

Framework for Strengthening the Institutional Capacity of National and Local Actors

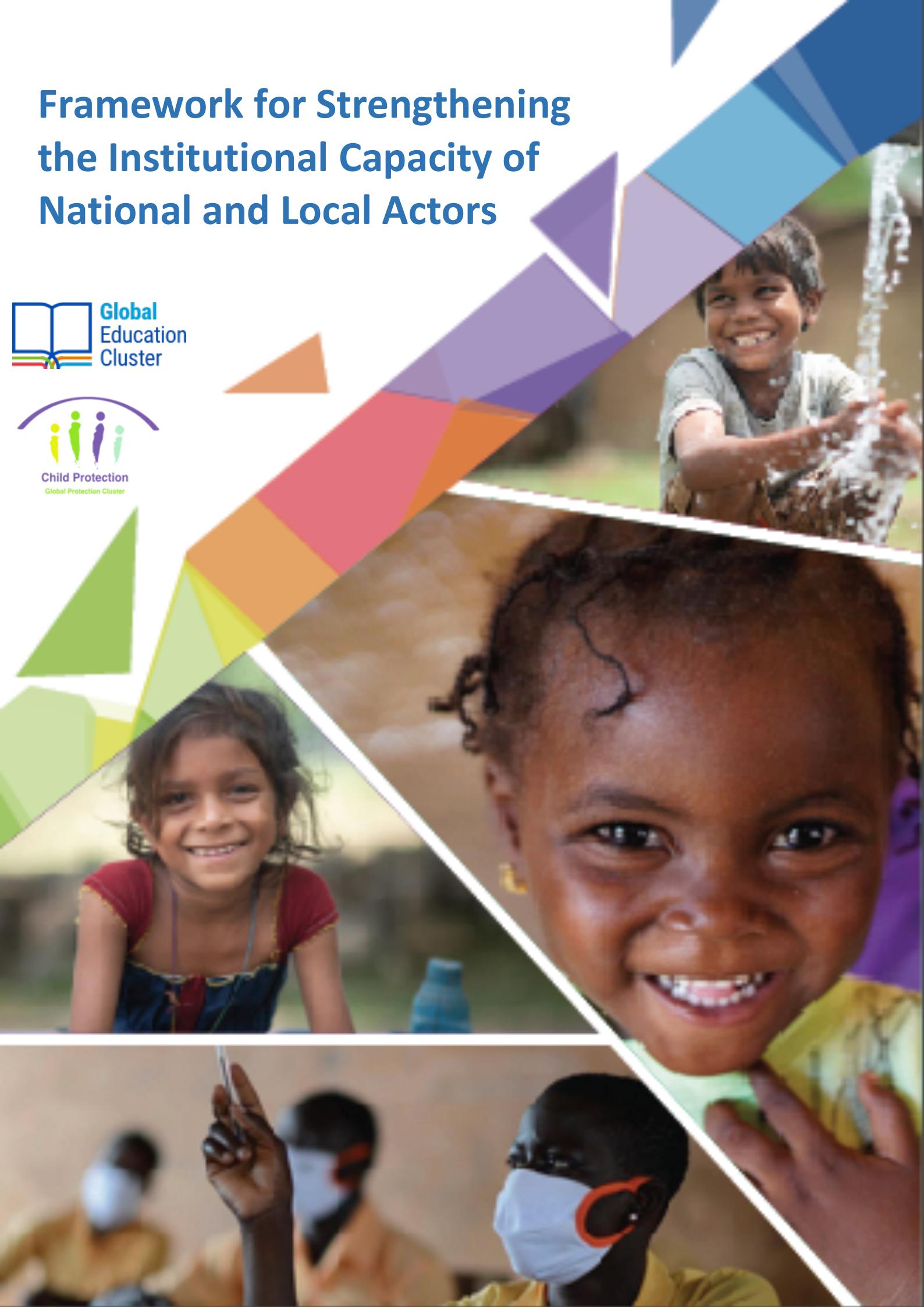


Table of Contents

1. Introduction	4
Background.....	4
Localization in Coordination.....	5
Problem Statement	6
This Framework	6
2. Unpacking Institutional Capacity Strengthening of National and Sub-national Actors.....	8
3. Integrating Institutional Capacity Strengthening into the Humanitarian Programme Cycle	10
Step 1 Engage: initiate discussion of institutional capacity strengthening issues	11
Step 2 Assess: support the assessment of institutional capacity needs and gaps	12
Step 3 Formulate: capacity strengthening plans	13
Step 4 Implement: capacity strengthening plans	14
Step 5 Monitor: the implementation of capacity strengthening efforts	16
4. Roles, Responsibilities and Ownership.....	17
Annex: Priority Areas of Institutional Capacity Strengthening (ICS)	18
1. Financial Management	18
2. Human Resource Management.....	19
3. Informational and Communication Technology (ICT)	20
4. Institutional Governance	20
5. Leadership.....	22
6. Management.....	23
7. Project Management	24
8. Resource Mobilization	25
9. Risk Management	26
10. Procurement Management System	27
11. Supply Chain Management and Logistics.....	28

Cover images:

- © UNICEF/UNI357779/Buta
- © UNICEF/UNI342592/Panjwani
- © UNICEF/UNI342569/Panjwani
- © UNICEF/UNI331388/Haro

1. Introduction

Background

The 2016 World Humanitarian Summit recognized the centrality of local (national and sub-national) actors in humanitarian responses. Since then, the Grand Bargain initiative – initiated at the World Humanitarian Summit – has had up to 62 signatories from humanitarian organizations, and donors have made a series of pledges and commitments captured in 10 workstreams, including increasing investment towards strengthening the capacities of local and national partners in humanitarian preparedness, response and coordination.¹ Workstream 2 of the Grand Bargain emphasizes localization as a priority and acknowledging that

"National and local responders including governments, communities and local civil society are often the first to respond to crises, remaining in the communities they serve before, during and after emergencies. Grand Bargain Signatories are committed to making principled humanitarian action as local as possible and as international as necessary. They recognize that international humanitarian actors play a vital role and engage with local and national responders in a spirit of partnership with the aim of reinforcing rather than replacing local and national capacities."

In addition to this acknowledgement, investing in the development of the technical and institutional capacity of local and national actors is one of the first steps to advancing effective localization. This acknowledgement is emphasized by the commitment of the Grand Bargain Workstream 2 to "Increase and support multi-year investment in the institutional capacities of local and national responders, including preparedness, response and coordination capacities, especially in fragile contexts and where communities are vulnerable to armed conflicts, disasters, recurrent outbreaks and the effects of climate change. We should achieve this through collaboration with development partners and incorporate capacity strengthening in partnership agreements." This investment will help local and national partners achieve the capability to fulfil their core functions and to better respond to humanitarian crises.

The COVID-19 pandemic has had an unprecedented impact on humanitarian responses, whereby the containment and safety measures enacted have dramatically reduced the footprint of international actors across all of the UN Office for the Coordination of Humanitarian Affairs' (OCHA) active humanitarian responses.² This vacuum has meant a consequent reliance on local actors as the primary providers of humanitarian response services at an equivalent output level to what the international humanitarian actors would normally do.

Local actors (national and sub-national) are from the affected populations, and their physical, social and linguistic proximity positions them as indispensable participants, partners and leaders in humanitarian responses. They have better access and deeper relationships with the population – and a far more nuanced understanding of the history and politics of local areas affected by crises. When strengthened, national and sub-national systems can expedite preparedness, respond faster, be cost-effective and learn from doing with an eye to future crises.

¹ On more support and funding tools for local and national responders in the Grand Bargain Workstream 2, please see <https://interagencystandingcommittee.org/more-support-and-funding-tools-for-local-and-national-responders>.

² Please see OCHA's official humanitarian response [website](#).

