Guidance Note:

National Implementation of the UNDP Supported Projects

September 2013

CONTENTS

1. INTRODUCTION

The United Nations Development Programme (UNDP) has a focus on developing national systems and capacities and utilizing them for the implementation of UNDP supported projects. In July 2011, UNDP released a new document titled, "*National Implementation by the Government of UNDP Supported Projects: Guidelines and Procedures,*" (hereafter referred to as the NIM Manual).[1] The NIM Manual is based on UNDP rules and regulations approved by the UNDP Executive Board and it addresses the recommendations from the United Nations Board of Auditors. The NIM Manual provides corporate guidance, procedures, rules and regulations to be observed by UNDP and national counterparts for the national implementation of UNDP-supported projects.

This Guidance Note aims to help the staff of UNDP, the Government Coordinating Agency, Economic Affairs Division, Ministry of Finance, Government of Pakistan and the Implementing Partners in ensuring compliance with the NIM Manual, while using, wherever possible, national systems and capacities for the implementation of UNDP-supported NIM projects where a government entity acts as the Implementing Partner. The Guidance Note extensively refers to the relevant sections of the UNDP NIM Manual and the government's policies and regulations related to project management. The table on next page summarizes what is new in this manual.

At a fundamental level, the corporate NIM Manual clarifies that under national implementation the Implementing Partner directly assumes the responsibility for the related output (or outputs) and carries out all activities towards the achievement of these outputs. When the capacities of the government Implementing Partner are proven and tested, as validated by the capacity assessment, the government regulations, rules and procedures shall apply to project implementation to the extent that they do not contravene the principles of the Financial Regulations and Rules of UNDP. In exceptional cases, where the Implementing Partner's capacity assessment identifies gaps, UNDP may be designated as a Responsibility Party and will provide such services in accordance with UNDP's policies and procedures.

This Guidance Note, together with the NIM Manual, replaces the Project Cycle and Operations Manual (PCOM) used by the UNDP-supported NIM projects in Pakistan. The rules and regulations detailed here take immediate effect for all new projects. The NIM Manual is based on UNDP's global Programme and Operational Policies and Procedures (POPP) and will be subject to periodic reviews and revisions. Adherence to these procedures implies that UNDP and the Government Implementing Partners agree that such changes will come automatically into force. In case of a contradiction between this Guidance Note and the NIM Manual, the latter will prevail.

[1] The UNDP NIM Manual can be accessed through the following weblink: http://www.undp.org/content/dam/undp/library/corporate/Programme%20and%20Operations%20Policies%20and%20Procedures/NIM_for_Government_english.pdf

What's New in the NIM Manual? (Released on 1st July 2011)

	Elements/Clarifications	What's New?
1	Approach	National implementation is one of several implementation modalities. Single corporate guidelines that replace all existing local manuals. Minimum requirements to ensure UNDP accountability.
2	Focus	Risk management for short- term; and. Capacity development for long-term.
3	Introduction on approach to capacity development	Efforts to develop the capacity of a national Implementing Partner for a UNDP-financed project, can blur accountability and lines of responsibility. UNDP should aim to strengthen capacities of the overall government institution responsible for national implementation while also ensuring that the specific unit within the institution that is responsible for the UNDP project benefits from such efforts.
4	Execution vs. Implementation	Execution refers to and implies national ownership of a country programme and its outcomes. Implementation refers to the delivery of outputs that typically occur through projects, Annual Work Plans or equivalent modalities.
5	Clarification on identifying implementation modalities and principles for selection	Elaborated principles for selection of implementation modalities, — national implementation, United Nations agency implementation, NGO implementation, implementation by an inter-governmental organization and direct implementation by UNDP.
6	Clarification on roles of Implementing Partner and responsible party in project management arrangements	Detailed roles, responsibilities of and relationship between Implementing Partner and the responsible party.
7	Selection process for Implementing Partner	Steps, including identification, capacity assessment, preliminary decision, functional capacity assessment, completion of management arrangement are clarified and elaborated.
8	Accountability framework in project implementation	Accountabilities of Implementing Partner and responsible party (reporting on progress toward results and proper use of resources), especially when UNDP is a responsible party under a nationally-implemented project/AWP.
9	Implementing Partner checklist	Revised checklist and instructions on Implementing Partner capacity assessment, including Harmonized Approach to Cash Transfers (HACT) micro assessment and additional assessment, if required.
10	Procurement arrangements and procurement checklist	Roles and responsibilities of government and country office under full national implementation, and national implementation when UNDP is the responsible party. Detailed checklist on procurement capacity assessment.
11	Human resource management arrangement	Roles and responsibilities under full national implementation and national implementation with country office support, as well as programme funded contractual arrangements following the contractual reform.
11	Audit	Audit procedures for HACT and non-HACT compliant country offices.
12	Clarification on project appraisal process	Steps, including UNDP desk review, corrective action, review by Project Appraisal Committee (PAC) members, appraisal meeting,

	Elements/Clarifications	What's New?
		follow-up action, have been clarified and elaborated.
13	Project appraisal committee	Clarification on dimensions in appraisal meeting: definition of results, management arrangements, project approach and plan, realistic budgeting, risk management, evaluation needs and timetables.

IN THIS SECTION:

2. OVERVIEW AND THE LEGAL FRAMEWORK

2.1. Overview

This chapter provides an overview of the operational and legal framework under which UNDP programme and projects are implemented. Clarification is made between "execution" and "implementation" as applicable to UNDP programming. The implementation modalities for a range of scenarios and the accountability framework that applies for each are described below.

- 'Execution' refers to assuming overall ownership over and responsibility for specific UNDP programme activities and the acceptance of accountability for results.

- 'Implementation' refers to management and delivery of programme activities (or projects) to achieve specified results, including the procurement and delivery of UNDP programme activity inputs and their use in producing outputs, as set forth in a signed agreement between UNDP and the Implementing Partner.

UNDP selects an Implementing Partner for a project in consultation with the Government Coordinating Agency (EAD). The implementing modality for UNDP assisted development projects is defined by the nature of the project and the capacities of the partner selected for project implementation. Implementing Partners may be a national Implementing Partner (National Implementation Modality – NIM), a Civil Society Organisation (NGO Implementation), a UN agency or Inter-Governmental Organisation (Agency Implementation), or UNDP itself (Direct Implementation Modality). In the case of NIM and NGO implementation, programme activities or project are bound by the framework outlined in this manual in addition to the Implementing Partners' own applicable rules and regulations. DIM projects adhere to UNDP rules and regulations. The rules and regulations of the specific agency involved guides Agency Implementation, in accordance with UNDP's applicable rules and regulations concerning the specific UN agency or INGO.

2.2. Operational Legal Framework

The following documents are used to operationalize such legal arrangements:

Standard Basic Assistance Agreement (SBAA). The legal agreement between the Government and UNDP outlining general conditions for UNDP cooperation under which all UNDP programme activities are carried out. As Pakistan has currently not signed an SBAA, the legal basis for agreements with the Government in Pakistan is provided under a UN Special Fund Agreement signed on 25 February 1960 and a standard annex (called 'Supplemental Provisions') which is attached to the project Annual Work Plans.

Pakistan One UN Programme (OP). The One United Nations Programme sets out expectations for the UN and Government of Pakistan's cooperation in support of national priorities. The OP articulates the outcomes, institutional or social behavioral changes to which the UN will contribute, along with the Government and other development partners. The current OP is for the period 2013-2017 and such frameworks will be developed for future periods.

Common Country Programme Document (CCPD). A document approved by the UNDP Executive Board that provides a mandate for UNDP to work for agreed development results in a country. UNDP has formulated the current CCPD together with UNFPA and UNICEF and the document is fully aligned with the Pakistan One UN Programme, which sets out the results expected from UN and Government of Pakistan cooperation, including six Strategic Priority Areas and Outcome level results. The current CCPD is for the period 2013-2017 and such frameworks will be developed for future periods.

Common Country Programme Action Plan (CCPAP). A legal agreement between the Government, UNDP, UNFPA and UNICEF to execute the common country programme document (CCPD). The CCPD and CCPAP are the key tools used during the UNDP country programming cycle for programme-level management. The CCPAP is signed by the Government Coordinating Agency (Economic Affairs Division), UNDP, UNFPA and UNICEF. The current CCPAP is for the period 2013-2017 and such frameworks will be developed for future periods.

Annual Work Plan. From a legal perspective, the term "project document" as defined in the SBAA (the UN Special Fund Agreement, in the case of Pakistan) refers to both the Annual Work Plans and CCPAP together. The Annual Work Plan is a legal agreement between UNDP and the Implementing Partner to implement activities within a calendar year, as identified in the CCPAP signed between the Government and UNDP. An Annual Work Plan should be signed for each calendar year. As most UNDP projects have a duration covering multiple calendar years, AWPs for subsequent years are added as required for resource planning and mobilization purposes. In addition, the Implementing Partners of the UNDP supported NIM projects will develop the Project Concept 1 (PC-1), which shall provide the government sanction and governing framework for project implementation.

2.3. Project Implementation Framework

UNDP programming is based on a tripartite relationship for project implementation between the Donors, Government as the owner and recipient of development assistance, the Implementing Partner as the manager, and UNDP as the development partner and funding agency (NIM Manual, Page 8). Three parties are involved in project implementation as follows:

1. Donors – provide funding that supports country development strategies;
2. Programme Country Governments – use external funding and other resources effectively and take ownership of programme outcomes;
3. UNDP and Partners – provide funding and programme support in agreement with UNDP global, regional and country programmes.

The relationship between the concerned legal entities, their accountabilities and their roles in the country programme and project management is summarized in Annex 1 – Roles of Partners in Country Programme and Project Management.

