP can negotiate with organizations on ways to deliver maximum benefit to beneficiaries. Assessment of best value for money focuses on maximizing the transfer of value to the beneficiary user. The maximum permissible overhead cost may vary depending on the type of assignment, size of the project component to be implemented, and country or security situation among other factors.

8.1.2b. A **competitive procurement** process is the standard selection process, based on a request for proposals, whereby civil society organizations can participate in any selection of service providers for UNDP projects.

8.1.2c. **Direct contracting** using the UNDP policy for justifying direct contracting.

8.2. Engaging civil society organizations as responsible parties based on a justifiable collaborative advantage or a competitive quality-based fixed budget selection can only occur under a DIM project or when UNDP provides COS to a NIM project. The process is subject to corporate assurance measures. See [Engaging CSO/NGO as a Responsible Party](#) in the Contract and Procurement Section.

8.3 The only exception to the above is when UNDP acts as the MA for a CBPF, where UNDP engages non-governmental organizations as part of providing development services and these groups are selected.

8.4 Engagement of a corporate foundation or state-owned enterprise as a responsible party must involve completing relevant [Due Diligence](#).

9. Engaging the private sector as a responsible party:

- 9.1 All engagement with the private sector by UNDP follows the principles outlined in the [Guidelines on Cooperation Between the United Nations and the Business Sector](#).
- 9.2 The selection of a private sector partner is based on a competitive procurement process or an innovation challenge undertaken under a DIM project or when UNDP provides COS to a NIM project. Procedures are found in the [Contracts and Procurement Section](#) of the Programme and Operations Policies and Procedures, and the [Open Innovation Policy](#). Private sector partners are subject [to due diligence policies and procedures](#), and the Guidelines on Cooperation with the Business Sector.
10. If a funding partner requires a specific responsible party to be selected as a pre-condition of the funding, then this partner may be selected as long as there is a written request from the funding partner, adequate capacity is in place and the national government agrees. If a private sector partner needs to be selected as a pre-condition of the funding, then prior authorization from the Chief Procurement Officer is required; this may be done as part of project formulation. Private sector entities must be directly awarded a contract for goods and services by UNDP or a Performance-Based Payment agreement, as the case may be.

Legal Instruments Used to Engage a Responsible Party

11. Written agreements used to engage a responsible party define the rules and procedures for managing project activities.
12. Implementing Partners use their own policies and procedures to implement projects as long as they are consistent with UNDP's policies. For projects implemented by partners other than UNDP, the relevant legal instrument of the partner institution will be used. The accountability of a responsible party to the implementing partner should be clearly specified in these legal instruments.
13. The following table summarizes the legal instruments used by UNDP under direct implementation modality (DIM) or Country Office Support Services to national implementation modality (NIM).

Table 1: Legal instruments Used by UNDP to Engage a Responsible Party

Click [here](#) for templates in **French** and **Spanish**

Type of Institution	Agreement
Government ministry/institution	Standard letter of agreement (LOA) For Performance Based Payment: - Performance-Based Payment Agreement - Low value Performance-Based Payment Agreement
Intergovernmental organization (non-UN)	Standard letter of agreement (LOA) For Performance Based Payment: - Performance-Based Payment Agreement - Low value Performance-Based Payment Agreement
UN agency	UN Agency to UN Agency Transfer Agreement

Type of Institution	Agreement
Civil society organization (including NGOs, academia, foundations, state-owned enterprises)	<p>For collaborative advantage, competitive, and quality-based fixed budget selection as a Responsible Party: Responsible Party Agreement</p> <p>For CBPF: Standard Responsible Party Agreement for CBPFs</p> <p>For Performance Based Payment:</p> <ul style="list-style-type: none"> - Performance-Based Payment Agreement - Low value Performance-Based Payment Agreement
Private sector	<p>Contract for Goods and Services</p> <p>For Performance Based Payment:</p> <ul style="list-style-type: none"> - Performance-Based Payment Agreement - Low value Performance-Based Payment Agreement

14. For all responsible party agreements where payment is provided only after the verified achievement of an agreed measurable development result, see the policy [Performance-Based Payment](#).
15. All responsible parties, as well as non-legally constituted or non-registered civil society/non-governmental organizations that may receive low-value grants following appropriate internal approvals, must be reflected in the multi-year workplan.