Localization in Coordination

The Global Protection Cluster, the Child Protection and the Gender-Based Violence Areas of Responsibility and the Global Education Cluster envisage more inclusive and participatory coordination mechanisms as having huge potential for a system-wide shift.³ This is because in many countries, local actors constitute up to 75 per cent of coordination group members. In addition, local actors are usually the first responders and continue to operate when international agencies withdraw. "Country coordination groups lead the development of national humanitarian response strategies; and they help government, donors and pooled fund managers decide when and where to invest advocacy, funding and other resources." As a consequence, the coordination system has both an obligation to promote localization and an opportunity – to support agencies to take successful localization pilots to scale; to mobilize adequate financial and human resources; secure structural or systemic change and ultimately, strengthen the humanitarian response.⁴

The Protection and Education Clusters developed the conceptual framework for localization in coordination with five dimensions, shown below:

A conceptual framework for localization in protection and education coordination

Dimension	What this means for coordination?
Governance and Decision-Making	Local actors should have equitable opportunities to play leadership and co-leadership roles at national and sub-national levels and have a seat at the table when strategic decisions are made (for example, in Strategic Advisory Groups or Steering Committees).
Participation and Influence	Local actors should have the opportunity to influence the Area of Responsibility/Sector's decisions. To do this, they need equitable access to information and analysis on coverage and results, etc., and the opportunity and skills to effectively and credibly convey their thoughts and ideas.
Partnerships	Coordinators should be promoting a culture of principled partnership, both in the way a coordination group interacts with its members and how members interact with each other. In some cases, this requires transitions from subcontracting to more equitable and transparent partnerships, including recognizing the value of non-monetary contributions by local actors, such as networks or knowledge.
Funding	Where they have the institutional capacity to manage their own funds, local actors should be able to access funds directly. Local actors should receive a greater share of the humanitarian resources, including pooled funds, where applicable.
Institutional Capacity	While technical capacity strengthening is important, coordination groups should also actively encourage more systematic and coordinated opportunities to receive support to strengthen operational functions, as part of the overall sector strategy to scale up services.

³ Protection Cluster and Education: Localization in Coordination Summary, 2017.

https://www.dropbox.com/s/yu6f1i6z6ezgc1b/2._Localisation_in_Coordination_Summary.pdf?dl=0

⁴ Global Protection Cluster, the Child Protection and the Gender-Based Violence Areas of Responsibility and the Global Education Cluster: Localization in Coordination Summary, 2017

While there has been some notable investment in the first four dimensions (governance and decision-making, participation and influence, partnerships, and funding) in the conceptual framework, there has not been as much focused attention on institutional capacity. Hence, the development of this framework to bring institutional capacity development to the core of localization in coordination.

Problem Statement

Capacity development for local partners in coordination groups is commonly focused on learning events that improve the technical skills of the thematic focus area. Conversations with national, local and community-based organizations, indicate the need for developing their capacities beyond their technical competencies. For instance, in the assessment of the Child Protection Area of Responsibility's (CPAoR) localization initiative, several key informants noted that the majority of capacity-building has focused on one-off child protection technical skills training. In contrast, long-term mentoring and a focus on institutional capacity-building is needed to advance the localization agenda. Limited institutional capacity to absorb funding is recognized as a critical challenge, yet in 2019 only four coordination groups (13 per cent of the total) reported conducting institutional or organizational development trainings.⁵ A significant number of local actors face weak operational capacity and a lack of internal controls. This key challenge makes it difficult for local actors to provide the level of financial accountability required by international donors.

This Framework

The goal of this framework is to support local and national members of the Child Protection and Education Country coordination groups to improve their operational capacity in key areas. This investment is expected to lead to measurable results in achieving their organization's goals and objectives. Organizations can continuously develop their ability to respond with efficiency and effectiveness in larger, more complex situations and to reach more people who require humanitarian assistance. Since 2017 the Protection and Education Clusters have been working to increase the coordinated participation of local and national actors using the conceptual framework mentioned above.

The **objective of this framework** is to provide:

1. CP AoR and Education Country Coordinators with information to develop institutional capacity development strategies and integrate them into the Humanitarian Programme Cycle.
2. Humanitarian organizations and donor investment opportunities to support the institutional capacity development of Workstream 2 of the Grand Bargain commitments. The framework provides information on the overall cost of the different components of institutional capacity improvement that will bring national and local operational capacity into the foreground.
3. International humanitarian organizations with information on how they can meet the Grand Bargain Localization Workstream 2 obligations and act towards strengthening the institutional capacity of their partners and other local actors. Working with their local partners, humanitarian organizations can identify areas for immediate capacity strengthening and develop a road map of support for sustaining the growth of partners in a medium- to long-term manner.

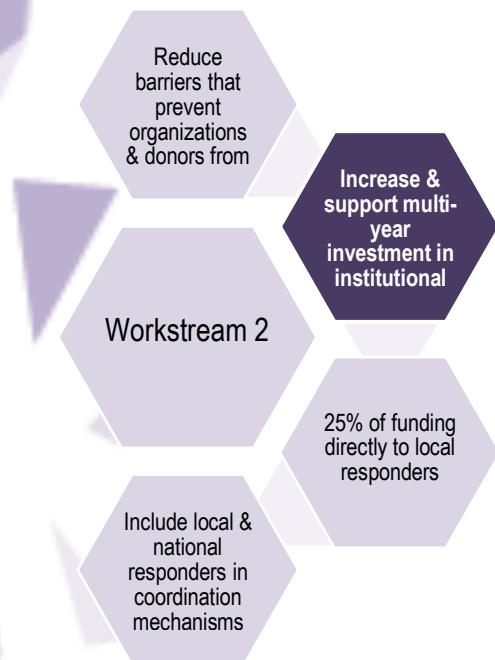
In terms of implementation, this framework comprises a structured set of processes to identify institutional capacity gaps or needs and offers options and opportunities to fill them. It includes information on how to apply acquired knowledge, skills and techniques; how to monitor performance

⁵ Ibid., one country for financial management; one for leadership and management; three for project design; and one for programme management.

and how to integrate continuous institutional capacity development efforts into programmes and operations. The framework is a living document and will have periodic reviews and updates to support monitoring and continuous institutional capacity development. The first edition provides information on the current priority areas identified by national and local organizations to build their operational capacities. Updates will provide information on significant new priority themes for strengthening institutional capacity and a wider choice of training and development forms.

The framework is divided into two sections: The first section focuses on unpacking institutional capacity strengthening, integrating institutional capacity in the Humanitarian Programme Cycle and understanding the phased approach to capacity strengthening efforts. The second section is the annex with information on possible components of institutional capacity strengthening efforts.

Figure 1: Localization as envisaged under Workstream 2



2. Unpacking Institutional Capacity Strengthening of National and Sub-national Actors

To achieve the aim of Workstream 2 of the Grand Bargain⁶, focused institutional capacity investment will allow local organizations to attain the required technical and operational skills. The empowerment of local organizations is further emphasized in the Inter-agency Steering Committee (IASC) Interim Guidance: Localization and COVID-19 Response.⁷ It stipulates that strengthening the organizational capacity of local partners will increase their capability to deliver timely humanitarian response services at the same scale as traditional international humanitarian agencies. Increased immediate investment in personnel skills and establishing or upgrading systems will allow organizations to scale up delivery of professional humanitarian assistance. This investment will pave the way for organizations' long-term capability to respond to current and new crises that may arise.

With increased and sustained investment in local operational infrastructure, local partners can take on increasingly complex tasks. With strengthened confidence in local organizations' institutional capacity, they are more likely to directly access funding from country-based pooled funds and other donors – the very aim of the Grand Bargain Workstream 2.

Traditional capacity development efforts have been programmatic/technical in nature – directed at local response and individuals at the periphery and not the institutional levels of national and local responders. Concurrently, efforts to strengthen capacity have centred on delivering short, boilerplate trainings to check humanitarian minimum-standard markers. Until now, overall response continues to be managed by large international agencies funded by equally large donors, who in turn carry out these trainings in perpetuity as “refreshers.” Consistently integrating institutional capacity strengthening into the Humanitarian Programme Cycle (HPC) implies sustained and comprehensive capacity strengthening efforts, based on identified gaps, needs, capacities and strengths.

The Localization Workstream of the Grand Bargain makes clear this must change. Capacity development practitioners increasingly recognize the importance of working at the organizational systems building level to ensure multiple competencies are strengthened. Consequently, enhanced capacity is brought to bear in complex – and often protracted – crises with the goal that local agencies are invested with the skills to respond in a long-term manner.⁸ This includes adequate investment targeting, improved personnel skills, upgrading or establishing efficient governance, financial and human resource systems and procedures.

The aim of localization is also to ensure a larger share of the humanitarian coordination space is allocated to experienced and technically sound local actors who bring the added value of indigenous knowledge to a response.