UNDP, in consultation and agreement with the Government, selects an Implementing Partner for a project from one of five different types of partner organizations ((NIM Manual, Page 18). These categories are:

- Government Entities. The use of a Government entity is referred to as National Implementation Modality (NIM). Eligible Government entities include:
    - A ministry of the Government;
    - A department within a ministry; or,
    - A Governmental institution of a semi-autonomous nature, such as, the central bank, a university, a regional or local authority or a municipality.
- United Nations Agencies (UN Agency Implementation) .
- Non-Governmental Organizations (NGO Implementation).

- UNDP itself (Direct Implementation Modality).
- Inter-Governmental organizations that are not part of the UN system.

Applicable Rules and Regulations under Different Implementing Modalities

S. No.	Implementing Partner	Applicability of NIM Manual	Applicable Rules and Regulations
1	Government Ministry Department within a ministry Governmental institution	Fully Applies	Applicable rules and regulations of the Implementing Partner will apply, to the extent that these do not contravene the principles of the Financial Regulations and Rules of UNDP: Guidelines for Project Management: http://www.pc.gov.pk/publications.html Government of Pakistan Accounting Policies and Procedures: http://www.pifra.gov.pk/docs/nam/03-Accounting-Policie-and-Procedures-Manual.pdf Pakistan Procurement Code: http://www.ppra.org.pk/ Guidelines for appointment of Consultants: http://www.establishment.gov.pk/
2	NGOs	Fully Applies	Applicable rules and regulations of the Implementing Partner will apply, to the extent that these do not contravene the principles of the Financial Regulations and Rules of UNDP
3	UNDP	Partially Applies*	Programme and Operations Policies and Procedures (POPP). https://intranet.undp.org/global/popp/Pages/default.aspx
4	United Nations Agencies	Partially Applies*	Respective UN agency rules and regulations apply
5	Inter-Governmental organizations	Partially Applies*	In the case of Inter-Governmental organization as approved by UNDP HQ, their respective rules and regulations apply. In other cases, NGO implementation modality should be used.

** Partial application implies that the programme and project cycle will follow the NIM manual, whereas the financial, human resources, procurement and audit policies of the concerned Implementing Partner will apply.*

The Government is responsible for the management and delivery of programme activities and achieving project outputs for nationally implemented UNDP projects. Government regulations, rules and procedures apply to project implementation to the extent that they do not contravene the principles of the Financial Regulations and Rules of UNDP. However, when an Implementing Partner's financial governance does not provide the guidance required to ensure best value for money, fairness, integrity, transparency, and effective international competition, the financial regulations and rules of UNDP shall apply.

Compliance with the principles of the Financial Regulations and Rules of UNDP shall be assessed during the evaluation of capacity of the Implementing Partner (NIM Manual, Page 11). Potential gaps may lead to one or both of the following situations:

- UNDP and the Implementing Partner agree upon specific management arrangements and procedures for project implementation, which will complement governmental policies and procedures. Such agreement shall be documented in a special annex to the project Annual Work Plan.

- UNDP provides support services to national implementation as a Responsible Party. Such services, and the cost involved, shall be detailed in a Letter of Agreement (for support services under national implementation) to be signed as part of the Project Concept 1 (PC-1) or as part of the Annual Work Plan each year. UNDP support services will be provided according to UNDP's regulations, rules and procedures.

2.4. Project Cycle

Projects are integral components of a UNDP country, regional or global programme. At the country level they are also imbedded in the CCPAP. The project cycle begins by justifying a project's business case based on the initial articulation in the country programme, and ends with achievement of outputs to be assessed in a programme review.

The approach covers the entire project life cycle from idea generation to formulating a project, implementing project activities, monitoring and evaluating the project, and realizing project outputs and their intended contribution to programme outcomes. The NIM Manual provides the information needed to ensure appropriate UNDP policies are followed, key stakeholders are kept informed, appropriate project management structure exists, outputs and activity deliverables are monitored, and the project is well managed.

PROJECT CYCLE MANAGEMENT

Chapter 2

IN THIS SECTION:

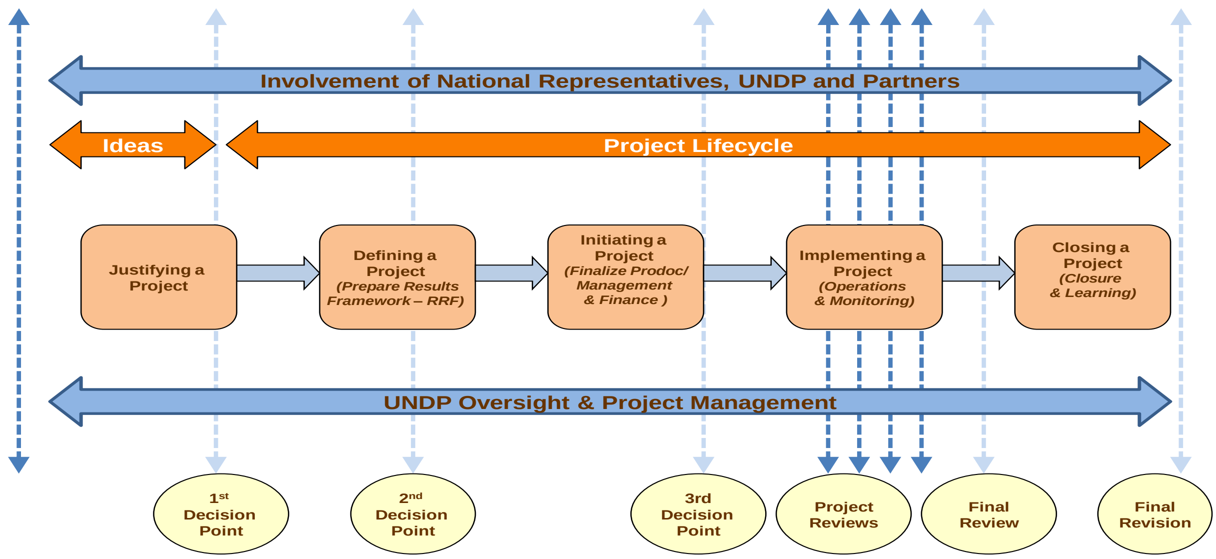
- 2.1 Justifying a project
- 2.2 Defining a project
- 2.3 Initiating a project
- 2.4 Implementing a project
- 2.5 Closing a project

3. PROJECT CYCLE MANAGEMENT

This chapter provides an overview of project management policies and procedures applicable on all UNDP supported NIM projects. In Pakistan, all NIM projects that are implemented by government entities shall be governed by the UNDP NIM Manual and implemented in accordance with the applicable national rules and regulations as defined in the "Guidelines for Project Management" published by the Planning Commission, Government of Pakistan, and the various related policies and procedures.

As a general principle, UNDP and government Implementing Partners will coordinate the various steps in project cycle management and avoid duplication, while ensuring compliance with the rules and regulations of both UNDP and government. This chapter identifies coordination points between the UNDP and government at five key steps of the project cycle: Justifying a Project; Defining a Project; Initiating a Project; Implementing a Project; and, Closing a Project.

UNDP Project Cycle



The project cycle begins by justifying a project's business case based on initial articulation in the Common Country Programme Action Plan (CCPAP) and ends with achievement of outputs to be assessed in the programme review. The diagram above presents the UNDP Project Cycle. This approach covers the project cycle from idea generation to formulating a project, implementing the activities in the project, monitoring and evaluating the project, and realizing project outputs and their intended contribution to programme outcomes.

The ovals at the bottom of the diagram indicate different review mechanisms applicable to UNDP projects necessary for approval decisions. For example, the first three "Decision Point" ovals indicate the timeframes to consider the following:

- **1st (Primary) Decision Point – Justifying a Project:** Is this project the best response to the country needs as identified in the CCPAP? Will it contribute substantially to the results expected from the CCPAP? *UNDP country office management makes the decision upon confirming the project idea as initially identified during development of the country programme;*

- **2nd (Secondary) Decision Point – Defining a Project:** Is the project scope realistic — both with regards to the outputs and the specified timeframe? How can the expected outputs be achieved most effectively? Do these intended outputs contribute to related national outcomes? *These questions are considered during appraisal of the project by UNDP country office management during review of the project scope and approach;*
- **3rd (Tertiary) Decision Point – Initiating a Project:** Is the design of the project achievable and assess progress towards delivering results to ensure success? Is monitoring clearly defined? *This decision is considered by the UNDP country office management and the implementing partner when reviewing a detailed project budget and activity schedule.*

"Project Reviews" are multiple scheduled decision points that take place while a project is being implemented, typically at monitoring and evaluation events, and are designed to answer the questions: Is the project still relevant? Is the project yielding the desired results? Are those results still relevant and effectively contributing to the intended higher-level outcome? Is the project being run as planned? Is there a need to redesign, cancel or modify the project in any way to ensure meaningful contribution to development results?

3.1. Justifying a Project

The primary purpose of project justification process is to answer the questions: "Is this project the best response to the country needs as identified in the CCPAP? Will it contribute substantially to the results expected from the CCPAP?"

The overall justification and rationale for a project are typically developed in the CCPAP. Or, if the project is not included in CCPAP, a project may be precipitated by the following: a rapid change in a country's situation that requires different priorities; newly emerging development areas; a crisis or special development situation. For new projects not included in the CCPAP, UNDP shall agree with the Economic Affairs Division (EAD) and relevant government counterparts to obtain approval.

In the second stage, UNDP Country Director appoints a UNDP staff member to develop the **project proposal**, which provides an initial indication of the project concept and is prepared in consultation with the relevant national counterparts, normally a federal or provincial government entity identified in the CCPAP. The contents of the Project Proposal include: output(s) and linkage to CP outcome(s); approach, method and capacity development strategies; stakeholder analysis; potential Implementing Partner; main potential financing partner(s); indicative funding requirements. The project proposal is reviewed internally by UNDP country office and it is submitted to the UNDP Country Director for clearance.

