**Engagement Facility – Concept Note**

1. **Background**

There is a recognized need in UNDP for a more simplified and flexible way to utilize resources for achieving upstream policy results and testing innovations. As part of the Programme and Project Management Taskforce, members concluded that a delivery mechanism with low transaction costs is needed for UNDP to rapidly respond to requests for policy support. ‘Engagement projects’ were identified as a possible solution. Such engagement projects would cover:

1. The provision of time sensitive high-level/targeted advisory services for government counterparts, through the mobilization of experts;
2. The development of knowledge/innovative products requiring external expertise that falls within UNDP’s value offering;
3. The organization of special events related to development issues that cannot be covered by an existing project;[[1]](#footnote-1) and
4. The testing of innovations that have the potential for scaling-up.

The paper entitled ‘Programme and Project Management for a New Strategic Plan’ reiterated the need for engagement projects for the above purposes. This paper was approved by the OPG in December 2012.

The existing mechanisms for conducting upstream policy and innovation activities were reviewed, and new approaches to achieve the above objectives were explored including defining a new project type and streamlining existing delivery mechanisms. The result of this analysis concluded that the recommended approach is to combine the DAS and DSS delivery mechanisms into one rapid response facility for upstream policy and innovation results (renamed the “Engagement Facility”) and to revisit the procedures and guidelines around the use of this facility to encourage a greater potential for policy impact.

In October 2013, the Organizational Performance Group (OPG):

1. Endorsed the creation of an “engagement facility” for delivering upstream policy and innovation results by combining DAS and DSS and bringing this facility into the programme and project management policies and procedures of the POPP.
2. Approved rolling the existing DSS allocations into the engagement facility, as well as the current guidelines on permissible DAS funding sources (non-core mobilized resources, earned interest (from the 11888 account), residual cost sharing income balances, direct government and third party contributions, etc.) and expanded the approved funding sources for the Engagement Facility to include regional and global core programme resource lines.
3. Endorsed the recommended procedures outlined in section 4 of this paper (page 4).
4. **Options Appraisal**

UNDP’s policies and procedures currently have several delivery mechanisms for upstream policy work: a) full-scale projects within approved Country Programmes and implemented in accordance with NIM, DIM or other valid programme implementation modalities; b) project initiation plans; and c) the Development Effectiveness funding facilities: regular resources-funded DSS (Development Support Services) and its counterpart other resource-funded DAS (Development Advisory Services). A table comparing the purpose, features and transaction costs for each of these delivery mechanisms is located in Annex 1.

While the full project is the broadest delivery mechanism UNDP has (i.e., it can be used for virtually anything UNDP is mandated to do), it also has the most procedural requirements and highest transaction costs. A light project modality for engagement was initially considered to provide a more simplified and flexible way to engage in upstream policy initiatives. This approach could include a default DIM modality without requiring HQ approval, a light appraisal and eliminating the requirement for a Project Board. Since the current project document template only requires 4-6 pages of text at minimum, a lighter project document template would not greatly reduce required transaction costs and is thus not necessary.

Any time a project approach is used, however, it brings a host of procedural requirements which are not always compatible with the needs of rapid and flexible policy engagement and the promotion of innovation. Opening a new project just to provide a consultant, develop a knowledge product or hold a policy workshop creates unnecessary transaction costs beyond the flexibility already offered in existing modalities, namely DAS and DSS. The idea behind a dedicated engagement modality is to facilitate policy support and innovations quickly when an opportunity arises. What is needed is an open mechanism to support revolving activities that enable ideas to be tested and rapid upstream support to be provided. A traditional project cannot provide this flexibility, as a project’s results framework is designed to support clearly defined results that are envisioned at the start of the project.

Initiation plans are much easier to start and run than projects. They are intended, however, to finalize project documents and jump start project activities. They are not flexible enough to be used for strategic policy activities with no expectation of becoming a full project. They also must be closed within 12 months without exception. Some innovations can be tested through initiation plans, especially if there is a likelihood of a full project if the innovation proves to be successful. This will not change. Initiation plans cannot, however accommodate many of the needs identified by the PPM Taskforce.

DAS and DSS are existing funding mechanisms within UNDP’s financial resources policies and procedures, with the purpose of providing a rapid response facility for upstream policy activities. While a project number needs to be designated in Atlas, the usual project requirements (project document/RRF, appraisal, project board, etc.) do not apply. The budget is approved by the Resident Representative, and results must be reported in the ROAR. They are both implemented by UNDP without requiring HQ approval. One important difference between DAS/DSS and traditional programming modalities rest with accountability. DAS and DSS are funding facilities internal to UNDP, and thus personnel hired through them are directly accountable to the UNDP RR. In projects, consultants and other hired personnel are primarily accountable to the national counterparts.