⁶ See <https://interagencystandingcommittee.org/more-support-and-funding-tools-for-local-and-national-responders>

⁷ See <https://interagencystandingcommittee.org/inter-agency-standing-committee/iasc-interim-guidance-localisation-and-covid-19-response-developed>.

⁸ See www.betterevaluation.org/en/themes/capacitydevelopment.

The outcomes of the investment in strengthening the institutional capacity of sub-national and national actors will be demonstrated by:

- Improved knowledge, skills and competencies of organizational staff through training, mentoring and coaching support.
- Change in the attitudes and practices of staff who have received training, mentoring and coaching support. For instance, staff who have benefited from financial management training, mentoring and coaching should be able to implement an updated or new financial policy.
- Staff who have received capacity training will be able to cascade the skills and knowledge learned to colleagues in administration, supply chain management and procurement.
- Changes in the organizational policies and procedures that will demonstrate the organization's mode of operation. This may include, but is not limited to, changes in governance, financial management, fundraising and human resource management, leadership and so forth. In financial management, these changes will be realized through timely financial reporting, retirement of funds, proper use of bank transfers, monthly reconciliations, etc. There will be increased efficiency, clear decision-making procedures and stronger internal controls.
- Ultimately, there will be a marked change in the way the target organization manages projects to achieve its main objectives. An organization with stronger internal control systems is more likely to be more effective and efficient in implementing humanitarian response. It is also likely that such an organization will quickly scale up its operations and take more projects when required.

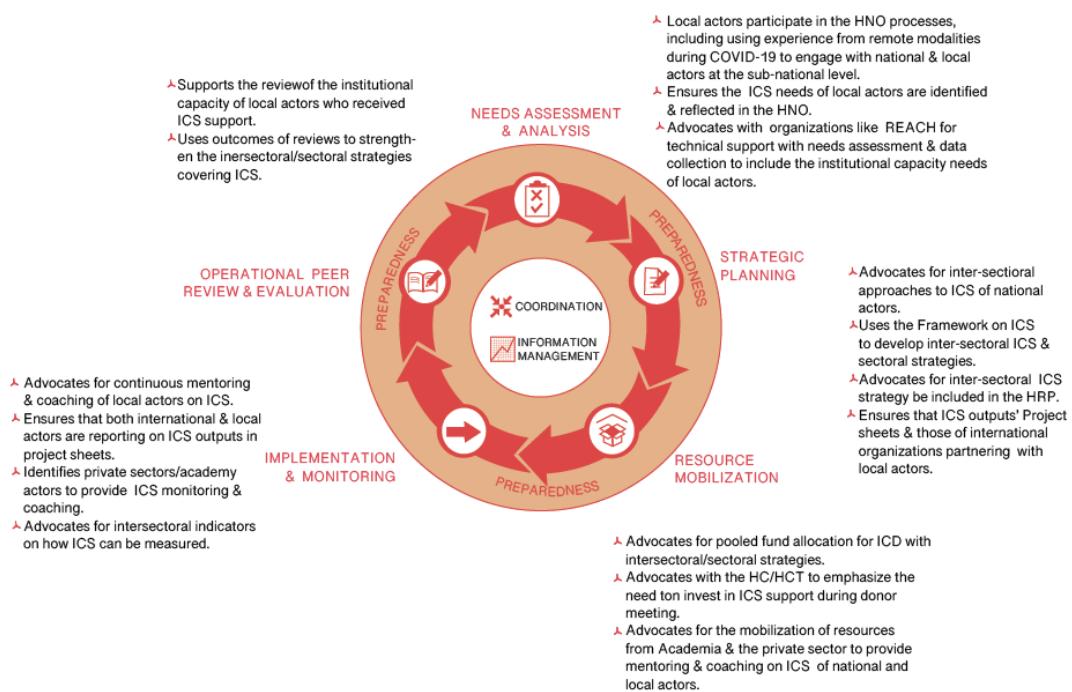
3. Integrating Institutional Capacity Strengthening into the Humanitarian Programme Cycle

Every stage of the existing HPC should consider institutional capacity needs of national and sub-national organizations. For instance, the Humanitarian Needs Overview (HNO) identifies and assesses affected populations and their needs. At this strategic time, it is critical to ensure that the institutional capacity of the national and local organizations is highlighted throughout the stages of the HPC.

The diagram below illustrates how institutional capacity strengthening can be brought in to the HPC.

- **Needs assessment and analysis:** Concerted efforts will be required to ensure that local actors participate in this process and their institutional capacity needs and gaps are identified at the same time as those of the affected populations are being identified.
- **Strategic planning:** The capacity needs, and gaps identified during the needs assessments are reflected in the Humanitarian Response Plan (HRP), making the implementation of the capacity strengthening plans possible.
- **Resource mobilization:** Clusters advocate for allocation of funds, including country-based pooled funds (CBPF) for implementing institutional capacity strengthening plans.
- **Implementation and monitoring:** There will be continuous monitoring during implementation of the capacity development plans and provision of additional support as required to achieve them.
- **Operational Peer Review and Evaluation:** The outcomes of the institutional capacity development evaluation will be used to inform further investments in strengthening the operational capacities of local and national actors.

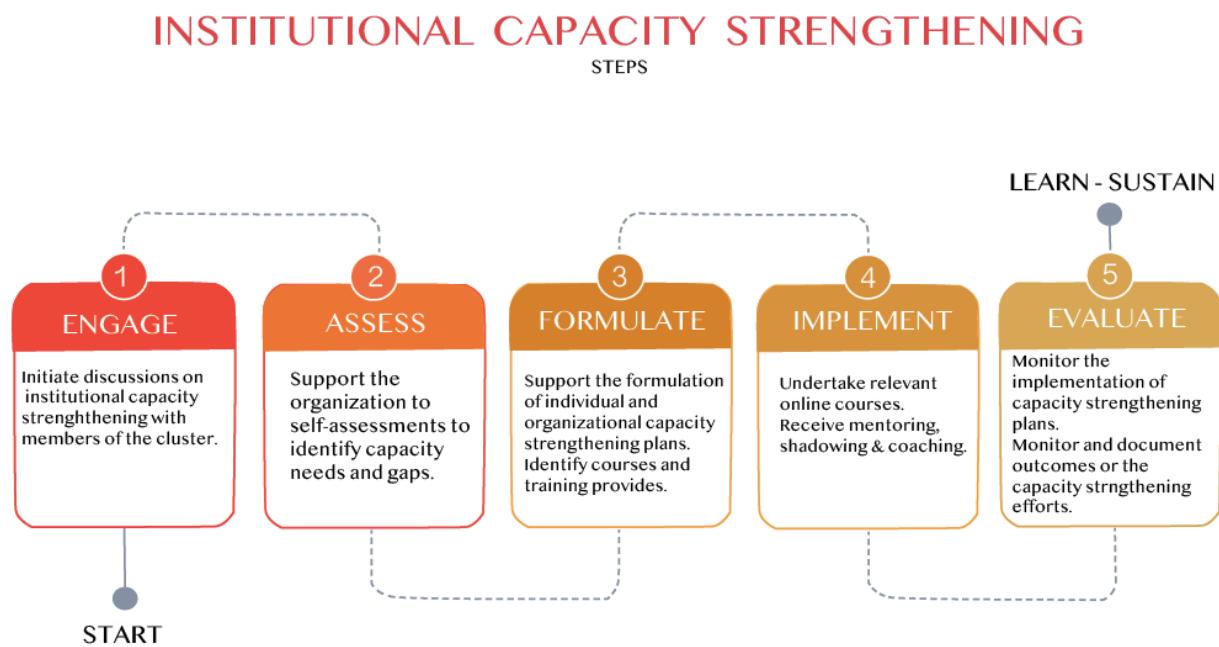
Figure 2: Integrating Institutional Capacity into the HPC



Integrating institutional capacity strengthening into the HPC provides opportunities for clusters to work together to accelerate the improvement of operational capacities of local actors. Improved operational capacities and strong internal controls will translate into improved programmatic response. Refer to the sample [project template](#) for institutional capacity strengthening relative to the HPC.