UNDP Support Services

16. UNDP may provide support services for any implementing partner, called Country Office Support (COS). These can include delivering specified outputs, implementing select project activities, contracting a responsible party on behalf of the implementing partner, or providing procurement, recruitment, payment or other services. COS is specified and agreed between UNDP and the implementing partner through a signed letter of agreement. Where the UNDP Country Office provides COS, adequate arrangements shall be put in place to ensure functional and institutional separation and distinct reporting lines between those UNDP staff and non-staff personnel providing CO support services and those UNDP staff and non-staff personnel providing oversight over the project, in order to ensure that no conflicts of interest shall arise.
17. When UNDP provides only direct payments on behalf of an implementing partner, UNDP's accountability is limited to: (a) assurance that the request has come from an authorized official; (b) verification that the requested payment is in accordance with the project workplan; and (c) verification that payment is made to the designated party. The partner capacity assessment tool is mandatory for all responsible parties, except for UNDP and other UN agencies. The HACT micro-assessment is mandatory for implementing partners if the amount expected to be transferred exceeds \$150,000 per year at the Business Unit level (not per individual project).
18. UNDP is entitled to reimbursement for the costs of service provision. This cost reimbursement is negotiated at the time of project formulation and included in the project budget.

Table 2: Legal Agreement Used to Engage UNDP to Provide Support Services to a NIM Project

Implementing Partner	Purpose of Agreement	Agreement
Government ministry/institution	To engage UNDP to provide support services to a NIM project	Standard letter of agreement between UNDP and the Government for the Provision of Support Services

Table 3: Legal Agreements Used By UNDP to Engage RPs under COS

Implementing Partner	Purpose of Agreement	Agreement
Government ministry/institution	For UNDP to engage an RP (government, institution or IGO) as responsible party on behalf of the IP under COS	Standard letter of agreement between UNDP and a Government Ministry/Institution/IGO to carry out activities when UNDP provides support services to a NIM project

19. For all types of partners to be engaged as an RP by UNDP on behalf of an Implementing Partner under COS, the relevant agreement in Table 1 above should be used. This includes the UN Agency to Agency Agreement for UN Agencies and the Responsible Party Agreement for CSOs selected under Collaborative Advantage. When UNDP engages a government, institution or IGO as a Responsible Party on behalf of an Implementing Partner under COS, UNDP may use the [Standard letter of agreement when UNDP provides support services to a NIM project](#). UNDP may also engage low value grant recipients under COS.

Low-Value Grants and Innovative Challenge Funding

20. UNDP defines low-value grants (also known as micro-capital grants) as cash awards - selected via programmatic decisions - to civil society and non-governmental partners intended to generate and solicit development solutions for which no repayment is typically required.
21. UNDP makes low-value grants for non-credit purposes to support the following types of activities:
- Strengthening the institutional capacity of entities critical for achieving development objectives.
 - Supporting community-based self-help initiatives, which may include income-generating activities designed to alleviate poverty;
 - Promoting advocacy activities and networking between civil society organizations, a government and donors;
 - Supporting NGOs and community-based organizations involved with local environmental protection and poverty eradication activities; and/or
 - Development challenges that still require some level of experimentation to identify possible solutions.

22. Low-value grants may also be made for credit activities and can be used by the recipient organization to cover the costs of its operations, purchase equipment, hire new staff or capitalize credit funds within the financial limits set out below. On all requests related to credit or microfinance, technical consultation with UNCDF is encouraged. See the [Financial Resources Management Section](#) for details on budget lines for reporting on grants to organizations for credit purposes and grants for non-credit purposes.
23. Low-value grants are typically used to engage with stakeholders who have a unique or distinct perspective on a development challenge, either because they represent populations excluded from the development process, or because they have particular legitimacy or exposure to a development challenge.
24. Innovation challenges are organized to solicit innovative ideas and solutions to development challenges that might not be found through traditional avenues.

Use of Low-Value Grants

25. UNDP has a long-term interest in low-value grant recipients. They are not strictly required to prove existing capacity to implement, since the grant itself is intended to strengthen their capacity. A grant cannot be used in lieu of a procurement process to provide commercial goods and services to the project.
26. LVGs should only be used in projects where the donor funding to the development project has approved their usage as a programmatic instrument by UNDP, and in such cases their usage may be subject to particular conditions or guidelines by the donor to the project. Until otherwise indicated, due to fiduciary accreditation limitations, UNDP is currently restricted from using Low-Value Grants in development projects funded by the Green Climate Fund (GCF).
27. The use of LVGs is specified in the project document to the extent possible and included in the multi-year total budget and work plan. LVGs may be one component of a broader project or the sole purpose of the project may be to deliver LVGs. If the use of LVGs is identified and proposed after the start of the project, the project board (or equivalent project governance mechanism) may approve the use of LVGs as part of a project revision pursuant to agreement with the funding source.¹
28. The following thresholds and review processes apply to low-value grants and innovation challenge funding subject to the delegation of authority issued to a head of business unit:
 - i. **\$150,000 or below per grant:** Selection of a grant recipient is based on a solicitation process with the selection criteria defined in the project document, and the review of grant proposals by a selection committee as is part of any development project. If the project document makes no other provisions, a grant is awarded based on a review by the project board. Grants are disbursed in one or more tranches, either before the expected result is achieved or based on performance. The same grantee can receive multiple grants up to a maximum of \$300,000 in a programme period. To receive multiple grants, the grant recipient organization must have produced the results agreed to in the prior grant agreement, and a new low-value grant agreement must be approved by the project board.