Once UNDP clears a Project Proposal, the relevant national counterpart (federal or provincial government entity) presents the Project Proposal to the relevant Project Concept Clearance Committee of the federal or provincial government.[2] If the Project Proposal is cleared, the government counterpart and UNDP designate their respective project developers (a relevant senior government official and a UNDP programme officer) to carry out further development of the project.[3]

2 Planning Commission Guidelines for Project Management, Chapter 10 "National Economic Council's Decisions," Section B, Foreign Aided Projects.

3 It is important to note that the government entity that participates in project formulation does not become the UNDP Implementing Partner by default. For details on IP selection, refer to Annex 3.

3.2. Defining a Project

The purpose of 'defining a project' is to answer the questions: "Is the project scope realistic — both with regards to the outputs and the specified timeframe? How can the expected outputs be achieved most effectively? Do these intended outputs contribute to related national outcomes?" To answer these questions, a Project Concept (PC-1) is prepared and is appraised and approved by UNDP, followed by its appraisal and approval by the relevant federal or provincial government projects approval forum (DDWP, PDWP, CDWP or ECNEC).[4]

Stage 1: Project Formulation and Development of a PC-1

In the first stage, UNDP consults with relevant counterparts and identifies a potential Implementing Partner to participate in the project development process. The government counterpart designates a senior government official to work with the UNDP programme officer and prepare the Project Concept (PC-1). The PC-1 development involves consultation with a wide range of stakeholders, including any parties with an interest in the project such as the target beneficiary groups, civil society organizations, government, the media, UN agencies and donors. The PC-1 outlines the project scope, expected outputs in the form of a completed results and resources framework, management arrangements, project approach incorporating capacity development, risks analysis, social and environmental impacts analysis, and a monitoring and evaluation framework. The PC-1 also includes activity costing and expected sources of funds, including the contributions to be made by UNDP, the government Implementing Partner and by other donors/stakeholders.

During the PC-1 preparation process, the project developer also **selects an Implementing Partner** (IP) for the project, based on an assessment of the IP's capacity to effectively manage the project and deliver the intended outputs. The process and criteria for the selection of Implementing Partner for a UNDP project are provided in Annex 3. The selection of an IP must ensure ownership at the national level; availability of technical, financial and administrative capacities required for the project; ability to ensure that project outputs will be produced and sustained over time; and deliver good value for money. As stated in Financial Regulation 27.02 of the UNDP Financial Regulations and Rules, an Implementing Partner is "the entity to which the Administrator has entrusted the implementation of UNDP assistance specified in a signed document along with the assumption of full responsibility and accountability for the effective use of UNDP resources and the delivery of outputs, as set forth in such document." There can be only one IP per project.

Once the IP has been selected, the next important step for project developers is to finalize the **project management arrangements**. The management arrangements are informed by the preliminary selection of the IP and the capacity assessment findings. The PC-1 includes a section on the accountability of the IP, the IP's role in managing the project, and in carrying out the activities and providing oversight. This will include, inter alia, prior obligations and prerequisites, collaborative arrangements with related projects (if any), brief description of the inputs to be provided by the IP, other government agencies and UNDP, arrangements for cash transfers to the project and related assurance activities, audit arrangements, organization chart of the project, terms of reference for key personnel and Responsible Parties[5], the description of assurance mechanisms, and any other significant information. The management arrangements also include

4 The Department Developmental Working Party (DDWP), Provincial Development Working Party (PDWP), Central Development Working Party (CDWP) and/or the Executive Committee of National Economic Council (ECNEC).

5 As stated in the Financial Regulation 17.01 of the UNDP Financial Regulations and Rules, an Implementing Partner may enter into agreements with other organizations or entities, known as responsible parties, who may provide goods and services to the project, carry out project activities and produce project outputs. Responsible parties are accountable directly to the Implementing Partner.

the composition and membership of the **project board** and the responsibilities of board members in directing project implementation. The Project Board is chaired by the executive head of the Implementing Partner and its members include senior representatives of the IP, UNDP and the Government Coordinating Agency (EAD). (TOR of the Project Board is at Annex 4)

The PC-1 also includes a description of the **assurance mechanisms**, which are based on the Implementing Partner's financial capacity assessment. UNDP uses three mechanisms to provide assurance that funds provided to each IP were received, expended and reported according to the agreed system for internal controls: (a) Periodic on-site reviews of the partner's financial records for cash transfers; (b) Programmatic monitoring of the implementation of the AWP; and, (c) Scheduled audits (in collaboration with other UN organizations that use the same Implementing Partner) of the partner's internal controls for the management of cash transfers.

The project developer should also prepare a **monitoring and evaluation (M&E) framework** for the project in accordance with the UNDP Handbook on Planning, Monitoring and Evaluating for Development Results. The project monitoring plan should: (a) clarify the precise elements to be monitored: clear outputs, indicators, baselines, and targets; (b) set up arrangements to collect monitoring evidence to show that the pre-identified outputs are being achieved as intended, with efficiency, and that the activities are being implemented according to the Annual Work Plan; (c) ensure that monitoring evidence informs the project contribution to the CCPAP outcome; (d) ensure that activities/events for monitoring purposes are scheduled and responsibilities assigned; (e) ensure that the project budgets include adequate human and financial resources for monitoring and evaluation; (f) ensure capture of issues and lessons; and (g) indicate whether or not the project will be evaluated.

Stage 2: Project Appraisal

Appraisal is an overall assessment of the relevance, feasibility and potential sustainability of a development intervention prior to a decision on funding. The purpose of an appraisal is to enable decision-makers to decide whether the activity represents an appropriate use of resources. An objective appraisal is essential for an informed decision on project approval. Therefore, UNDP has established a mandatory project appraisal process for all projects receiving UNDP funding. The review and appraisal of a PC-1 takes place at two levels:

Level 1: Project Appraisal and Clearance by UNDP

After the project developer has completed the draft PC-1, the relevant UNDP programme officer and staff of UNDP and the IP review the PC-1 using the UNDP Check List for Project Concepts[6] and make necessary corrections. The purpose of the desk review is to ensure: (a) Alignment – whether the proposed project or Annual Work Plan is aligned with CCPAP outcome; (b) Clarity – all narrative text and the results and resources framework have been written logically and clearly; (c) Completeness – all required information and annexes are included in the draft in accordance with instructions; (d) Correctness – all text is editorially correct and budget figures are arithmetically correct; (e) Results orientation – the results and resources framework is logical and contributes clearly to CCPAP outcome; (f) Substance – relevant UNDP policies applicable to the substantive area have been taken into account.

In the next stage, the project developer submits the PC-1 to participants of the internal project appraisal committee (PAC). The UNDP Country Director chairs the PAC and appoints a rapporteur to prepare minutes. The membership of the PAC comprises UNDP staff members, representatives of the Government Coordinating Agency (EAD) and the Implementing Partner. Other stakeholders

6 Key considerations for quality programming are given at Annex 5.

such as technical experts, representatives of potential donors and beneficiaries may participate in an ex-officio capacity.

The PAC meeting recommends to UNDP on whether a proposed project should be approved or rejected. The key considerations for the appraisal meeting include: relevance, feasibility, commitment, accountability, cost effectiveness, sustainability, environmental and social impacts, risk management, monitoring and evaluation, and the project board's composition and membership. The rapporteur prepares and circulates the minutes of the meeting to the PAC members for final review and comments. If the PAC has recommended the PC-1 for approval, the UNDP project developer submits the PC-1 for a final decision to the UNDP Country Director. If UNDP decides to support the PC-1, the project is moved to the next stage of approval; otherwise, it is returned to the project developer for other action.

Level 2: PC-1 Appraisal by the Government Forum (DDWP, PDWP, CDWP, or ECNEC)[7]

In the next stage, the government's project developer and the IP submit the PC-1 for review by the relevant project appraisal forum of the government, as defined in the "Guidelines for Project Management" of the Planning Commission, Government of Pakistan. Depending upon the size of the project, the appraisal can take place at the level of the Department Developmental Working Party (DDWP), Provincial Development Working Party (PDWP), Central Development Working Party (CDWP) and/or the Executive Committee of National Economic Council (ECNEC). The forum also makes a decision on the allocation government's cost-sharing contribution to the project and the annual disbursement plan.

If the PC-1 is approved, it becomes effective and the project moves to the Stage 3: Initiating a Project. In the event the forum suggests changes to the PC-1, the project developer consults with the UNDP Designated Official and, if the proposed changes are acceptable to UNDP, incorporates the suggestions and resubmits the PC-1 to the relevant government forum for approval. The UNDP Country Director may request the PAC to review and make recommendations on the revised PC-1 before making a final decision on its approval. If the suggested changes are not in compliance with UNDP policies and procedures, the PC-1 is resubmitted to the government approval forum with appropriate justifications.

3.3. Initiating a Project

The purpose of this process is to answer the question: "Does the design of the project demonstrate an achievable plan to implement and assess progress towards delivering results to ensure success? Is monitoring clearly defined?" The work to be done in this process is fundamentally to establish the Project Board, further develop project details in the form of the Annual Work Plan (AWP), and mobilization of resources for project implementation. The end of this process is primarily identified by activation of the Project Board, signed AWP, signing of cost-sharing agreements with donors, and development of a comprehensive monitoring framework.

At this stage, UNDP mobilizes resources for the project and provides support and advice to the Implementing Partner (IP),[8] while the IP undertakes the following steps to initiate the project's implementation:

7 Planning Commission Guidelines for Project Management, Chapter 1, Project Management, Chapter 2, Project Management Policy and Chapter 3, Project Management Life Cycle, pp. 1-7.

8 When other resources such as cost-sharing, trust funds are involved in the project, applicable cost-recovery mechanisms must be applied in accordance with the UNDP Cost Recovery Guidelines.

Project Authorization

Once the project is approved by the DDWP/CDWP/ECNEC as the case may be, the sanction is issued by the Public Investment Authorization Section of Planning & Development Division for the projects that are approved by CDWP and ECNEC, or by the Provincial Planning & Development Departments for the projects that are approved by the PDWP. In the case of projects approved by DDWP, the sanction is issued by the concerned ministry/division. After issuance of the sanction letter by the approving authority, the ministry concerned issues administrative approval of the project.

