METHODOLOGY - SMEs & GRANTS DISTRIBUTION

Please Note: The work to institutionalize this framework is ongoing and is considered a work in progress. Mercy Hands intends to capture the lessons learned from these activities and use them to inform future changes to the organization's grants management guidance and polices.

Project methodology will be based on the **Area Based Recovery Approach (ABRA),** an inclusive, participatory and flexible approach to ensure certain issues are addressed (gender equality and women's empowerment, risk reduction and management, and protection of the most vulnerable groups). Through this holistic approach, the "Do-No-Harm" principle will be guaranteed.

The five stages of ABRA are:

> ➢ Stage 1 – Define the area-based recovery interventions (collect background data on the area and identify vulnerable groups in the community)
> ➢ Stage 2 – Assess the recovery and development situation (Conduct Value Chain Study and Rapid Market Assessments)
> ➢ Stage 3 – Plan interventions (Coordination meetings with key stakeholders to develop a Community Action Plan and adapt activities to gender, age, vulnerability, ethnicity, etc)
> ➢ Stage 4 – Implement Community Programs (include various community groups to implement CAP)
> ➢ Stage 5 – Monitoring & Evaluation (community-based M&E exercises)

BENEFICIARY SELECTION

Beneficiaries will be chosen using transparent criteria, widely communicated within the target areas. Vulnerability criteria will include, but are not be limited to:

- Female-headed households (widowed, separated)
- Elderly-headed households
- Households with members with disabilities (physical or mental)
- Households with a large number of members and low income
- Recently returned households that need support for income generation or starting a small business.

Host community members will also be taken into consideration, to promote and enhance social cohesion.

At least 40 % of the selected beneficiaries should be women. Various ways to encourage women's participation will be considered, as well as ethno-religious affiliations.

To qualify for the grant, the selected candidate must meet certain criteria before signing a grant agreement, including the provision of "No Criminal Records" Certificate and a Guarantor.

Mercy Hands will involve its Legal Division (Legal Counselor) in the drafting of the Grant Agreements.

TYPES OF GRANTS AVAILABLE

Productive Grants – One/several inputs in the anticipation that the inputs will help the beneficiary achieve higher income from an economic activity. It covers a variety of economic activities and takes into account

the beneficiaries' personal profiles (skills, profession, education), previous experience (or lost business – asset replacement), and geographic location (urban, peri-urban, rural), to respond more effectively to their needs.

Productive grants are generally divided into three categories: agriculture, trade and craft. Inputs for agriculture and craft grants are generally assets ranging from livestock to tools, whereas the inputs for trade grants are mostly consumer goods which the beneficiary purchases in bulk and resells at a margin.

Vocational Training: Training aimed at upgrading the professional skills of selected beneficiaries in order to improve their employment possibilities or their ability to start their own businesses. Cash stipends may be provided to the trainees.

Micro-finance – Cash distribution. Recipients are typically self-employed, in existing Small to Medium Enterprises, or for start-ups. This is most effective in targeting the middle and upper segments of the poor.

Note - Productive grants, vocational training and micro-finance are not mutually exclusive; they can be implemented in parallel.

-Grants will be disbursed in installments.

- Specific milestones must be met before disbursing the grant installments.

- Another way to classify grants is based on the type of recipient:
1. Individuals
2. Groups
3. Collaborative Partners

IMPLEMENTATION

Throughout the entire project duration, coordination with local authorities, MoLSA, local communities, Mukhtars and other stakeholders will be ensured. Mercy Hands will also collaborate with the relevant Clusters to ensure coordination and prevent overlap or duplication.