Information and Communication Technology (ICT) enhanced engagement: Owing to COVID-19 and to keep this framework on track, the proposed immediate and medium-term institutional capacity development initiatives will be largely online, and adequate ICT will be a pre-requisite for effective Institutional Capacity Strengthening. Thus, initial assessments (and possible investment) in information technology infrastructure will be a part of the needs assessment stage. Local and national organizations require smartphones and Internet connectivity for content-rich engagement with trainers, partners and stakeholders. It is also understood that some personnel will require basic computer literacy skills for research, word-processing, spreadsheets and use of other applications at the outset.

Figure 3: Institutional Capacity Strengthening Steps



Step 1 Engage: initiate discussion of institutional capacity strengthening issues

Issues related to capacities of local and national members of clusters have dominated and continue to dominate cluster coordination meetings across the board. Often these discussions have focused on technical/programmatic capacity. International organizations who are members of clusters who partner with local actors have often provided trainings to improve technical capacities of their partners. Discussions on capacity now need to focus on institutional capacity needs of the local actors across the board, not just limited to the cluster strategies. Clusters should provide opportunities for local actors to discuss their operation capacity needs and exchange ideas on how these needs can be met. International members of the clusters should discuss ways they can contribute to the enhancement of the local actors' operational capacities. There should also be discussions on how local actors can contribute to capacities of international actors relative to local knowledge and needs of affected

populations. This complementary approach will enhance the principles of partnership.⁹ Wherever feasible, the discussion with local actors on their institutional capacity strengthening can be led by institutional capacity providers.

The outcomes of the discussions on institutional capacity of local actors can then be fed into organizational HNO/HRP processes where this is applicable. This will allow for the initial identification of capacity needs and gaps during the HNO and the development of strategies to address the gaps during the HRP process. The outcomes of these discussions can also be fed into partnership agreements between international organizations and their local partners.

Step 2 Assess: support the assessment of institutional capacity needs and gaps

Once the institutional capacity needs and gaps have been identified, an in-depth capacity assessment will be needed. From this stage onward, the local actors participating in the institutional capacity initiative will require the support of international organizations to either support the next step in the process or identify organizational development experts/firms to lead these processes.

The organizational capacity assessments will examine management structure, financial and resource management systems, human resources and logistics management and the effect on the overall organizational performance. This in-depth assessment will also help to determine the organizational potential to apply new technologies or skill sets.¹⁰ The individual staff capacity assessments will consider the performance of staff and/or units to determine if they have the skills and competencies to perform critical tasks. There are several tools that may be used in conducting organizational or sector specific capacity assessment of humanitarian actors such as:

- Organizational Capacity Assessment Tool (OCAT)¹¹
- CADRI Tool by the Capacity for Disaster Reduction Initiative (CADRI)¹²
- Organizational Capacity Assessment (OCA)¹³
- The Simple Capacity Assessment Tool (SCAT)¹⁴

Local actors participating in the organizational capacity assessment will have the opportunity to access external, independent or specialized consultants, or training service providers. Consultations through external experts can provide a more comprehensive view of the organization's potential for expansion and growth.

⁹ see www.icvanetwork.org/system/files/versions/Principles%20of%20Partnership%20English.pdf.

¹⁰ Human and Institutional Capacity Development Handbook, A USAID Model for Sustainable Performance Improvement (2010). https://pdf.usaid.gov/pdf_docs/PNADW783.pdf

¹¹ Please see ALNAP. The Organizational Capacity Assessment Tool (OCAT) is a standard survey completed by key people within an organization and was initially developed by McKinsey & Company to assess their operational capacity and identify strengths and areas for improvement.

¹² Please see CADRI, a 20-member global consortia working towards the achievement of the Sustainable Development Goals by providing countries with capacity development services to help them reduce climate and disaster risk with sector specific guides for capacity assessments.

¹³ Please See USAID Learning Lab. OCA is a structured tool for a facilitated self-assessment of an organization's capacity followed by action planning for capacity improvements.

¹⁴ This is an example of an assessment tool.

Step 3 Formulate: capacity strengthening plans

Local actors will play a leading role in the development of the plans with the support of experts if required. The institutional capacity assessment will a) identify, categorize and prioritize capacity gaps; b) establish the extent of training/learning levels needed; and c) recommend internal controls, restructuring/remodelling or other operational materials and tools. The organizational development experts or firms will use this information to discuss with the local actors and agree on organizational and staff capacity development plans. These plans will contain suggested training courses, timeline and budgets. These plans can be the basis for the development of strategies for strengthening the institutional capacity of local actors. These strategies can be provided to the HRP where applicable or incorporated into partnership agreements between international and local partners.

These plans will include mandatory trainings that will enable local organizations to interact with humanitarian donors and have greater engagement at the coordination level. The capacity enhancement framework will facilitate the following:

1. National and local organizations that are seeking qualification for Harmonized Cash Transfers (HACT)¹⁵ must conduct a macro assessment to determine the organization's financial management capacity. This can be done in tandem with the institutional capacity assessments. Both identify opportunities to improve internal systems and processes, which are a condition for increased funding towards capacity-building and scaling up their operations.
2. International and local humanitarian organizations must go through OCHAs Due Diligence¹⁶ process before applying for funding, including pooled funds at country level. The Due Diligence assessments confirm if an organization has the required operational systems and processes in place and opens up opportunities to appeal for other humanitarian funding opportunities.
3. Through the UN Partner Portal,¹⁷ the UN seeks to partner with organizations with proven management practices, good governance, transparency, accountability and successful financial management.

Box: Training Domain Options included in the Framework

The Annex of this Framework provides information about the various stages and training domain options that the CP AoR and Global Education Cluster GEC propose for institutional capacity development under the Localization Workstream 2:

- a) Descriptions of key/priority areas for institutional capacity strengthening; the key elements of the work area and the relevance it has towards institutional capacity development; and basic guidance on establishing or strengthening the priority area.
- b) A compiled list (catalogue) of learning and development opportunities, recommended structure, and cost for the recommended forms of training and development.
- c) A list of suggested training and development service providers who can be pre-selected and commissioned to support the training development cycle.

¹⁵ UNDGs Harmonized Approach to Cash Transfer (HACT) Framework

¹⁶ [Grants Management System \(GMS\) Due Diligence. See also the GMS Overview \(<https://gms.unocha.org/content/grants-management-system-gms-overview?plid=466>\)](https://gms.unocha.org/content/grants-management-system-gms-overview?plid=466)

¹⁷ [UN Partner Portal](#)

Step 4 Implement: capacity strengthening plans

The local actors participating in the capacity strengthening activities will be at the forefront of implementing the mutually agreed organizational and individual staff development plans. The local actors will make decision on readiness for implementing the plans. They will make decisions on resources and the choice of the experts to engage. The local actors will also decide whether they would like to embark on this process as individual organizations or would like to work as a consortium and benefit from peer learning opportunities.

Online Courses and Resources¹⁸

Several organizations and institutes offer free online courses or at a minimal fee in a wide range of specialized topics for humanitarian NGOs, notably [OCHA](#).¹⁹ Additionally, the CP AoR and the GEC have assembled a [catalogue](#) of recommended institutional capacity strengthening providers to this framework. The catalogue offers a range of courses from basic to advanced and certifiable.

Mentoring and Coaching Services

Professional (in-person or online) mentoring and coaching services are essential to help staff apply their skills and manage the organizational systems and policies within their respective domains. Online courses range from a few hours to less than two weeks. Mentoring and coaching options can include on-the-job learning, expert secondment or shadowing in conjunction with the self-paced courses.

Mentoring identifies skills and competencies for further development and helps shape productive relationships across the organization's functions. Coaching and shadowing allow for professionals to be deployed in an observatory role to ensure that learning is applied professionally and appropriately. Select specialized service providers or partnerships can also be used with either UN agencies or international and national organizations to provide mentoring and coaching.

The level of capacity-building investment needed will be based on a [capacity assessment](#) to identify areas and skills that should be improved. Country Coordinators will use this information to cluster organizations according to their competencies and levels of capacity for mentoring, coaching and training. This widens the reach of national and local actors, for example, by clustering 2–3 organizations with minimum capacities, or 3–4 organizations with basic but weak systems. Clustering organizations fosters peer learning, longer term peer support and allowing more organizations to receive support within a short period. In addition, help desks (Arabic, French and Spanish) will identify regional mentoring and coaching service providers who may be contracted to provide continuous support to several organizations simultaneously.²⁰ For example, organizations that already have a financial policy but have gaps in financial management may require a shorter period for mentoring and coaching.