Appointment of the Project Director (PD)

The next step involved in the activation of the project is the appointment of a Project Director by the Implementing Partner. A full time Project Director should be appointed for the project costing Rs.100 million and above. The project Director can be appointed on an additional-charge basis, if the cost of the project is below Rs 100 million. The Project Director reports to the executive head of the Implementing Partner (normally the same official that chairs the Project Board). The appointment of the Project Director is done in accordance with applicable rules and procedures of the government and in consultation with the UNDP Country Director. To enable effective project management, the IP should delegate appropriate administrative and financial powers to the Project Director. The Project Director is required to move the case for the delegation of financial and administrative powers by the concerned principal accounting officer.

Opening of the Assignment Account

The PD initiates the process for opening of the assignment account with the approval of departmental financial advisor and the Controller General of Accounts. This type of account is normally maintained with approved banks and opened for foreign aided projects and non-lapsable funds.

Project Board Meeting and Approval of the Annual Work Plan (AWP)

The next important step after the allocation of funds in the PSDP is the release of funds. The Project Director prepares Annual Work Plan (AWP) and the cash plan based on the approved PC-1 and in consultation with the UNDP programme officer. The AWP follows UNDP's prescribed format and identifies Responsible Parties for each activity and it is submitted to the Project Board for review and endorsement. Once the AWP and cash plan are approved by the Project Board, the Project Director submits these to the government ministry/department's Principal Accounting Officer for approval and to the Planning and Development Department/Division and the Departmental Financial Advisor for vetting and issuance of the release order. The AWP and budget become effective only after they have been approved and signed by the Project Director, the executive head of the IP (the chair of the Project Board) and the UNDP Country Director.

Procurement Plan and Recruitment Plan

As part of the AWP process, the Project Director also prepares the procurement and recruitment plans, which provide the specific details of the goods and services to be procured by the project, the method to be followed and designate a Responsible Party for each action. All international procurements will be carried out by UNDP as the Responsible Party.

Submission of the Payment Request to UNDP

The Project Director submits the payment request duly signed by the executive head of the IP to the UNDP Country Office, along with the approved AWP and the Funding Authorization and Certificate of Expenditures (FACE form).[9] UNDP transfers funds to the project following the cash transfer modality defined in the approved PC-1 or the AWP.

9 The details on the project financial management are provided in Finance in Tab 5.

Recruitment/Appointment and Orientation of Project Staff

Concurrently, the Project Director initiates the process of recruitment/appointment of the project staff in accordance with the provisions of the approved PC-1 and in accordance with the applicable government rules and regulations.[10] The project director organizes orientation training for the project staff on the project design, strategy and objectives as well as on the policies and procedures of the government and UNDP as applicable on the project.

Preparation of the Project Monitoring Plan and Risks Log

The Project Director, in consultation with the UNDP programme officer, prepares the project monitoring plan, including key monitoring and reporting events such as key reports, reviews, monitoring visits, audits and evaluations. The Project Director and UNDP programme officer also update risks log, identifying various risks to project implementation and achievement of project results/outputs as well as defining strategies and action points to mitigate/manage the identified risks.

3.4. Implementing a Project

The focus of this process is to achieve project outputs as defined in the approved PC-1/Annual Work Plan through implementation and monitoring. Project outputs are produced through a set of activities. The plan to achieve outputs for a given year is articulated in the Annual Work Plan.

Accountabilities of the Implementing Partner, Project Director, Project Board and UNDP

During the project's implementation, the Implementing Partner is accountable for:

- managing UNDP resources to achieve the expected results specified in the PC-1, in accordance with the government financial rules and regulations to the extent that they do not contravene the principles of the Financial Regulations and Rules of UNDP;
- maintaining an up-to-date accounting system to ensure accuracy and reliability of financial reporting; and,
- providing expenditure reports to UNDP on a quarterly basis (or more frequently as appropriate).

Fundamental responsibility for managing this process lies with the Project Director as a representative of the Implementing Partner. The Project Director is responsible for the following tasks: managing the overall conduct of the project; implementing activities by mobilizing goods and services; checking on progress and watching for plan deviations; ensuring that changes are controlled and problems addressed; monitoring risks; and, reporting on progress.

As the project progresses, the Project Board must continually address the following questions:

- Is the project still relevant and effectively contributing to the intended outcomes?
- Is the project yielding the desired results?
- Are risks managed? Is the project being implemented as planned?
- Is there a need to redesign, cancel or modify the project in any way in order to ensure meaningful contribution to development results?

Where the progress towards planned outputs is not advancing as expected, the Project Board should review the strategy of the project, including the Annual Work Plan, budget and inputs. In addition to periodic reviews within the year, the Project Board shall hold an annual review to assess results achieved against yearly targets and to approve the subsequent Annual Work Plan,

10 The details on the project human resource management are provided in human resources in Tab 3.

informed by the UNDP and other donors' financial allocations. The Project Director shall ensure the participation of UNDP and other project contributors and key stakeholders in the annual reviews.

During the project's implementation, the UNDP is responsible for the following tasks:

- monitoring the project's progress towards intended outputs;
- monitoring to ensure that resources entrusted to UNDP are utilized appropriately;
- ensuring national ownership, ongoing stakeholder engagement and sustainability;
- ensuring that the project's outputs contribute to intended country programme outcomes;
- participating in the project management board; and,
- reporting on progress to donors and to UNDP through corporate reporting mechanisms.
- When UNDP is identified as a Responsible Party, additional duties as associated with this role include, when requested and agreed to, providing the implementation support services in accordance with UNDP's policies and procedures.

Applicable Policies and Procedures

The financial capacity assessment of the Implementing Partner, which is conducted during the project formulation stage, helps determine the type of policies and procedures that will apply during the project's implementation and the mode of cash transfer modalities to be followed by UNDP.[11] These are described in the management arrangements section of the PC-1 and provide the binding framework for the project's implementation. In all cases, the following general principles (defined in the UNDP's Financial Regulations and Rules - Reg. 21.02) must be given due consideration: best value for money; fairness, integrity, transparency; and effective competition.

When the management arrangements have been determined, the IP arranges for the procurement of the inputs to initiate activities.[12] Inputs are the personnel, goods and services, and micro-capital grants that are necessary and sufficient to produce the planned outputs. Inputs are obtained on the basis of the project AWP and the corresponding budget. The IP must ensure the oversight and monitoring of all personnel, consultants, non-governmental organizations (NGOs) and contractors' work. For this, the contracts should describe progress benchmarks and indicators for measuring the outputs of the contract.

The government may assign its own personnel to participate in project activities as part of their work responsibilities. Such personnel are referred to as "government staff" and are reflected in the government budget, not in the project budget.[13] The Implementing Partner should undertake recruitment of the project personnel approved in the PC-1 and Annual Work Plan, in accordance with the rules and procedures specified in the management arrangements section of the PC-1.[14]

The project can fund training or fellowships designed to contribute to the expected results and the capacity development strategy of the project, provided these are included in the approved PC-1 and Annual Work Plan and adhere to UNDP's relevant policies and principles.[15]

The PC-1 may include provision of micro-capital grants to Non-Government Organisations (NGOs) or community-based organizations (CBOs) for credit or non-credit purposes for the achievement of project results and project activities. The PC-1 should provide for an independent and transparent mechanism such as a grant steering committee that will ensure competition, review and endorse the selection of recipient institutions, and assess the performance of these institutions in

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11 For further details on management arrangements, refer to the sub section on "Defining a Project" and the United Nations Development Group (UNDG)'s Harmonised Approach to Cash Transfers (HACT).

12 For guidance on project procurement, refer to Procurement in Tab 4.

13 The costs of such staff should be reflected in the PC-1 as the government's in-kind contribution.

14 For guidance on project human resources, refer to human resources in Tab 3.

15 For further details on training and fellowships, refer to Annex 6.

managing the grants. The Implementing Partner is responsible for: (a) approving, in consultation with the steering committee, requests for grants; (b) establishing the agreement between itself and the recipient institution; (c) managing the release of the grant; and, (d) monitoring and reporting to UNDP on the implementation of the activities covered by the grant and the achievement of results from the grant.

In the unique circumstance that UNDP provides only Direct Payments on the behalf of an Implementing Partner, UNDP's accountability is limited to: 1) assurance that request has come from an authorized official; 2) verification that the requested payment is in accordance with the project AWP; and, 3) verification that payment is made to the designated party.

Project Monitoring, Reporting and Risk Management

Monitoring, reporting and risk management are among the most important responsibilities of the Project Director. The Project Director monitors the progress of project activities and selects different monitoring approaches to do so, using the tools and mechanisms described in the PC-1. Effective monitoring requires that the project team, in consultation with the Project Board, find the right mix of tools and is able to balance the analysis of reports, reviews and validation, and participation.

The project director should put in place a comprehensive monitoring and tracking system to assess the project's inputs, activities, results, risks and financial progress in accordance with the monitoring and evaluation framework provided in the approved PC-1.[16] The project director should prepare quarterly and annual progress reports, using the UNDP standard formats and, where applicable, in line with the other donors' requirements, and submit these to the project board and UNDP as per the reporting schedule provided in the PC-1. The reports should also include an update on the project risks log.

In the last month of each financial year, the project director should prepare an annual review report[17] of the project, which shall provide a summary of results achieved against pre-defined annual targets at the output level, along with a review of project achievements against the project Annual Work Plan and the budget. The review should also: (a) revalidate the logic of project and programme results and discern what issues have emerged during implementation; and, (b) confirm that the delivery of outputs would lead to the desired outcome. When required, the Project Director should state what sort of course corrections are needed and make recommendations to the project board.