¹ Whether included in the Project Document as part of the design phase or included as a modality during implementation, the use of LVGs in a development project should always be consistent with the conditions of the funding source for the project.

- ii. [Innovation challenges](#) solicit ideas and solutions to address development challenges. Innovation challenges: (a) often include stakeholders who are not necessarily affected by the development challenge, but well placed to develop solutions, including private sector actors; (b) typically limit themselves to the generation or testing of ideas, but not their implementation; (c) can be awarded directly by the head of office for awards up to \$40,000 without further review. See the policy on innovation challenges.
- 29. Innovation challenges can be done in projects directly implemented by UNDP or when UNDP provides support services to national implementation (COS services). Low-value grants can be used in parallel to other engagement types with responsible parties or as part of a dedicated grant project.
- 30. Low-value grants can be awarded to civil society and non-governmental organizations, including academic or educational institutions that are not state-owned or for-profit. Government institutions, including public academic institutions and state-owned enterprises are not eligible to receive low value grants. Grant recipients either represent beneficiaries of the project or can be beneficiaries themselves. Under exceptional circumstances an individual can be a grant recipient when legislation prevents excluded and marginalized groups from organizing and attaining legal status (see [Engaging CSO/NGO as a Responsible Party](#) for more information). Private sector partners and individuals may receive an innovation challenge award. See [Innovation Challenge](#).
- 31. Low-value grant recipients are not considered responsible parties. Civil society/non-government organizations, including academic institutes engaged as low-value grant recipients, are exempted from competitive procurement processes and can be selected under programming modalities (i.e., LPAC, selection committee or project board decision) described in this policy and identified in a signed project document or project board decisions. Members of the selection committee or project board and their affiliated institutions are not eligible to receive grants.
- 32. The award of grants is not exclusive. Several entities can be awarded separate grants for the same development challenge, or a consortium can be awarded a single grant. Projects usually maintain a portfolio of grants with different stakeholders to foster collaboration and defray risks since they allow rapid experimentation and learning with comparatively small amounts.
- 33. In the interest of transparency and accountability, the grant selection criteria and the award of all grants must be made public by UNDP or the selection committee in an appropriate fashion.
- 34. Grant recipients use their own personnel, systems, designs, networks, procedures, and, in some instances, even their own funds to implement the grant. Any goods, equipment and supplies purchased with grant funding becomes the property of the grant recipient, who is responsible for substantive and financial reporting on funding use to a steering committee set up to oversee grant making and/or the implementing partner, as defined in the project document.
- 35. All grant recipient institutions must provide progress and final reports including financial and narrative information, to UNDP at least 30 days before the expected release of the next tranche or at least annually within 30 days after the end of year until the activities have been completed. Grant recipients are also subject to UNDP's audit requirements.

Modalities for Awarding Grants

- 36. Low-value grants can either be awarded (a) directly, whereby UNDP selects and signs a grant agreement with the recipient ('direct granting') as an implementing partner, or provides COS

services, or (b) indirectly, via ‘on-granting’, an arrangement where UNDP provides funds to a grant-making institution serving as an implementing partner (under national implementation) or responsible party (under direct implementation or COS services). The institution then awards grants to recipient(s) following certain specified guidelines and appropriate due diligence. The ‘grant recipient’ in both cases is defined as an entity that is the final beneficiary of the grant.