For organizations with weak or no functional systems or structures, introducing new systems or management tools will occur alongside training and staff mentoring. For example, finance staff receive practical mentoring support when financial accounting tools such as excel accounting sheets or ledger books are being introduced. Here, the mentoring and coaching support will be extended depending on the organizational and individual capacity development plan. A mentoring and coaching schedule will consist of the induction and application phases of new skills and techniques, followed by a period of monitoring their application or possible advanced training or systems introduction.

¹⁸ Internet connectivity may create challenges in accessing online courses; hence, on page 8 of the framework, there is an explanation on assessing the local partners' IT infrastructure, and support strengthening this before implementing the capacity strengthening plans.

¹⁹ The most comprehensive example of this is OCHA's [gateway for humanitarian training opportunities](#).

²⁰ CP AoR and GEC Helpdesks are now operational in multiple languages.

Mentoring and coaching service providers available for national and local organizations:

- a) At the global level, organizations such as Micromentor,²¹ Humentum²² and the Global Mentoring Initiative²³ offer humanitarian organizations mentoring and coaching services for institutional capacity strengthening. The mentoring and coaching services can be online or face to face or both.
- b) Private sector organizations such as KPMG, Deloitte and Haskins provide tailored mentoring and coaching services. They include shadowing and on-the-job training. Most require a fee, and a few services are offered at no cost depending on the relationship between the private sector organization and the national and local organization. These services can be online or face to face or both.
- c) International organizations provide coaching and mentoring services to their national and local partners, often by international organizations' staff; for example, operations, finance, human resource or reports officers provide on-the-job training to the national or local partners on site. The operations staff of the international NGO (INGO) provide considerable technical knowledge to local partners to build their systems and structures. Additional funding to INGOs earmarked specifically for mentoring and coaching can further develop and strengthen the systems, structures and procedures.
- d) Local actors, particularly national NGOs with more efficient operational systems and structures, can mentor and coach local organizations. This can be through shadowing, on-the-job training, or staff exchanges, where a local organization staff works for some time at the national NGO or vice versa. Like INGOs, national NGOs would also require funding to provide mentoring and coaching services to local organizations.
- e) Consulting firms or organizations in the region or countries experiencing a humanitarian crisis will offer both online and face-to-face mentoring and coaching services at a fee. These consultancy firms are flexible and can provide well-suited services to even community-based organizations and community-based networks. They will work with them throughout the process and in local languages, too.

An array of capacity strengthening methods can be adopted among partners in each thematic area, including coaching, communities of practice and modular training courses. A full list of these and other options can be found [here](#).

The capacity strengthening process will enhance the effectiveness of these efforts by taking a network approach to the individual, organizational and institutional levels and integrating capacity strengthening into each. It will set forth specific benchmark indicators while monitoring and evaluating progress towards achieving them. Measurement will be specifically linked to sustained performance across whatever capacity enhancement needs are identified – from finance, to programmes and operations, to talent management and to individual competencies themselves to deliver results.

²¹ www.micromentor.org/ [ARE THESE three footnotes needed? The link is already provided in line in the text. Please confirm]

²² www.humentum.org/

²³ www.gmentor.org/

Step 5 Monitor: the implementation of capacity strengthening efforts

There will be two levels of monitoring the capacity development efforts: a) monitoring performed during implementation of the capacity development plans, and b) monitoring the outcomes of the capacity strengthening efforts.

a) Monitoring the implementation of the capacity strengthening plans

Local partners will discuss and agree with the mentoring and coaching experts/advisers on monitoring of performance of individual staff who are receiving the training support. These experts/advisers will provide additional support and identify challenges in the learning or application of the learning. These monitoring activities will include supporting:

- Management and staff in reviewing the expected tasks, milestones and timelines, and track their performance.
- Staff who receive training or mentoring and coaching support in cascading the training to other colleagues.
- Organizations in developing options for horizontal and vertical growth for staff, which can improve staff retention.
- Group learning sessions for members of coordination mechanisms to learn from their experiences or solve specific and common operational problems.
- Members of units or personnel from other organizations with similar capacity gaps.

Local partners will discuss and agree with the mentoring and coaching advisers on monitoring changes in the performance of organizations participating in the institutional capacity strengthening initiatives. The experts/advisers will monitor how the learned skills are being used and whether this is improving the operational systems of the organizations.

b) Monitoring the outcomes of the capacity strengthening efforts

The focus here will be on the short-term and long-term changes in performance and operational efficiency. The short-term targets are the changes that are expected to be seen in everyday actions and accomplishments of organizations. It includes cost-effectiveness, strong internal controls and quality of services provided to affected communities. Long-term targets would include how well the organization is achieving its objectives and its ability to scale up and the ability to effectively respond to humanitarian crises. In the long run, the communities affected where the organization is working would demonstrate their appreciation for the services provided.

In monitoring capacity development efforts, advisers will work with the organizations to set targets around what organizations wish to accomplish. This creates incentives to develop capacity in ways that work for the organization. It means going beyond the development of policies such as finance policy or human resources policy. For example, how an organization is implementing finance policy to strengthen financial reporting and how is accountability assured? Does the detailed human resources manual result in better staff management?

It takes time for capacity strengthening support to change actual performance. When the mentoring and coaching advisers are working with the organizations to set the targets, it is important to acknowledge the lag time for capacity development efforts to yield change. There are tools available for tracking organizational capacity strengthening in the development contexts that the mentoring and coaching advisers can adapt to organizational development in humanitarian contexts.

4. Roles, Responsibilities and Ownership

Global CP AoR and GEC who are leading the efforts to develop this framework will:

- Advocate for other global clusters to support efforts for the institutional capacity strengthening of local and national actors.
- Advocate with donors and raise funds to support institutional capacity strengthening efforts.
- Advocate with international organizations to commit to strengthening the institutional capacity of their local partners.
- Provide guidance to country coordination groups for supporting institutional capacity strengthening.

Country coordinating groups whose role is to ensure coverage and quality of services in humanitarian contexts will:

- Ensure the participation of local actors in the HNO/HRP process at national and sub-national levels.
- Facilitate the identification of institutional capacity needs and gaps and ensure that these are reflected in the HNO.
- Advocate for allocation of funds to support institutional capacity strengthening efforts.
- Develop strategies for institutional capacity strengthening of local partners who are members of their clusters.
- Advocate for inclusion of institutional capacity strengthening activities in the HRP.
- Develop the selection criteria for the local members of the cluster who will participate in the capacity strengthening efforts.
- Advocate with the international members of the clusters to commit to strengthening the capacities of their local partners as part of partnership agreements.

National and local actors who are members of the country coordination groups will:

- Engage in the discussions on institutional capacity strengthening issues and share their thoughts and views. They have the primary responsibility for the change processes.
- Prepare to participate in the HNO/HRP process and discuss with cluster coordinators how they will participate.
- Respond to calls for proposals once a selection criterion is opened up.
- Prepare their staff to participate in the institutional capacity strengthening efforts if selected.
- Conduct an initial self-assessment of their own institutional capacity.
- Work with the identified training, mentoring and coaching advisers who may have been identified to assist selected organizations in the institutional capacity strengthening efforts.

International actors who are members of the coordination groups are expected to:

- Participate in cluster discussions regarding institutional capacity strengthening of local actors.
- Support clusters in identifying institutional capacity needs and gaps of other local actors during the HNO process.
- Advocate with donors to include funds to support institutional capacity strengthening of their local partners.
- Develop outputs on institutional capacity strengthening of local partners and include these in project sheets for the HRP.
- Facilitate the formulation, implementation and monitoring of the institutional capacity strengthening efforts for their local partners.

Annex: Priority Areas of Institutional Capacity Strengthening (ICS)

This annex provides information on some of the priority areas for institutional capacity strengthening for local actors. It contains brief descriptions of priority areas for addressing institutional capacity needs and gaps. There will be periodic reviews and updates of the catalogue courses with new opportunities for learning and development.