UNDP's monitoring role during project implementation is to ensure that: (a) the project is making progress towards intended outputs; (b) resources entrusted to UNDP are utilized appropriately; (c) there is continued national ownership, ongoing stakeholder engagement and sustainability; and, (d) the project's outputs contribute to intended country programme outcomes, also informing the relevant oversight and coordination mechanisms. A representative from the UNDP office should visit each project at least once a year and document the field visit through brief and action-oriented reports, submitted within a week of returning to the office. Field visits serve the purpose of results validation and should provide an update on progress for the purposes of annual reporting preparation.

[16] For details, refer to UNDP Handbook on Planning, Monitoring and Evaluation for Development Results. http://web.undp.org/evaluation/handbook/.

[17] The annual review report will be prepared in the 11th month of the each financial year and presented to the Project Board meeting in the 11th or 12th month of the financial year, along with the Annual Work Plan for the following year. The annual review report will also make the basis for the annual progress report which will be submitted one month after the end of the financial year.

During the fourth quarter of the year, the project board shall organize an Annual Project Review meeting to: (a) assess the performance of the project towards outputs and alignment of the outputs to the outcomes; (b) review the project's compliance with applicable policies and procedures based on the audit and previous review's recommendations; and, (c) appraise the Annual Work Plan for the subsequent year. During the final year of a project, this review will be a final assessment. This review is driven by the Project Board and may involve other stakeholders as required.

Project Revisions

The PC-1 may be revised at any time with prior approval from the forum that approved the PC-1 as well as from the UNDP Country Director. The purpose of the revision may be to make substantive or financial adjustments and improvements to the project. The policies and procedures set out in the previous processes for the formulation and approval of PC-1 also apply to their revision.

A formal change in the design of the project is called a Substantive Revision. Substantive Revisions are made in response to changes in the development context or to correct flaws in the design that emerge during implementation, normally as a result of the annual project review. In some cases, corrections may be introduced in the AWP instead of a full revision.

In the event a project is not proceeding as planned, the Project Director is expected to raise the issue to the Project Board during regular progress reporting, so that the Project Board can decide on how to improve the situation at the next project review. When there is a change in the substantive design, the inputs and the budget will also normally need to be changed. Substantive revisions should be reviewed through a project appraisal committee meeting to ensure a participatory process involving key stakeholders. Such revisions are reflected in a document describing changes in the relevant sections of the PC-1.

UNDP and the Implementing Partner may decide to extend the duration covered by a PC-1 to take into account the delays in implementing certain activities and therefore in producing results. Such extensions do not entail a substantial change in the overall budget. UNDP Country Director and the executive head of the Implementing Partner must agree in writing to the proposal for project extension and the PC-1 revision should be approved by the same forum that approved it.

Within the year, in the interest of sound financial management, project budgets must be kept up to date and aligned with agreed plans in order to properly assess progress and performance. The PC-1 and the Project Board may authorize the Project Director to make minor adjustments to the budget – e.g. moving up to 10%, or a certain amount, across Annual Work Plan budget lines without seeking prior approval from the Project Board. Any amendments exceeding the approved tolerance limit, including changes to a project budget affecting the scope (outputs), completion date, or total estimated project costs, shall be subject to the formal approval of revised AWP by the Project Board and the UNDP Designated Official.

Audit

Audit is an integral part of sound financial and administrative management, and of the UNDP accountability system. UNDP supported projects are audited regularly and the findings are reported to the UNDP Executive Board. The audit of projects provides UNDP with assurance that resources are used to achieve the results described in the PC-1 and that UNDP resources are adequately safeguarded. The regulations and procedures related to audit of NIM projects are provided in Chapter 6 Audit.

3.5. Closing a Project

One of the defining features of a project is that it is finite — it has a start and an end. The "Closing a Project" process formally ends a project, both operationally and financially. Preparation for closing a project is triggered: (a) By the approaching end of the final Annual Work Plan, when a project delivers its planned outputs; or (b) By it becoming apparent that the project is no longer viable, thus making UNDP decide to cancel the project, based on the project board's recommendation.

When the Annual Project Reviews have been properly conducted, this process shall be straightforward, as each project annual cycle would have been approved before moving on. The focus of this process will be on overall performance of the project, evidence of completion, lessons learned, and necessary hand-over to ensure sustainability. In this respect, the Project Director should prepare a final project review report and submit it to the Project Board during a formal meeting. If the project has been closed prematurely, the process shall document what has been achieved and recommend the way forward.

Suspension and Cancellation
A project may be cancelled if circumstances arise that jeopardize the achievement of the expected results and where a redesign may not bring a permanent solution. The UNDP Designated Official makes the final decision to suspend or cancel a project and confirms this in writing to the parties concerned, in consultation with the Government Coordinating Agency (EAD) and the Project Board.

- **Suspension.** A project is cancelled only after a period of suspension. During this period, the parties consult and try to resolve the problems by corrective measures. If the problems are resolved, the project activities may be resumed. UNDP Country Director confirms to the parties the date for resuming the activities. In certain situations, it is often clear that corrective measures cannot be taken and, in those cases, UNDP proceeds directly with cancellation.
- **Cancellation.** If the problems have not been resolved in a reasonable period of time, the project must be cancelled. The Implementing Partner proceeds with the steps required for financial completion as described in the process "Closing a Project" below. After taking into account the outstanding obligations of the cancelled project, UNDP may re-programme the UNDP core resource and the third-party contributions subject to approval by the donor.

Operational Completion
A project is operationally complete when the last UNDP-financed inputs have been provided and the related activities have been completed. Through the project board, the Implementing Partner promptly notifies the UNDP country office when this has been done. Should the Implementing Partner not do so, the UNDP Country Director must determine when the project is operationally complete. When a project is operationally complete, the parties must agree on the disposal of any equipment that is still the property of UNDP.

UNDP Country Director is responsible for deciding on the transfer or other disposal of assets financed by UNDP.[18] He/she does so in consultation with the Implementing Partner. Assets may be transferred to the government for project activities managed by a national institution at any time during the life of a project. Assets may be temporarily placed in the custody of the UNDP country

[18] The title of all project assets, even when they are in the custody and use of the Implementing Partner, remains with UNDP Country Office. The disposal of assets is, therefore, carried out in accordance with UNDP Contract, Asset and Procurement Management Guide and the final decision is approved by the UNDP Country Director.

office, pending transfer or sale. The custody period must not exceed nine months. The need for custody usually arises once UNDP support for the project has come to an end. Under CSO implementation, the CSO must return all UNDP-financed assets to UNDP upon completion of the project. When no longer needed by the project, assets may be transferred to another UNDP financed project or to the government, or it may be disposed of by sale or donation. In all cases of transfer, a transfer document must be prepared and kept on file.

Financial Completion

The Implementing Partner and UNDP must ensure that a project is financially completed not more than 12 months after being operationally completed or after the date of cancellation. Between operational and financial closure, the Implementing Partner is required to identify and settle all financial obligations and prepare a final expenditure report. No adjustments can be made to a financially completed project. Where requested, the Government Coordinating Agency (EAD) assists UNDP and the Implementing Partner in the project's operational and financial closure.

A project is financially completed when: (a) it is operationally completed or has been cancelled; (b) the Implementing Partner has reported all financial transactions to UNDP; (c) UNDP has closed the accounts for the project; and, (d) UNDP and the Implementing Partner have certified a final combined delivery report (which serves as the final revision).

Final Project Review

The Project Director and the project board conduct a final project review during the final quarter of the project duration. Its purpose is to assess the performance and success of the project. It should look at sustainability of the results, including the contribution to related outcomes (and the status of these outcomes) and capacity development. The review will also consider lessons learned and recommendations that might improve the design and implementation of other UNDP-funded projects. Like the annual review, the final project review is driven by the project board and may involve other stakeholders as required, especially any relevant outcome groups. The final project review is distinguished from an evaluation because the latter is an external assessment, while the former is a self-assessment exercise. The findings from the review can be used to inform the evaluation and vice versa.

Evaluating a Project

Project evaluations are only required when they are mandated by partnership arrangements, but these may be included in the PC-1 as they generate critical information to support managing for results and provide the substantive basis for the conduct of outcome evaluations. The evaluations must adhere to the UNDP evaluation policy, be commissioned by the UNDP Country Office and carried out in consultation with the project board. The evaluations can be conducted at any time during the project cycle: at mid-point, just before or after completion. They should ideally take place around the time of completing a project to determine the future of the project (e.g. continuation or termination of the project), to decide whether the concept should be scaled up or replicated elsewhere, and/or to generate lessons that are of strategic significance for the organization.

HUMAN RESOURCES

Chapter 4

IN THIS SECTION:

- 3.1 National Implementation
- 3.2 Personnel
- 3.3 Roles and Responsibilities
- 3.4 Procedures for Management of Human Resources

4. HUMAN RESOURCES

This chapter summarizes Human Resources Management (HRM) policies and procedures that apply when government institutions (federal or provincial) act as implementing partners of UNDP-supported projects, National Implementation Modality (NIM).

This chapter also contains references to the policies, procedures and resources that guide how UNDP country offices work with Government institutions that act as implementing partners of UNDP-supported programmes and projects.

This section identifies the procedures that must always be followed by the government institution that is acting as an implementing partner of UNDP projects under national implementation by government.

4.1. National Implementation

Under national implementation, the HRM procedures of the relevant government Implementing Partner shall apply and the government Implementing Partner will follow the respective government HRM rules and regulation, or as agreed with UNDP in the Project Concept (PC-1) or the Annual Work Plan.

When national implementation is in place and the capacities of national counterparts are proven and tested, government regulations, rules and procedures may apply to project implementation to the extent that they do not contravene the principles of the Financial Regulations and Rules of UNDP. The government Implementing Partner is directly accountable to UNDP for any HRM actions carried out using UNDP financial resources.