- Define the start and end date of the project, and its timeframe (work plan)
- Recruit the required staff and train them in the necessary components of the project
- Commence the required assessments, depending on project activities and already available assessments (RMA, Value Chain Study, GA, Risk mapping, SEVAT, People with Disabilities). The results of the assessments will inform the details of the activities, e.g. Identifying gaps in the local market, market capacity to absorb increased supply, type of grant required, etc.
- Collaborate with the relevant government offices and other key informants within the community for the necessary permissions and assistance to implement activities
- Launch a call for grant applications using various media; i.e. social media, posters, public announcements, etc.
- Select beneficiaries according to criteria and in consultation with the donor. Potential for success of businesses and employability is one of the key considerations in final selection of grant BNFs
- Sign agreements with each beneficiary to set parameters for using the business grant

- Distribute toolkits for asset replacement / In-kind-or-cash grants to support existing SMEs or for start-ups. Consider costs of mentoring, coaching and business skills training, where required.
- Provide mentoring to beneficiaries in the start-up phase (including for registration, marketing and financial systems)
- Monitor compliance with the agreement and follow-up on business developments.

All project staff and contractors will sign and receive training on MH Complaints Procedures and PSEA Policy. Furthermore, MH will ensure respect of social sensitivities, with female trainers and mentors where required.

Payment Method - AsiaHawala, a cash transfer service which relies on a mobile phone network and money transfer agents, will be used for disbursement of payments. Mercy Hands will facilitate AsiaHawala Wallet during the beneficiary registration process and ensure that selected beneficiaries have access and control over mobile phones. Electronic Reports will be provided, to strengthen accountability and transparency, as well as decrease the possibility of fraud.

RISK MANAGEMENT AND MITIGATION STRATEGY

Providing any sort of resources in conflict and post conflict environments is risky and one of the risks is that parties with different affiliations may divert resources intended for humanitarian purposes and use them to fuel the ethnic or religious sectarianisms

There are four phases in the grants life cycle:

• Pre-award: The pre-award process involves reviewing submitted grant applications, making funding decisions, and preparing the grant award notice.

• Award: The award process involves creating the legal documentation required to make the grant award and notifying the grantee of the terms and conditions of the funding.

• Post-award: The post-award process begins after the grant has been awarded. This phase requires program officers to conduct various administrative, financial, and programmatic oversight activities.

• Closeout: The closeout process requires the grantee to report on the fiscal, programmatic, and other grants-related activities it has completed. During this phase, the program officers conduct activities to ensure that the grantee has complied with all guidelines.

All stages present different elements which need to be assessed in order to ensure the optimal targeting and minimize the risk of diversion and misuse of funds. What is needed is good analysis of the comparative risks and strong measures to be put in place to monitor and mitigate risks.

During the **pre-award process**, risk management will involve the use of data, information, and analytics before the grant award is made. The types of data and information collected to inform the selection criteria have been discussed in the above paragraphs and will be normally obtained through a vulnerability assessment- including gender analysis- to shortlist beneficiaries who match the required Internal and

Donor's Minimum Requirements for the selection. In the targeting phase there is a risk for any programme that an insufficient Due Diligence might result into communities colluding with programme staff to sign up the 'wrong' beneficiaries, create 'false' beneficiaries, or demand that beneficiaries hand over a portion of aid in exchange for inclusion in the project.

To mitigate this risk, the internally shortlisted candidates are usually referred to the Donor and/ or International Partner to double-check the assessment criteria and compare the list against the UNSC Sanction List or other internal lists of non-eligible candidates. Consultation and coordination with other key stakeholders, such as UN agencies, INGOs, local NGOs, government structures at central and local levels are recommended.

During the **award phase**, program officers will engage in risk mitigation and define the types of supports necessary to ensure the effective and compliant administration of the funds. This phase will be normally preceded by a market assessment to verify that markets (including trade routes) are operational in the areas where the grants transfer will take place. If available, already existing studies and reports can be used or integrated to the internal analysis. The market assessment will also help establishing whether the candidates propose business projects in line with the market requirements and needs and, therefore, whether the chances of success of the enterprise are good. During this phase, the main factors to take into consideration are diversion, corruption or fraud and misuse of funds. Other minor but related risks pertain the risk of inflation, risk of inadequate targeting, possible tensions created by the distribution of grants within communities.
To mitigate such eventualities, distribution practices that maximize security will be adopted. This include: provide beneficiaries with several installments rather than a unique transfer to allow a constant monitoring of the usage of funds and halt the disbursement if fallacies are detected; where possible, work with local distribution mechanisms such as the Hawala agents to reduce the cash transfers and track the flow of the installments; if assets are transferred, ensure that the bidding process for the items' purchase is reflective of internal and Donor's procurement policies.