Capacity development for coordination groups focuses on learning that aims to improve technical skills. National and local organizations who are members of Coordination Groups often express the need for developing their capacities beyond their technical competencies. The following areas are highlighted as a priority for institutional capacity strengthening:

- 1. Financial Management**
- 2. Human Resource Management**
- 3. Information Technology**
- 4. Institutional Governance**
- 5. Leadership**
- 6. Management**
- 7. Resource Mobilization**
- 8. Risk Management**
- 9. Project Management**
- 10. Procurement Management Systems**
- 11. Supply Chain Management and Logistics**

1. Financial Management

The importance of Financial Management for Institutional Capacity

Financial management is central to sound operational planning and programme implementation. Financial management should be based on trusted systems to manage financial transactions for internal and external accountability. Some of the key aspects involve a) the procedures of estimating monetary resources; b) tracking estimated costs of activities to establish budgets; c) monitoring of expenditures against the status of projects; and d) reviewing financial transactions to help improve future efficiencies, correct gaps and forecast for sustainability and expansion.

Without strict financial planning and control measures, NGOs risk financial losses, failure to provide critical humanitarian assistance and/or inability to cope with a funding shortfall. Irrespective of the size of the operating budget, NGOs must be conversant in the same financial management measures of the donor community to achieve sustainability.

Significant benefits of financial planning and control measures include:

- Allowing local NGOs, which survive on donor funding that requires total financial accountability to maintain and grow donor confidence, to secure operational sustainability through trust when done correctly.
- Ensuring governance, legal and regulatory compliance.
- Allowing organizational objectives to be achieved smoothly without cash shortages.
- Supporting proper documentation and better decision-making.
- Effectively deploying funds, minimizing losses, and reducing the risk of overruns, fraud and theft.

Key components of financial management to align with the required principles of accountability, transparency, efficiency and consistency include:

- Organizational strategic plan(s)
- Financial management policy, which includes a responsibility framework (who does what, when, and how?)
- Financial management operational, strategic and contingency plans
- Human resource annual and cycle plans
- Programme workplans with schedules
- Procurement plans
- External environment factors profile – market conditions, published commercial information
- Donor agreements
- Organization processes – templates, software, accounting books, reconciliation logs
- Financial auditing framework
- Risk registry and contingency plans
- Legal, taxation and regulatory laws and standards handbooks
- Asset and infrastructure registry

2. Human Resource Management

The Importance of Human Resource Management for Institutional Capacity

In addition to the capacity in systems and infrastructure, human resources are the foundation of humanitarian delivery. This is due to the sensitivity of crisis, the urgency of intervention and the demands of working in difficult environments.

In planning and managing employees, Human Resource Management matches the right skills with the right roles and responsibilities and motivates and develops the team. The human resource department works with managers to build the organization's values and cultures that support the safety, security, health and overall well-being of staff. This maximizes the overall productivity of an organization by ensuring employees work in a supportive environment. To strengthen the institutional capacity of an organization, Human Resource Management:

- Supervises the talent management process to ensure skills are inside the organization to meet its operational tasks.
- Constantly monitors staff and identifies opportunities to motivate staff, maintain momentum and sustain high performance.
- Ensures healthy employer–employee relations.
- Addresses appropriate remuneration and maintains high job satisfaction.
- Protects the reputation of the organization by following labour laws, codes of conduct and safeguarding measures.

The Main Components of Human Resource Management

Recruiting, training, developing, compensating and evaluating employees, and maintaining the workforce with proper incentives and motivations, should include the following components:

- Human Resource Handbook containing Ethics, Values, Codes of Conduct, Safeguarding Procedures and Conflict Resolution articles in line with Commitment 8 of the Core Humanitarian Standard and the Child Protection Minimum Standards, Standard 2: Human Resources.
- Organizational Structure detailing job profiles, functions, categorization and grades.

- Human Resource Plan forecasting human resource requirements for each programme cycle.
- Recruitment and Policy listing process, appointment, orientation and retention details.
- Performance, Compensation and Benefits Handbook.
- Employee Relations and Legal Compliance.
- Staff Development Plan with learning and skills development activities.
- Health, Safety and Security Standards.

3. Informational and Communication Technology (ICT)

Technology continues to transform the response to crises with respect to tracking, monitoring and reporting, and implementation of humanitarian interventions have evolved. A suitable informational (technology) system can increase the efficiency and capability of an organization and key areas of its service. Some technological features and capabilities of importance to building organizations' capacity include:

- Information Management Capacity: Increases the organization's ability to collect, store, process, analyse, visualize and report large volumes of data.
- Communication: Strengthens communication and collaboration within the organization and its key partners, both internationally and locally.
- Efficiency: Leads to improvement in quality and speed of delivery of services. Real-time information recording, exchanging and processing ensure expediting humanitarian operations.
- Remote Monitoring and Management: Supports and manages fieldwork, providing the teams with essential technical guidance to enhance responsiveness.
- Information and Data Processing: Supports decision-making through easier data collating; provides opportunities for scenario simulation, especially for disaster preparedness.
- Knowledge Base: Benefits the efforts of advocacy, awareness building and skills development.
- Risk Reduction: Protects confidential information related to the operations and/or beneficiaries when appropriate data protection protocols are in place; security and authorizing codes prevent fraud.

Information and data that is collected and used to manage humanitarian interventions are often sensitive, and the confidentiality and privacy of the affected populations must always be protected. A fundamental component of IT must be the data security of information with strict management of who can manage the system or access the information.

4. Institutional Governance

To enhance governance, organizations appoint a board of directors to provide oversight of the organization by ensuring that there are appropriate structures, policies and systems to deliver on the mission and meet the interests of various stakeholders. The board of directors act independently of management but work closely with senior managers to ensure conformity with the strategic direction of the organization.

The importance of Institutional Governance for Institutional Capacity

Governance is an important capacity for every type of organization. Various research projects have concluded that the most successful companies or organizations either for-profit or non-profit have the common element of good governance that ensures organizations are well directed and controlled. Institutional Governance for humanitarian organizations has the responsibility to ensure that the programme and operation plans and activities meet the Core Humanitarian Standards of Quality and Accountability.

Of key importance are the following points regarding good governance:

- It avoids mismanagement and enables organizations to operate more efficiently, improve access to resources, mitigate risk, and safeguard and fit the stakeholders' interests.
- It ensures the organization's successful and sustainable impact on its constituents.
- Strong governance builds the credibility of the organization, investors'/funders' confidence, enabling the organization to increase its resources.
- It provides proper oversight on management to achieve objectives that are of interest to stakeholders.
- It also minimizes waste, corruption, risks and mismanagement.
- It helps to build the brand and supports the organization's long-term viability.
- It ensures an organization is managed in a manner that fits the best interests of all.

Irrespective of the size or nature of the organization, good governance contributes extensively to the successful implementation of operation and organization, benefiting the organization, stakeholders and recipients of services.

The Main Components of Institutional Governance

A governance body develops and communicates the norms, strategic vision and direction and formulates high-level goals and policies. The oversight role steers the organization by identifying and safeguarding a mission, articulating a strategy to achieve organizational goals and evaluating progress in meeting those goals. Organizations must provide special safeguards for children and people who are vulnerable. The governance structures must have guidelines so that programme and operation policies apply this requirement.

The body also supervises the financial affairs, human resources and operations of the organization, ensuring that the organization develops and follows a plan while deploying and managing resources accountably and efficiently. Governance aims to ensure compliance with legal regulation. Important elements of Governance include:

- A Constituted Board of Directors: Embodies the spirit of non-discrimination, equity, inclusivity and credibility.
- Organizational Blueprint: Mission, vision, values, by-laws or guiding principles, strategies and action plan.
- Organizational Structure: Chain of command, departments, coordination system, reporting system.

- Compliance Protocols and Manuals: Risk mitigation policy, human resource policy, change management policy, financial management manual, communication and stakeholder engagement protocols, high-level key performance indicators for employees and the organization, internal control protocols, legal and industrial laws and standards.

5. Leadership

The Importance of Leadership for Institutional Capacity

A leader ensures that employees have the motivation and commitment to the success of the organization. This includes raising and maintaining morale by communicating with each team member their vital role and valuable contribution to the organization. Leaders offer direction towards where the organization needs to be and how to get there. Sound leadership can help the organization in multiple ways.