The Planning Commission's "Guidelines for Project Management" (available at http://www.pc.gov.pk/publications.html) and/or other provincial guidelines provide the human resources rules and regulations that apply to UNDP supported projects. These guidelines provide for:

- The appointment of project related staff: Refer to ANNEXURE-XXV of the Guidelines;
- Pay package of project staff: Refer to ANNEXURE-XIV of the Guidelines; and,
- Project allowance: Refer to ANNEXURE-XV of the Guidelines.

Any international recruitments required to support a NIM project will be carried out by UNDP as Responsible Party in accordance with UNDP rules, regulations and policies.

4.2. Personnel

Government staff
Since UNDP-supported projects form part of the development activities of the programme country, the Government assigns its own personnel to participate in project activities as part of their work responsibilities. Such personnel are referred to as "government staff". This category of staff is reflected in the government budget and not in the project budget. Note: the government in-kind contribution should be reflected in the PC-1.

UNDP-supported personnel
The Implementing Partner is responsible for ensuring that job descriptions (sometimes referred to as "terms of reference") are prepared for all UNDP-supported personnel and concerned partners must agree on content. Job descriptions (and/or TORs) must be updated and must clearly identify all expected outputs. It is also recommended that individual work plans be completed for all staff.

As general principles, the following must always apply:

- All personnel are recruited by the Implementing Partner (or its contractors) unless otherwise specified (e.g., UNDP provides support services, see below "Recruitment by UNDP");
- The salaries and other entitlements of locally-recruited personnel shall follow the government's applicable rules, but must not exceed those provided for comparable functions and contracts within the United Nations system in the country concerned;
- The entitlements for travel of personnel funded by the project shall follow the government's applicable rules, but must not exceed those provided for UNDP staff; and,
- UNDP adheres to the Joint Consultative Group Policy on contracting government personnel, which disallows direct payments to government staff for additional work contributions on donor-supported development projects. Government officials shall not be funded by UNDP projects since this would undermine ownership and sustainability. (For more information, please see the United Nations policy on payments to government staff).

4.3. Roles and Responsibilities

The table below sets out roles and responsibilities for HRM under the full national implementation scenario:

Questions	Government National Implementation
1. Which document establishes the legal context?	PC-1.
2. Whose procedures apply?	Government, or UNDP's as agreed with UNDP.
3. What contract categories apply?	Those of Government, or UNDP's as agreed with UNDP.
4. What are the respective roles in preparation; review of job descriptions or terms of reference; advertising vacancies and receiving applications?	Undertaken fully by Government; If requested, UNDP may assist in an advisory capacity only.
5. Who participates in short-listing panel?	Undertaken fully by Government; If invited, UNDP may participate in ex-officio capacity only.
6. Who participates in selection panel?	Government manages process. UNDP may participate as ex-officio. Government makes selection.
7. Who makes selection decision?	Selection Panel - Government official.
8. Which contract format is used?	Government or other contract format agreed with UNDP.
9. What salary scale applies?	Government, or scale agreed with UNDP.
10. Who signs contract?	Authorized Government official.
11. To whom does the hired project personnel report?	Project director.
12. Who is responsible for making payments to project personnel?	Government using advances (or reimbursement) of funds made by UNDP, or direct payments.
13. How are payments made?	Government may make payments: 1) from advanced funds; 2) from its own funds (which would be reimbursed by UNDP); or, 3) by request to UNDP to make a direct

Questions	Government National Implementation
	payment.
14. If UNDP makes a direct payment for Government to project personnel, what conditions apply?	In the event that Government cannot make payments using advanced funds, UNDP may make direct payments for Government on receipt of instructions from an authorized Government official. In such cases, UNDP is not accountable for the underlying transaction. If deemed necessary by UNDP, any supporting documentation requested from the national implementing partner should be copies not originals. Original invoices should be retained by the national Implementing Partner for audit. UNDP may retain the original bills in agreement with the Government.
15. In the event of contract extension, who is responsible for performance review?	Government.
16. Who is responsible for resolving disputes between Government and project personnel?	Government.
17. Are project personnel subject to national social security or tax laws?	Yes, for Service Contracts (UNDP staff members cannot serve under the Government authority in full national implementation).
18. Who is accountable for audit of personnel payments?	Government.

4.4. Procedures for the Management of Human Resources

The HRM rules and procedures will be exclusively those of the Implementing Partner. Government Implementing Partners shall ensure compliance with the government's applicable standards and procedures to the extent that they do not contravene the principles and norms set in the Human Resources Chapter of the UNDP NIM Manual. The NIM manual provides the following guidance:

- **Principles for Selection of Contractors**, including Competitiveness, Transparency and Multilateralism.

- International Professionals:
  a) Who can be contracted
  b) How to recruit international professionals
  c) How to contract international professionals
  d) How to determine fees
  e) Documents needed to contract international professional personnel
  f) Payment of fees, tickets and per diem

It is important to mention that international experts and consultants will be contracted, exclusively, by UNDP acting as responsible party, following its own procedures, upon request of the Implementing Partner.

- National Professionals and Administrative Staff, such as
  a) Who can be contracted
  b) How to recruit national professionals
  c) How to contract national professionals
  d) How to determine fees
  e) Documents needed to contract national professional staff

f) Payment of fees, receipt for payment of fees and filing system

- Training:
  a) Who can authorize training
  b) Who can participate in the training
  c) What type of training can be authorized
  d) Training modalities
  e) What standards are applicable
  f) What documents to present

- Travel:
  a) Who can authorize travel.
  b) Who can travel.
  c) Reason for travel.
  d) Medical coverage requirements.

- **Per Diem:** The Implementing Partners will provide per diems in accordance with applicable government rules and regulations, provided these do not exceed the United Nations per diem (DSA) scale in force at the time and for the place of travel. Determination of such rates must be adequately formalized and duly approved by the relevant government authority in order to facilitate auditing.

In addition the NIM manual's Human Resources Chapter provides guidance on:

a) Expenses other than per diem
b) Use of private car for project activities
c) Payment of per diem
d) Procedure for travel related payments

PROCUREMENT

Chapter 4

IN THIS SECTION:

5. PROCUREMENT

This chapter summarizes procurement policies and procedures that apply to all UNDP-supported NIM projects that include Government institutions (federal, provincial or regional) as Implementing Partners.

This chapter describes the overall framework for procurement applicable for National implementation and includes references to applicable documents.[19]

5.1. National Implementation

If national implementation is in place and the capacities of national counterparts are proven and tested, Government procurement policies and procedures can apply to the project's procurement processes to the extent that they do not contravene the principles of the Financial Regulations and Rules of UNDP. Under the NIM, Government can also opt to use UNDP's policies and procedures. The Implementing Partners are directly accountable to UNDP for all procurement transactions carried out using project funds under the NIM. Audits are undertaken according to UNDP rules for national implementation by Government.

National Implementation is used when capacities of national authorities are adequate to undertake the functions and activities of the project. For all project procurement under national implementation, UNDP shall ensure that:

- The procedures of Government Implementing Partners do not contravene UNDP's Financial Regulations and Rules; and,

- All Implementing Partners have the required capacity to effectively and efficiently manage procurement.

The UNDP ascertains the capacities of Government Implementing Partners by undertaking an evaluation of capacity following the Framework for Using Implementing Partner's Procurement System

http://www.undp.org/content/dam/undp/library/corporate/Programme%20and%20Operations%20Policies%20and%20Procedures/NIM_for_Government_english.pdf

For all project procurement that may exceed USD 100,000, an "Implementing Partner Checklist", and procurement assessment tool "Compatibility analysis of Implementing Partner with UNDP Procurement Regulation, Rules, Practices and Procedures" must be completed.

When project procurement is undertaken by Government Implementing Partners under full national implementation, the federal Government should conduct all procurement of Goods and Services in accordance with the applicable government rules, policies and procedures such as:

- Public Procurement Regulatory Authority (PPRA) Ordinance 2002
- Public Procurement Rules 2004

19 National implementation refers to the implementation by federal, provincial and/or regional government and Government while Implementing Partners refer to the federal ministry, division, department, institution, commission, authority or corporation, etc; and/or provincial/regional department or institution, etc.

- Public Procurement Regulations 2008
- Consultancy Services Regulations 2010
- Public Procurement Regulatory Authority (PPRA) Guidelines

(These documents are all available at http://www.ppra.org.pk)

Provincial Governments should procure Goods and Services in accordance with their respective procurement rules and regulations, including:

- Punjab Procurement Rules 2009 available at http://ppra.punjab.gov.pk/sites/ppra.punjab.gov.pk/files/Punjab_Procurement_Rules_2009-New.pdf.
- Sindh Public Procurement Rules 2010 available at http://www.pprasindh.gov.pk/downloads/files/FINALSPPRARULES08022010.pdf
- The Khyber Pakhtunkhwa Procurement of Goods, Works, and Services Rules, 2003 available at http://www.financekpp.gov.pk/FD/attachments/article/197/Procurment%20Rules.pdf.
- Balochistan Purchase Manual Finance available at http://balochistan.gov.pk/top-menu-downloads/top-menu-tenders/cat_view/509-departments/835-finance-department.html.

Any international procurements (goods, services and equipment) required under the NIM project will be carried out by UNDP as the Responsible Party and in accordance with UNDP procurement policies and procedures.

5.2. Additional Requirements

Under the NIM, federal Government Implementing Partners must comply with the Public Procurement Rules & Regulation and provincial Governments will follow the rules of their respective province in addition to adhering to the following:

A procuring agency i.e. Government ministry, division, department, institution, commission, authority or corporation that is selected as an Implementing Partner of UNDP supported projects will set up a procurement committee(s) for NIM projects with clear terms of reference, guidelines and approving limits established for the committee(s).

Ownership of assets procured by UNDP supported projects under NIM will rest with UNDP until the transfer of title is made to the Government. Following its own policies and procedures, UNDP will transfer the title of assets to the Government at the end of project in consultation with Government.