DAS and DSS are very flexible and simple mechanisms for upstream activities with some drawbacks. While they are both generally for the same purpose envisioned for the engagement project, DAS can only utilize mobilized resources, earned interest and residual balances from cost sharing, and DSS can only use a small amount of HQ-allocated regular resources. This can result in fragmentation when activities require both regular and other resources and COs set up separate projects to manage DAS and DSS. Further, DAS and DSS are located in the financial resource section of the POPP and are not integrated into the Programme and Project Management policies. Guidance on documentation, quality assurance and results management of DAS and DSS are currently absent from the POPP (see Annex 2 for current entries of DSS and DAS in the POPP). Finally, anecdotal evidence[[2]](#footnote-2) suggests that programme staff may not be fully aware of how both DAS and DSS can be used to support upstream policy activities.

1. **Solution: Combining DAS and DSS into one Engagement Facility**

Members of the OPG, in addition to some members of the PPM Taskforce, suggested revising DSS to facilitate quicker and simpler policy engagement. This idea can be expanded in scope to include combining DAS and DSS to become a more flexible facility for policy engagement regardless of funding source, called the “Engagement Facility.” Under this facility, as long as the policy activities contribute to results included in the CPD or respond to emerging needs identified by the government for which engagement has been explicitly sought, resources for upstream activities could be committed by Resident Representatives or others in the CO with delegation of authority. The default implementation modality would be DIM. This option would not add to the existing programming tools; it would streamline them by combining two existing mechanisms into one more flexible funding facility.

The Engagement Facility will maintain the overall purpose of DAS and DSS – to provide a rapid response facility for upstream initiatives in UNDP’s priority areas. Given UNDP’s current drive to facilitate innovation, the purpose of the Engagement Facility can also be expanded to facilitate testing innovation with up-scaling potential. No project document would be required. If personnel will be hired through the Engagement Facility, a Terms of Reference describing the background, expected results and method for assessing effectiveness would be sufficient to justify the activity. If a knowledge product or special event would be funded from the facility, a brief would be prepared to explain the objective, expected results and what evidence would be collected to assess results. Results of the engagement facility would be reported annually in the ROAR, just as required currently with DAS and DSS.

Summary of what the Engagement Facility can/cannot Fund:

|  |  |
| --- | --- |
| **Can Fund** | **Cannot Fund** |
| Consultants – local, regional or international | Micro capital grants |
| UNDP staff on short-term TA or SC contracts, directly supporting related activities | UNDP staff members on CA or FTA contracts |
| Minor equipment purchases not exceeding 10% of total annual Facility expenditures | Equipment purchases over 10% of total annual Engagement Facility expenditures |
| Publications | Infrastructure |
| Workshops, conferences, learning events |  |
| South-South and/or Triangular Cooperation |  |

It is worth noting that there is a tradeoff between increased flexibility and coherence. The Engagement Facility cannot be used as a “slush fund” – its intention is to contribute to upstream policy results and innovation testing. The flexibility allowed in this modality means that it is the responsibility of CO management to use the facility strategically, for the achievement of development results agreed with the government under the overall country programme umbrella. The actual use of the facility should be monitored periodically to ensure that it is being used for its intended purpose, and that its results are being recorded in the ROAR and other corporate exercises.

1. **Procedures for the Engagement Facility**

The associated procedures for the proposed Engagement Facility are as follows:

1. One Engagement Facility project ID will be set up by the country office. This ID will remain open as long as the Engagement Facility is used in the business unit. The Engagement Facility will automatically be implemented by UNDP[[3]](#footnote-3).
2. TORs (for hiring personnel) and concept notes (for knowledge products, workshops, innovation initiatives, etc.) will be the documentation required to justify and detail the expected results of activities funded by the Engagement Facility.[[4]](#footnote-4)
3. An Annual Work Plan will be maintained for the Engagement Facility. Any new activity to be funded through the facility will to be included in the AWP and signed by the Resident Representative or Country Director in order for resources to be committed for that activity.
4. One UNDP staff member should be assigned to the quality assurance function for the Engagement Facility.
5. Each activity funded by the Engagement Facility should be demand driven.
6. Funds allocated to the Engagement Facility through an Annual Spending Limit (ASL) will continue to be recorded by fund code 04400 (as with the current DSS facility) and other resources will be recorded by fund code 11999 (as with the current DAS facility). Contributions applied to fund 11999 will continue to be applied through the accounts receivable module in Atlas and GMS charges will apply as per the cost recovery policy.
7. COs will continue to report on activities and results achieved through the ROAR (as is the current practice with DAS and DSS). It will be covered under the Management Audit of Country Offices.
8. The Engagement Facility will be covered in the Country Office management audit and, if the volume of expenditure so qualifies, it will also be covered by the DIM audit.