Strong and competent leadership has a significant impact on an organization's capacity in some of the following ways:

- Setting the organizational direction: Effective leadership translates the mission, vision and objectives of the organization into a clear road map, which lays out the direction for the team to achieve its goal.
- Improves effectiveness and productivity: Leaders influence the organization's effectiveness by motivating and inspiring employees. Motivated employees perform better and allow the organization to improve outcome. Leadership should energize staff, especially when the outlook has been negative.
- Influences behaviour: Integrity and doing the right thing is vital for leadership, whom the team follows.
- Ensures good succession planning: Coaching and mentoring staff instill leadership qualities for smooth succession planning. Mentoring helps transfer critical knowledge, skills and attitudes.
- Builds the organization's reputation: Leaders have an overall influence on the internal and external reputation of an organization. They build the organizational values and culture by their example.
- Inspires innovation and creativity: To respond to changing (dynamic?) crises, organizations need leaders who anticipate change and encourage staff to consider unique ways to make sure the humanitarian intervention is appropriate.

The Key Components of Organizational Leadership

Organizational leadership requires focusing on two complementary objectives: working towards what is best for individuals to perform at their best while also maintaining focus on what is best for the entire organization. It also requires the right attitude and a working principle that encourages individuals in any role to lead from the top, middle, or bottom of an organization.²⁴

Organizational leadership comprises several components, including:

- Strategic Vision: A leader understands the mission, objectives, plans and goals of the organization, unit, or team. Leaders map out the way, define the tools and process the values and principles applied to achieve the goals. Strong leadership understands the overall operational context, the

²⁴ TDK Technologies - Key Components of Organizational Leadership [is there more information for this source? Is there a web page? Or a paper that can be referenced or linked to? Date, authors? Etc.]

- social and economic impact of the crises, and the strengths or weaknesses of the organization, team, or unit.
- **Administrative Function:** The vision defines the outcomes whose delivery is the responsibility of the leader of the team or organization. The leadership role oversees the functioning of the team, ensures quality and provides the supporting structure and systems. It requires authorization, delegation, coaching and standards-setting.
 - **Resolving Issues:** The leadership role creates sound policies, organizational culture, change management procedures and conflict resolution mechanisms. The humanitarian sector deals with constant changes that affect internal operations. The leadership determines the working environment, ethics and standards of practice conditions which determine the design and delivery of team activity.
 - **Support Structures:** Good leadership develops systems and structures that encourage continual productivity. It includes effective (internal and external) communication, training and developing staff, team-building initiatives and human resource mechanisms to ensure a safe, healthy and secure working environment.

6. Management

The Importance of Management for Institutional Capacity

When an institution operates without a systematic application of skills, knowledge and techniques, it reduces its capability to accomplish goals. Management consists of making decisions guided by principles, and ensuring resources are allocated appropriately, utilized efficiently to achieve a product or service. The resulting actions aim to meet the expectations of all targeted beneficiaries and the interested parties, including donors and other partners.

Non-governmental organizations have multiple stakeholders. They are the custodians of donations and work for social well-being. Therefore, there is greater pressure to demonstrate their effectiveness, organizational reliability and reputation to meet the international standards of humanitarian response.

Good management practices have several benefits for the organization's performance, and which contribute to its institutional capacity.

- Works to ensure that the combined effort of all the organization's functions are aligned to an overriding goal and complies to ethical, legal, regulatory and sector standards.
- Continuously plans for and can meet the capacity required to respond to crises.
- Motivates staff and keeps them focused and driven to meet and exceed expectations of beneficiaries, donors, government and other partners.
- Takes extra caution to manage humanitarian resources, ensures accountability to all constituents (and the public at large), adheres to the mission, and is effective in fulfilling the mandate.

The Main Components of Management

Management of an organization's units or departments encompasses integrating all the organizational functions and units and administering them systematically and progressively.

Key components of the different phases of a strategic or programme cycle include:

- **Planning:** Organizational strategy, constituted mission and vision, SWOT (strengths, weaknesses, opportunities, threats) analysis of the organization, feasibility and baseline studies.

- Organizing: Organizational structure, accountability structure, delegation of authority, human resource plan, financial management plan, risk assessment and management plan, procurement and logistics projections and plan, stakeholder and internal communication plan
- Directing: Articulated vision, Key Performance Indicator (KPI) matrix, staff development, internal and external communication strategy.
- Controlling: Key Performance Indicators reviews, risk monitoring, change management policy and plan, financial accounting and audits, Risk Mitigation and Change Management Framework, Quality Control Framework, infrastructure and asset management, legal, regulatory and industrial standards.

7. Project Management

The Importance of Project Management for Institutional Capacity

Project management methodologies enable better control of cost, time and resources, build the confidence of donors and other interested parties, and meet the requirements of beneficiaries.

Key benefits of project management towards the institutional capacity include providing:

- Clarity of focus and alignment of a plan with the organization's strategy.
- Appropriate leadership and direction for the project: Creates a sound base for teamwork, transparency, communication and reporting.
- Realistic expectations of the outcome(s): Controls schedule and costs.
- Efficiency in risk and change management: An orderly process for proper tracking, monitoring and evaluation and the timely resolution of problems, from which lessons learned define future risk management.
- Careful management and assessment of projects: Resources are reassigned, and the trickle-down effect of risks from one project to another or the organization is stemmed.
- Facilitated programme cohesion within an organization and stakeholder coordination.
- Proper documentation of processes and outcomes: Simplifies capacity forecasting, builds a knowledge base and provides lessons learned, all allowing for best practices to inform future projects.

Project Management practices consider the roles and responsibilities of teams, functions and resources and allows managing them in a coordinated manner. This results in efficiency, ensuring that nothing affects the delivery or quality of a service or product and meeting expectations of all targeted beneficiaries of the project.

The Main Components of Project Management

Project Management performs activities in the phases of a project as follows:

- Project Assessment and Analysis: Project justification/concept note; feasibility and baseline studies; strategic plan; stakeholder–Beneficiary collaboration.
- Strategic Response Planning: Project workplan with the schedule and budget; Key Performance Indicators Framework; communication plan; risk management plan; logistics and infrastructure projections; financial management and human resources plans; legal and regulatory compliance standards; Monitoring and Evaluation (M&E) plan.
- Resource Mobilization: Project activities and budget, project concept note and proposals, donor compliance and agreement.

- Implementation and Monitoring: Staff contracts and deployment; procurement, logistics and supply chain management; donor relations; stakeholder engagement events; communication tools and techniques; accounting and bookkeeping.
- Operational Review and Evaluation: Budget tracking; schedule tracking; change management; risk mitigation; donor reports; KPI Matrix, M&E Logframe, compliance implementation; capacity adjustment; staff development.
- Project Closure: Final project and donor report; financial reconciliation and audited accounts; delivery, installation and handover documentation; employee/volunteer release/redeployment protocol; supplier contract termination; Supply Chain Reconciliation Report; asset release and redeployment protocol; legal, financial or industrial compliance certificate; baseline update; M&E evaluation; learned lesson and best practices dissemination.

For local actors, the Monitoring and Evaluation (M&E) plan is the road map that defines, tracks and helps the quality of both the process and the desired outcome. The M&E framework is developed alongside the project workplan, with indicators that measure progress. The M&E matrix consists of the quantitative and qualitative measures of tasks and deliverables, which are linked to staff and departmental KPIs. This information feeds into donor reports and stakeholder updates and influences decisions for change and risk management.

8. Resource Mobilization

Resource Mobilization (RM) replaces the more traditional and narrow term “fundraising,” where “resource” refers to not only funds but also to human resources, goods and services.

The Importance of Resource Mobilization

- Resource mobilization supports the organization’s capacity and its growth potential.
- Ensures the continuity of an organization’s service provision to clients and communities.
- Supports organizational programming, institutional and financial sustainability.
- Allows for improving and scaling up the organization’s products or services.
- Both public and private organizations must generate new business to stay operational and meet the ever-changing needs of the targeted beneficiaries or community.

The Main Components of Resource Mobilization

Resource Mobilization is about matching the organization’s or project’s comparative advantages with the contextual priorities and partners’ interests. An organization needs to build or reinforce its unique features, products and services that differentiate it from other organizations. To attract the interest and support of potential partners, the organization works to show ability to meet the priorities of the current context and the partners’ needs.