During the **post-award phase**, risk management will involve continued oversight of grantees with careful attention given to how they execute their grants management responsibilities. During this phase, there is a likelihood that poor value for money for the funds granted is detected and/ or that the money/ assets are not utilized in the way or for the purposes stated in the business plan developed by the recipient. Other eventuality is that the grantee implements poorly and non-compliant with the framework agreed by the two parties prior to the award. In such cases, a continued monitoring, which must be included in the design phase of each programme, through monthly post-distribution surveys, filed visits and inspection as well as business mentoring and coaching opportunity will mitigate the risks associated to voluntary or involuntary misallocation of funds. In case fallacies are detected, the disbursement of further tranches is halted, delayed or suspended, as described in the paragraph above.

During the **closeout process**, risk management will involve making sure that all required reporting has been completed.

FOLLOW-UP PROCEDURES

Reporting - MH MEAL Department will coordinate closely with the donor and the project management. The MEAL Department reviews all project reports, as well as submits independent M&E reports. Output level data will be collected and analyzed on an ongoing basis and a corresponding indicator tracking table with disaggregated data will be shared as required.

Complaints Feedback and Response Mechanism (CFRM): Mercy Hands has CFRM Policy and Procedures that will be followed for every project. The CFRM will be managed independently by the MEAL Department to ensure beneficiary feedback is incorporated through the course of the project and that complaints are handled transparently and appropriately. The mechanism may include a hotline number, suggestion boxes, an online complaints form (to MH MEAL Department in HQ) and an email address (to MH MEAL Department in HQ). MH will provide beneficiaries with clear guidance on how to log complaints during project activities and ask if they prefer alternative methods to submit complaints. Complaint mechanism information will also be disseminated to community leaders and advertised in project locations.

Lessons Learned - MH will ensure that learnings from the project are recorded, shared with stakeholders, and used for decision-making. Internal review meetings will be held regularly, as well as more formal reviews after the midline and endline assessments, to analyze evaluation results and discuss necessary course corrections. These lessons will be shared with the donor and added to Mercy Hands' internal lessons log. Feedback from beneficiaries will also be shared as part of CFRM monthly reports, and included in internal reviews to guide decision-making and course corrections.

Mercy Hands will ensure that all Reporting guidelines set forth by the donor are followed, and submit the relevant reports according to donor deadlines.

EXIT STRATEGY

This will be implemented in two phases: Phase 1 will involve the 'phasing down' of the project and will support and compliment Phase 2, which will be the 'phasing out' of the project.

Phase 1 will be implemented based on active monitoring of project outputs and activities and will begin once the majority of the indicators outlined in the work plan are achieved. Phase down will include:

- Informing the communities targeted at the start of implementation of the planned phase down of operations
- Forming linkages with local entities to strengthen sustainability of the Project
- Close monitoring of project activities to ensure that proper data is being collected to accurately time the 'phasing down' of the Project
- Setting up adequate processes to ensure the involvement of the targeted beneficiaries regarding the proper timing of the phase down

Phase 2 will be the 'phasing out' of the project and will involve:

- Effective implementation of the 'phasing down' component of the Exit Strategy

- Demonstrated local connections have been formed for the target communities to sustain the project once 'phase out' has been accomplished
- Close cooperation and input of the beneficiary population to ensure that the timing of this phase is accurate and does not harm the delivery of services

SUSTAINABILITY

This will involve close monitoring and evaluation to ensure that the project has spurred enough economic development within the targeted communities to remain sustainable post-phase out.