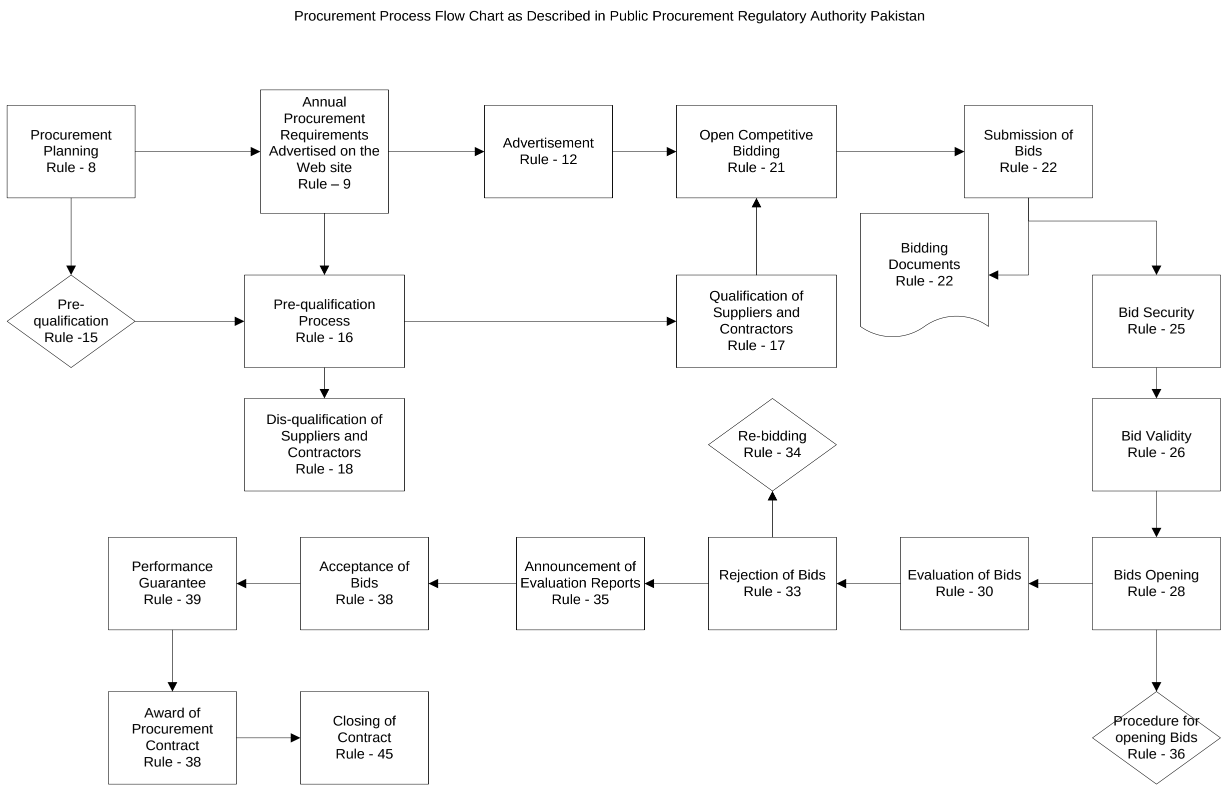
5.3. Principles of Procurement

The following Principles of Procurement as provided under PPRA Rules and international best practices, are to be observed in all processes related to acquiring goods, services or civil works:

1. Best value for money;
2. Impartiality, integrity and transparency;
3. Effective national and international competition as per established rules & regulations;
4. Acquisition ethics;
5. Environmental considerations;

6. Best interest of Implementing Partner and UNDP; and efficiency and economy.

Procurement Process as described by Public Procurement Regulatory Authority Pakistan under the Public Procurement Rules 2004



5.4. PPRA vs POPP

General principles governing procurement of goods, services, civil works and individual contractors are more or less similar in POPP and PPRA rules and regulations. However, for projects that are nationally implemented, it is recommended that Government Implementing Partners follow their respective procurement rules and regulations in compliance with the requirements of the NIM Manual.

The following tables depicts a few areas in which the requirements of POPP and PPRA Rules and Regulations differ:

	PPRA Requirements	POPP Requirements
Bid Security	Not exceeding 5% of the bid price.	2% of the estimated contract value. This can be changed according to the requirement. We can either mention 2% or can also mention some amount. There are no restrictions
Methods of advertisement	Procurement over Rs. 100,000	Procurement value between

	and up to Rs. 2,000,000 shall be advertised on the website of Pakistan Procurement Regularity Authority (PPRA) and procurement above Rs. 2,000,000 shall be advertised on PPRA website and in print media.	USD 100,000 and USD 500,000 shall be advertised on the websites of both the local UNDP office and UNDP Headquarters. For contracts exceeding USD 500,000, notices also should be published in the Development Business magazine, UnGM, UNDP Global and/or any other relevant internationally circulating publication.
Performance Guarantee	Shall not exceed 10% of the contract amount.	Shall be equivalent to 10% of the contract value and valid for 30 days after the contract termination.
No bidding/quotation required	Where procurement value is below Rs. 25,000.	For procurement under USD 2,500, three quotations are required to be obtained through informal process.
Requirement of Quotations	Where procurement value is above Rs. 25,000 and below Rs. 100,000.	Where procurement value exceeds USD 2,500.
International Commercial Terms (INCOTERMS)	PPRA makes no reference to INCOTERMS.	POPP requires the application of terms of INCOTERMS.

FINANCE

Chapter 5

IN THIS SECTION:

- 5.1 Policies and Procedures
- 5.2 Capacity Assessment
- 5.3 Cash Transfers to Implementing Partners
- 5.4 Cash Transfer Modalities
- 5.5 Reporting and Controls
- 5.6 Bank Accounts
- 5.7 Assignment Account Opening Process

6. FINANCE

This chapter describes the financial framework for NIM projects under the National Implementation Modality (NIM). This section also contains policies, procedures and resources to guide the work of UNDP country offices with Government institutions that act as Implementing Partners of UNDP-supported programmes and projects.

National implementation is preferred when national partners possess adequate capacity to implement UNDP supported projects. The UNDP country office assesses national capacities during the project formulation stage by evaluating capacity and determining the strengths and weaknesses of prospective Implementing Partners following guidelines included in the Framework for Cash Transfers to Implementing Partners. http://www.undp.org/content/dam/undp/library/corporate/Programme%20and%20Operations%20Policies%20and%20Procedures/NIM_for_Government_english.pdf

Besides drawing on applicable rules and regulations, including pre-award capacity assessments, UNDP consults with the Economics Affairs Division (EAD) in selecting Implementing Partners.

6.1. Policies and Procedures

Under NIM Implementing Partners use their own accounting and finance systems, which include the Government of Pakistan Accounting Policies and Procedures (http://www.pifra.gov.pk/docs/nam/03-Accounting-Policie-and-Procedures-Manual.pdf), Manual of Accounting Principles (http://www.pifra.gov.pk/docs/nam/01-Manual-of-Accounting-Principles.pdf), Hand Book of Accounting Guidelines, Financial Reporting Manual, Accounting Code for Self Accounting Entities (http://www.pifra.gov.pk/nam.html).

Disbursements and expenditures are channeled through Government Accounting Systems as in the cases of grants extended to the government approved projects so that the financial transactions are recorded in to the government accounting system.

It is pertinent to note that even if the capacities of national Implementing Partners are proven and tested, government regulations, rules and procedures also may apply to project implementation as long as they do not contravene UNDP Financial Regulations and Rules http://www.undp.org/content/dam/undp/library/corporate/Programme%20and%20Operations%20Policies%20and%20Procedures/NIM_for_Government_english.pdf, particularly Article 16 (General Framework), article 17 (Designation, selection and termination of the executing entity and Implementing Partner) and Article 18 (Financial oversight of the executing entity and Implementing Partner functions). For more details about policies and procedures see the Finances Chapter of National Implementation by the Government of UNDP Supported Projects: Guidelines and Procedures 01-July-11, also known as "The NIM Manual".

6.2. Capacity Assessment

Capacity assessments must be carried out on all Government partners prior to UNDP project implementation. The capacity assessment carried out by the UNDP country office or a third party engaged by UNDP must examine:

- Technical capacity — ability to monitor the technical aspects of the project.
- Managerial capacity – ability to plan, monitor and co-ordinate activities.

- Administrative capacity – ability to procure goods, services and works on a transparent and competitive basis; recruit and manage the best qualified personnel on a transparent and competitive basis; prepare and sign contracts; and, manage and maintain equipment.
- Financial capacity – ability to produce project budgets; ensure physical security of advances, cash and records; disburse funds in a timely, proper and effective manner; ensure financial recording and reporting; and prepare, authorize and adjust commitments and expenditures.

As noted earlier, UNDP carries out the assessment using HACT Guidelines. UNDP will choose a cash transfer modality for project finances based on the results of the assessment of the Government Implementing Partner.

6.3. Cash Transfers to Implementing Partners

UNDP applies the HACT for all cash transfers to Implementing Partners as agreed with the Government of Pakistan under the CCPAP and Annual Work Plans.

For NIM projects, four cash transfer modalities exist to manage the finances: 1. direct cash transfer; 2. direct payment; 3. Reimbursement; and 4. direct agency implementation.

Cash transfer modalities, the size of disbursements, and the scope and frequency of assurance activities depend in part on the conclusions of a review of public financial management capacity. A qualified consultant, such as a public accounting firm, selected by UNDP in consultation with EAD, will conduct such an assessment which is known as a Macro Assessment.

Moreover, cash transfer modalities, the size of disbursements, and the scope and frequency of assurance activities may be revised over the course of programme implementation based on the findings of programme monitoring, expenditure monitoring and reporting, and audits.

6.4. Cash Transfer Modalities

Advance/Direct cash transfer — UNDP advances cash funds on a periodic basis to the Implementing Partner, who in turn reports back expenditure. Implementing Partners should prepare the requests for advances in line with the PC-1 and the Annual Work Plan, and all advances must be signed by the Implementing Partner or the designated project personnel, (typically the Project Director).