37. In the case of ‘on-granting’, UNDP and the grant-making institution (i.e. the implementing partner under NIM or responsible party under DIM/COS) must sign an agreement that defines the terms and conditions under which UNDP will provide funding to the grant-making institution to perform the grant-making function. Such an agreement defines the implementing partner/responsible party as an entity assessed by UNDP as possessing sufficient financial and grant management skills to bear responsibility for on-granting funds to grant recipient(s). On-granting clauses for non-UNDP Implementing Partners can be found [here](#), and on-granting clauses for Responsible Parties under DIM can be found [here](#).
38. UNDP is responsible for assessing the grant-making institution to ensure it has the programmatic, financial and management capacities and systems to effectively undertake its roles. In addition to the standard programmatic and financial assessments applied to UNDP’s implementing partners, including HACT, the assessment for on-granting includes the following areas:
 - Institutional capacity for grant award management, comprising a framework/system for undertaking grant proposal evaluation, due diligence and appropriate governance, and risk management (including composition and terms of reference of the grant award evaluation committee);
 - Financial resources management and systems, including analysis of granting portfolio;
 - Relevant history in managing resources through grant awards;
 - Relevant history in working with small organizations—including past experience in technical assistance and developing other organizations’ capacity for social service delivery, competing for grants, managing grants, etc.;
 - Programmatic capacity, including monitoring and evaluation;
 - Capacity to assess and manage risk, including safeguarding people and the environment from harm;
 - Procurement and supply management procedures with clearly defined responsibilities and applicable templates for assessing the eligibility and capabilities of potential grant recipients; and
 - Transparency, including systems and processes to make information on grant recipients public.

The relevant assessment process and due diligence checklists for an implementing partner to perform on-granting are included in the [partner capacity assessment tool](#).

39. In case an implementing partner decides to assign a responsible party to perform the on-granting on its behalf, the implementing partner is expected to base selection on the same capacity assessment process and due diligence standards that UNDP used to assess the implementing partner’s on-granting capacities and systems. While the project board (which includes UNDP) will review and recommend a choice for the responsible party, the implementing partner will bear full accountability for the final decision on selection.

40. Funding provided to each grant recipient cannot exceed \$150,000 per grant and \$300,000 on a cumulative basis within the same programme period. Under on-granting, if a responsible party oversees implementation of the grant programme on behalf of the implementing partner selected by UNDP, funding provided by it to any individual grant recipient shall not exceed \$60,000 per individual grant and \$120,000 on a cumulative basis within the same programme period.

Contingent Repayment Clauses in Grant Agreements

41. In certain instances, financing provided by UNDP under a grant agreement may result in the grant recipient generating additional revenue and/or reducing its costs. In such cases, UNDP uses clauses that enable it to receive payments from a grantee when the grantee generates a revenue stream and/or reduction in costs following receipt of a UNDP grant. The relevant clauses can be found [here](#).
42. The purpose of issuing grants with contingent repayments is to help support the development of products or services that may have revenue-earning potential, the commercialization of a product or service, or the provision of assets or other inputs to a commercialized service that may reduce costs and improve net revenue. Examples include grants issued to insulate buildings, which may then reduce energy costs, or to prepare media content, which may then earn royalties.
43. If commercialization is unsuccessful, and no revenue is generated or costs avoided by the grantee, whether due to technological or market failure, no repayment will occur. Thus, UNDP participates with the grant recipient in the risk of the development.
44. The intellectual property for solutions rests with the grant recipient, but through the grant application process, the grantee agrees to give UNDP an irrevocable, unlimited, cost-free license to use the solution in its programmes, and to replicate and disseminate it. The grant recipient retains the right to use the solution for its own commercial benefits.

Legal Instruments Used to Engage a Grantee

45. Written agreements for providing low-value grants and on-granting define the rules and procedures to be followed in managing grant activities.
46. The following table summarizes the legal instruments used by UNDP to provide low-value grants. For grants provided by partners other than UNDP, the relevant legal instrument of the partner institution will be used, which must be in a form that has been deemed acceptable to UNDP as part of the partner's grant-making capacity assessment process.

Instruments Used by UNDP to Provide Low-Value Grants

	Grantee	Agreement
Low-value grant	For grant recipient (civil society or non-	Low Value Grant agreement

	governmental organization, academia)	
On-granting	Clauses to be attached to project documents or the PCA for Implementing Partners or Responsible Party agreements under DIM	On-granting clauses for non-UNDP Implementing Partners On-granting clauses for Responsible Parties under DIM
	To government ministry/institution or intergovernmental organization as the grant-making institution	Full HACT and assessment for on-granting; on-granting clauses added to standard letter of agreement
	To UN agency as the grant-making institution	Assessment for on-granting; on-granting clauses added to UN agency to UN agency agreement
	To civil society organizations (including non-governmental organizations, academia, public-private entity) as the grant-making institution	Full HACT and assessment for on-granting; on-granting clauses added to: <ul style="list-style-type: none"> • Responsible party agreement for collaborative advantage • For competitive selection: model contract for professional services For country-based pooled fund: standard responsible party agreement for CBPFs