The new Engagement Facility is brought into the PPM to make clear that it is a programming option open to managers to achieve policy results.

**Annex 1: Existing Mechanisms for Upstream Policy Work**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Mechanism** | **Purpose** | **Contents** | **Impl. Partner** | **Requirements/ Transaction Costs** | **Restrictions**  |
| **Project Document** | Most common programming mechanism to operationalize programme results. Can be used for upstream policy work, and just about anything else UNDP is allowed to do. | - Cover page- RRF &/or AWP- Management Arrangements- Risk Log- Environmental & Social Screening- M&E FrameworkMinimum 4-6 pages | Preference for NIMCan be DIM, CSO, INGO or UN agency with justification | Appraisal process, including LPAC Government signature in most casesCapacity assessment of IP required (implementation and financial)HQ approval for DIM requiredCompetitive selection for CSO, INGO imp. requiredProject, donor reports requiredProject Reviews and Project Boards required | Few, as long as requirements are followed |
| **Initiation Plan**(Replaced Preparatory Assistance) | Used when financial resources are needed to finalize project design or begin project activities | - cover page- activity description- management of activities- AWPMinimum 4-6 pages | DIM by default (no HQ approval needed) | Appraisal process, including LPAC  | May not exceed 1 yearLimited in scope of activities; not meant for upstream work with no project link |
| **Development Advisory Services (DAS)** | Provides a rapid response facility for upstream initiatives in UNDP’s focus areas | N/AA TOR would be drafted for hiring experts, a brief for conducting a knowledge product or special event | DIM by default | Activities and results achieved through DSS reported in the ROARNo appraisal, RR approves budget | Only for mobilized resources, residual balances and earned interest on cost sharing. Regular resources can’t be used.Once resources are recorded in DAS, they cannot be movedCan only be used for activities within UNDP’s focus areas |
| **Development Support Services (DSS)** | Provides a rapid response facility for upstream initiatives in UNDP’s focus areas | N/AA TOR would be drafted for hiring experts, a brief for conducting a knowledge product or special event | DIM by default | Activities and results achieved through DSS reported in the ROARNo appraisal, RR approves budget | Small amount of regular resources allocated. No other funds can be used.Unused funds do not roll over to the next year Can only be used for activities within UNDP’s focus areas |

**Annex 2: DSS and DAS in the POPP (Existing – for reference only)**

**Development Support Services DSS**

**Spanish**

**|**

**French**

**|**

**English**

Page Content

Structure Element - Description

**General**

1. Country Offices can use the Development Support Services (DSS) facility in order to provide Resident Representatives with a rapid response capacity for direct support to upstream initiatives in UNDP’s focus areas.

**The DSS facility**

 2. Development Support Services (DSS) are intended to directly support high priority frameworks and programming initiatives, such as Country Programmes, SRFs, UNDAFs, pursuance of MDGs and Joint Programmes. The DSS facility should be leveraged to significantly enhance the substantive capacity of UNDP country offices to respond in a timely and flexible manner to the identified needs of governments in the above areas. The DSS facility also is expected to enhance the consultative process between Resident Representatives, Governments and donors, especially with respect to the alignment and programming of core and non-core resources.

3. The DSS facility is funded from Regular Resources through the Programming Arrangements. On an annual basis, resources are allocated through an Annual Spending Limit (ASL) in Atlas. Resources allocated to a Country office that remain unspent resources do not roll forward to the next year.

**Operational and Procedural Guidelines**
4. The Development Support Services (DSS) facility is allocation-controlled at the Fund-Department level through the ALT\_DP ledger with fund code 04400.

5. Based on the resources allocated to the Country Offices through the ASL, the Country Office can set up a development project(s) using the following COA:

YEAR: Current Year
FUND: 04400
OP UNIT: Country Office Code
PROJECT: To be created by CO
IMPL. AGENT: UNDP
DONOR: 00012

6. As for any other funds, Country Offices can monitor DSS expenditures through the Atlas Executive Snapshot as well as through relevant Atlas fund level reports.

7. CO’s should report their activities and results achieved through the DSS facility in the ROAR.

**Non-core Development Advisory Services (DAS) Funding Facility**

Structure Element - Description

​**General**1. In addition to the existing funding modalities, in each Country Office, a Development Advisory Services (DAS) Facility funded through Other Resources can be established in order to provide Resident Representatives with a rapid response capacity for direct support to upstream initiatives in UNDP’s focus areas. .