When developing the RM Strategy and Action Plan, it is helpful to consider this five-step process:

- **Identify:** Identifying partners/clients is an ongoing process. It requires continuous updating of the details and specific interests of potential resource partners.
- **Engage:** First, it involves finding opportunities to build strong relationships with potential partners; second, providing suitable information to influence the decision makers about the programme or project that requires resources. It is establishing and maintaining open and regular dialogue with partners to build mutual trust and respect.

- **Negotiate:** This step involves multiple sets of knowledge and skills to dialogue, creatively share information and showcase its contributions. Negotiating aims to agree on the terms of the partnership that meet the resource needs and the partner's interests. The organization may use expert advice to confirm the agreement is in line with legal and humanitarian principles.
- **Manage and Report:** The organization acknowledges the agreement by maintaining good relations, providing the required deliverables and reports and working towards long-term partnerships.
- **Communicate Results:** Communicating the value of partnerships is important. Regular and quality communication material conveys key messages on the project or service for specific audiences. This builds the organization's reputation for reliability and illustrates the partner's contribution. The organization and partners gain visibility within the sector and attract the interest of more partnerships.

9. Risk Management

Risk management is the culture, processes and structures that are directed towards effective management of potential opportunities and risks. Risk management is recognized as an integral part of good management practice. It is an iterative process consisting of steps, which, when undertaken in sequence, enable continual improvement in decision-making.²⁵

The importance of Risk Management for Institutional Capacity

Risk management is important for good governance, which dictates that the management of a non-profit organization is obligated to protect the interests of its stakeholders. Effective risk management ensures prudence in decision-making and guards against complacency and potential damage to its credibility. The proactive approach and preventive process prepare for possible negative and positive impacts to the operations of an organization, ensuring the accomplishment of its objectives.

Risk management is part of humanitarian response preparedness and takes into consideration all possible internal or external factors that can affect the delivery of humanitarian assistance. Contingency plans consist of options for programme implementation, if and when changes in the crisis affect the schedule, cost or overall delivery of humanitarian assistance. Planning for expected risks protects the strategic vision and operations and therefore sets realistic budgets, schedules and expectations or outcomes.

Key benefits to the organization include:

- Planning for potential shocks to protect the assets and existence of an organization.
- Avoiding complacency and ensuring compliance with relevant legal and regulatory requirements and international norms.
- Avoiding laxity in standards of operations, maintaining the quality of service, minimizing losses and adequately planning for the capacity to absorb external shocks.
- Maintaining communication and improving reporting.
- Improving controls and operational efficiencies.
- Improving loss prevention and incident management.
- Improving organizational learning and organizational resilience.
- Understanding potential risk inspires creativity and innovation in creating solutions and design of humanitarian response mechanisms.

²⁵ Ibid.

- Facilitating continual improvement of the organization.

The Main Functions and Components of Risk Management

Risk management analyses the probability of risk factors in management policies and operational procedures inherent in its programming and external context. This establishes the negative (i.e., threats) or positive (i.e., opportunities) consequences and quantifies them in terms of the cost to the organization, the schedule of its programmes and overall quality of objectives and/or likelihood to accomplish the objectives. In so doing, an organization plans and allocates capital, both financial and human resource, to mitigate the risk factor. The key components of risk management encompass the activities of identifying, measuring, mitigating, reporting and monitoring, and include:

- Risk management policy
- Programme, operations, and health and safety contingency plans
- Risk management framework aligned and integrated into policies, procedures, practices and values
- Risk matrix tool for ranking risk
- Risk register for recording risks and how they are managed
- Risk reporting and communication plan
- Risk management oversight unit
- Risk management monitoring and review framework

10. Procurement Management System

The Importance of a Procurement Management System for Institutional Capacity

In recent years, strengthening procurement management is increasingly recognized as critical to scaling up humanitarian assistance more effectively. Applying the basic procurement principles of open competition and transparency along with operational efficiency, reduces the possibility of corruption, increases professionalism, has greater value for money, and increases the speed of delivery of essential humanitarian assistance.

Modern procurement systems encompass a digital record of actions to provide the information to support a supply chain. Procurement systems help to maximize the use of funds through bulk purchasing, contracting suppliers and achieving cost-efficiency, which protects organizations from cost overruns due to unexpected changes in market costs.

There are several benefits of a good procurement system beyond efficiency such as:

- Enabling higher process efficiency at every stage of the procurement cycle. The different functions of an organization plan better, which in turn shortens the time to source for goods and services and avoids changes to humanitarian delivery schedules.
- Supporting good governance and building the organization's reputation with donors and stakeholders through transparent and sound procurement processes.
- Protecting against fraud through the strict application of rules, regulations, policies and authorization procedures, documented digitally with applicable security controls.
- Assessing all suppliers to make sure that they meet the requirements to safeguard children and protect the rights of all during the production and distribution of goods and services.
- Facilitating decision-making by generating management reports with information of the relevant departments responsible for any procurement, vendors, costs, modes of payment and delivery, and inspection reports, among others.

- Having key performance indicators in most systems that measure procurement performance, such as order processing, invoice accuracy, and order delivery times.

The role of a procurement management system is to ensure an organization conducts its functions by purchasing goods and services through a network of suppliers that meet the organizational standards and service levels.

The Main Components of a Procurement Management System

An effective procurement process involves an in-depth understanding of requirements by all operation and programme units, identifying the right supplier for meeting those requirements, periodically evaluating supplier performance and negotiating contracts that can provide the highest value at minimum cost.²⁶ Key components include:

- Procurement management strategy with clear guidelines and policies
- Programme and operations workplan with purchasing needs for activities
- Product and service requirements
- Organizational structure for purchasing, with approval authorities
- Contractual agreements for contract administration and management
- Purchase, return and maintenance terms and conditions
- Procurement Standards Handbook, including ethical standards and child safeguarding procedures
- Organizational governance and compliance policy
- Service and Quality Inspections Standards Manual
- Supplier, industrial and technical equipment catalogues

11. Supply Chain Management and Logistics

The Importance of Supply Chain Management and Logistics for Institutional Capacity

In the last four decades, the frequency and impact of disasters has tripled. Humanitarian organizations are under great pressure to deliver the right humanitarian assistance to the right people in the shortest possible time and avoid prolonged distress of affected populations. Disasters are unpredictable and often sensitive or complex. This places an increasing demand on supply chains for humanitarian response, which can accelerate converting resources into essential goods and services.

Supply Chain Management and Logistics have a significant impact on actors' ability to provide essential goods and services while ensuring ethical practices, maintaining their accountability as well as maintaining quality and protecting the interests and rights of beneficiaries. Factors that contribute to its increasing significance as a building block towards successful accomplishment of objectives and building institutional capacity include:

- Using logistical efficiency and effective management of the supply chain to reduce cost and enhance service, ensuring the functionality of the end product or service and providing opportunities to add value to the outcome.
- Seeking the best value for money in the entire cycle of supply, enabling the limited humanitarian resources to be maximized.

²⁶ Ibid.

- Protecting the organization from reputational risks by following the humanitarian principles of doing no harm and avoiding a supply chain that has negative ethical, social or environmental impacts. This includes working with suppliers who agree to and strictly follow a child safeguarding policy.
- Giving the organization flexibility and options for better humanitarian responsiveness through the network and relationship with manufacturers and suppliers.
- Encouraging greater collaboration across the organizational functions and with governments, implementation partners, the private sector, communities and across the supply chain, which builds the organizations relevance and potential for growth.
- Inspiring innovation and creativity in seeking solutions to humanitarian crises based on the wealth of knowledge available in the implementation of its role.

Components of Supply Chain Management and Logistics

The goal of supply chain management is to link the marketplace, the distribution network, the manufacturing process and the procurement activity so that beneficiaries are serviced at higher levels and yet at a lower total cost.²⁷ Key components to achieving this include:

- Programme and operations workplan with details of key deliverables
- Governance structures; financial, procurement and human resource policies
- Risk matrix and risk registry
- Suppliers registry, market analysis reports and price indices
- International and regional trade agreements and tariffs
- National and international standards, such as quality, environmental, health and safety, IT security, and food and safety standards
- Cargo, freight, and warehousing regulations, standards and tariffs
- Fleet management manual

²⁷ Martin, Christopher. *Logistics and Supply Chain Management*. Third Edition. London, Pearson Education Limited. 2005.