**The DAS facility**
2. Development Advisory Services (DAS) are intended to directly support high priority frameworks and programming initiatives, such as Country Programmes, SRFs, UNDAFs, pursuance of MDGs and Joint Programmes. The DAS facility should be leveraged to significantly enhance the substantive capacity of UNDP country offices to respond in a timely and flexible manner to the identified needs of governments in the above areas. The DAS facility also is expected to enhance the consultative process between Resident Representatives, Governments and donors, especially with respect to the alignment and programming of core and non-core resources.

3. There is no prescribed funding level for the DAS facility established in each country office. Rather, DAS funding will depend entirely on the ability of country offices to mobilize resources for this purpose in close consultation with the government.

4. The DAS facility could receive funds from a variety of sources, such as one or more of the following below:

(i) The Country Programme Cost sharing Account (11888 account) represents a source of non-core programme resources available to countries in support of a broad range of programme initiatives falling within the purview of their Country Programmes. Resources currently flow into it from two different sources: (1) blanket contributions to Country Programmes from donors (usually the concerned programme country government); and (2) interest earned on cost sharing income balances. Country offices should review the current status of their Country Programme cost sharing accounts (11888 accounts), especially accumulated interest earned on cost sharing income balances, and then hold appropriate consultations with host governments in order to determine the magnitude of resources, if any, which could be best utilized through transfer to the DAS facility.

(ii) Residual Cost Sharing Income Balances exist with respect to a large number of completed projects that still have remaining cost sharing income balances. Consistent with general practice in the organization, donor agreement/concurrence must be secured prior to transferring and utilizing any such balances to the DAS facility.

(iii) Direct Government and Third-Party Contributions can also be mobilized and credited to the DAS facility to directly support programme initiatives.

**Operational and Procedural Guidelines**

**Recording of Income**
5. The Development Advisory Services (DAS) facility is cash controlled fund managed through the AX1 DP ledger, fund code 11999.

6. The facility can receive funds from a variety of sources noted above. However, once income is recorded in the DAS facility, it cannot be considered fungible and thus is not eligible for consideration for transfer for other purposes.

7. If Country Offices transfers unutilized cost sharing balances to the DAS facility, the following prerequisites apply:

* Offices are to ensure that corresponding costs-sharing project is closed and there are no outstanding financial obligations or commitments;
* Offices are to secure the concurrence of the donor in order to redeploy these funds to the DAS;
* A General Ledger Journal Entry (GLJE) is raised based on the following model:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Line** | **Account**  | **Fund**  | **Project** | **Oper**  | **Dept**  | **Amount** | **Comment** |
| 1 | 51035 | As per cost sharing project fund | your project | CO | CO | TBD | DEBIT to cost sharing balances to redeploy as DAS |
| 2 | 51035 | 11999  | n/a | CO | CO | TBD | CREDIT to DAS facility from CS balances |

8. In cases where the Country Office successfully mobilizes government or third party cost-sharing contributions towards the DAS, upon receipt of the contribution, offices are to apply the contribution to Fund 11999 using the Accounts Receivable module in Atlas. It must be emphasized that regular GMS charges will apply to the contribution, as per cost recovery policy.

**Project Set up**

9. Based on actual income recorded in the Development Advisory Services facility and as requested by the Country Office, the Country Office can set up a development project(s) using the following COA:

YEAR: Current Year
FUND: 11999
OP UNIT: Country Office Code
PROJECT: To be created by CO
IMPL. AGENT: UNDP
DONOR: 00012

**Monitoring and Reporting of Income and Expenditure**

10. As for any other funds, Country Offices can monitor both their DAS income and their DAS expenditures through the Atlas Executive Snapshot as well as through relevant Atlas fund level reports.

**Substantive Reporting of Results**
11. CO’s should report their activities and results achieved through the DAS facility in the ROAR.

1. Message sent by Jens Wandel, Deputy Regional Director and Regional Center Director RBEC, 20 June 2011, as part of the Programme and Project Management Taskforce’s discussion on simplification of the Programme and Project Cycle [↑](#footnote-ref-1)
2. Conversations with CO colleagues at the recent RBM Workshop and consultations with colleagues in regional and central bureaus [↑](#footnote-ref-2)
3. Delegation of Authority for implementation will be discussed comprehensively as part of phase two of the PPM revisions. [↑](#footnote-ref-3)
4. Note: Project documents, project boards and PACs are not required for the Engagement Facility, as they are currently not required for DAS and DSS [↑](#footnote-ref-4)