The funds advanced to the project are the complete responsibility of the Implementing Partner and must only be used for the activities and inputs stated in the Annual Work Plan, as approved both by Government and UNDP. This modality requires close monitoring by UNDP of the projects expenditures, to ensure that funds are achieving immediate results and expected outputs.

Advances for national implementation projects shall only be made in the local currency. All expenditures by the project with advances given by UNDP must be made in accordance with the procurement and contracting procedures agreed in the PC-1.

Direct payment — The Implementing Partner carries out the procurement, but requests UNDP to make the disbursement. The request for payment must include all necessary documentation. The country office also provides accounting and banking services to the Implementing Partner as part of this modality.

Direct payment modality for projects under national implementation is possible only after a public accounting firm, selected by UNDP in consultation with the EAD, determines an Implementing Partner's internal controls to be adequate.

Reimbursement — UNDP pays the Implementing Partner after the Implementing Partner has itself made disbursement. If the balance of advances from UNDP to the Implementing Partner is insufficient to meet urgent obligations and expenditures in support of activities agreed in Annual Work Plans, the Implementing Partner can make such payments with its own funds, and request the country office for reimbursement.

Direct Agency Implementation — UNDP provides expenditures from requisition through to disbursement and no cash is transferred to the Implementing Partner. The Implementing Partner maintains full programmatic control and therefore full control over expenditures. While UNDP is mindful of the fact that it is important to build national capacities, requests are sometimes made for UNDP to provide such services, which are carried out in strict adherence to UNDP rules and regulations.

This may be summarized as follows:

FOR NATIONAL IMPLEMENTING PARTNERS		
Cash Transfer modality	**Procurement/Obligation**	**Disbursement**
Direct cash transfer	Implementing Partner	Implementing Partner
Direct payment	Implementing Partner	UNDP
Reimbursement	Implementing Partner	Implementing Partner
Direct Agency Implementation	UNDP	UNDP

6.5. Reporting and Controls

UNDP uses a variety of reports to monitor national implementation finances. The Combined Delivery Report (CDR) is mandatory and should be issued quarterly. The CDR reflects all disbursements made by the project within a particular timeframe. The designated authorized authority must sign the final CDR for the year and expenditures reported in the CDR should also be reported to the Government.

Projects that use the cash advance modality are required to submit to the UNDP country office at least quarterly a Financial Report or Funding Authorization and Certificate of Expenditures (FACE) that details expenditures and requests for advances that is signed by the Implementing Partner's authorized official. A copy of the FACE form should also be shared with the Government's Ministry of Finance and EAD).

The FACE is used for direct cash transfers and reimbursements to Implementing Partners, and direct payments. The form and instructions on how to complete it may be accessed at: http://www.undp.org/content/dam/undp/library/corporate/Programme%20and%20Operations%20Policies%20and%20Procedures/NIM_for_Government_english.pdf

Together with the Financial Report or FACE, the Implementing Partner is required to provide copies of bank statements for the reporting period, to enable the UNDP country office to compare bank account balances with those reported on the Financial Report or FACE.

Nationally implemented projects must be audited by third party auditors or the Auditor General of Pakistan at least once over the project's life cycle and every year that the UNDP country office considers appropriate (depending on the level of delivery, difficulties found during the year, etc.).

6.6. Bank Accounts

Under the NIM, Implementing Partners must open a bank account (preferably, an assignment account) to be used solely for the purpose of receiving UNDP advances and to making project payments. The bank account should be opened under the name of the project (however, the bank account title should not contain the word UNDP). Government rules permit the opening and operation of project bank accounts as assignment accounts. For more details, refer to Procedure for Operation of Assignment Accounts of Federal Government (http://www.finance.gov.pk/fiscal/procedure.pdf) and Procedure for Revolving Fund Accounts: Foreign Currency Assignment Account (http://www.finance.gov.pk/circulars/procedure_for_revolving_fund_foreign_currency.pdf.

Alternatively, the Implementing Partner may use an existing bank account under the Implementing Partner's name, but only with the agreement of UNDP's country director. In agreeing to this option, UNDP will consider the risk involved.

For control purposes, it is recommended that the Implementing Partner bank account require two at least two signatories. It should be noted that the Implementing Partner may not use the project bank account for purposes other than receiving UNDP advances and making project payments.

This bank account should not provide any access to credit or overdraft protection nor should it be permissible to use it for investments. If the project requires advances to make payments in local currency as well as an additional currency then either two separate bank accounts should be opened, or one bank account set up that enables two separate controls for currency.

At the conclusion of the project, it is the responsibility of the Implementing Partner to close all associated bank accounts and to reimburse any remaining balances to UNDP.

Any interest earned on the project bank account from the advances must be included by the Implementing Partner in the Financial Report or FACE and credited to the project. It should be reported as miscellaneous income. A copy of all bank statements must be submitted to the UNDP country office with all Financial Reports or FACEs.

6.7. Assignment Account Opening Process

Planning processes for development projects and budget preparation commences with the annual approval of the federal government's annual Public Sector Development Programme (PSDP), and the provincial government's Annual Development Plan (ADP). Both are prepared and approved before the approval of respective annual budgets since they need to be included in budget planning.

Following approval, a Schedule of New Expenditure (SNE) for the respective project is provided by the Controlling Ministry to the Ministry of Finance/FD. The budget wing of Ministry of Finance is the recipient of SNE and includes it in draft budget documents that are presented to respective

Legislatures — the National Assembly and Provincial Assembly respectively for federal and provincial government — as part of the budgetary process. This constitutes formal approval of the budget.

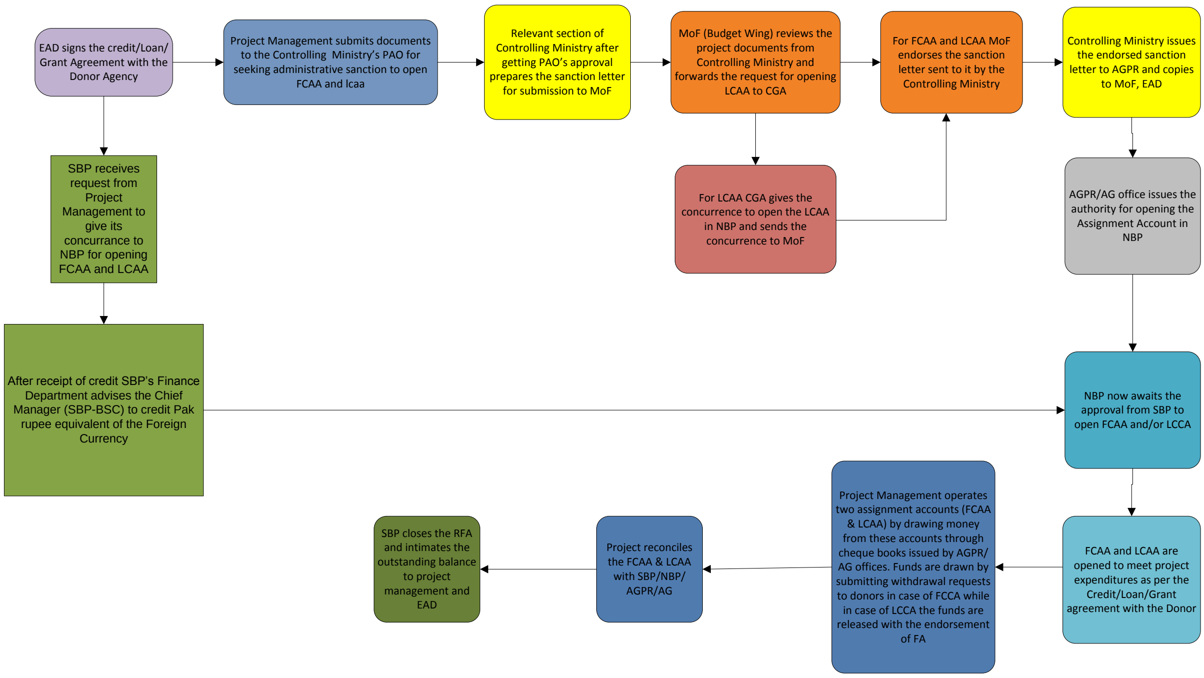
To open an assignment account, a request for administrative sanction is first approved by the Principal Accounting Officer of the Controlling Ministry. The Controlling Ministry's relevant section then requests the endorsement of the Ministry of Finance. This endorsement request includes supporting documents such as PC-I, allocations in Pink Book, New Item Statement (head wise allocations of expenditure) etc.

After reviewing the documents, the budget wing of the Finance Ministry forwards them to the Controller General of Accounts (CGA) for concurrence of opening LCAA. In addition, the CGA issues a specific Code of Classification in the Chart of Accounts (CoA) for identifying FCAA and LCAA.

After concurrence by CGA, the Budget wing of Ministry of Finance endorses the sanction letter (sent by the Controlling Ministry) and returns the supporting documents to the Controlling Ministry. The endorsed sanction letter is then sent to AGPR with copies to Financial Advisor/Deputy Financial Advisor of Controlling Ministry, Budget wing of Ministry of Finance, EAD and others.

AGPR's relevant account section notes down the New Item Statement (Expenditure heads) on its register and also forwards an authority letter (AGPR's Treasury Management section) to the National Bank of Pakistan (NBP) for opening LCAA. NBP opens the account after obtaining permission from State Bank of Pakistan, (Exchange Policy Department), in Karachi.
As far as donor funding is concerned, the above process is followed. Two separate chequebooks are issued by AGPR/AG offices for operating local and foreign currency Assignment Accounts.

Procedure for Operating the Revolving Fund Account/Assignment Account



IN THIS SECTION:

7. AUDIT

Under the National Implementation Modality, governments or NGOs manage UNDP resources in carrying out projects and programme activities. Audits are carried out to provide assurances that UNDP resources are being used judiciously and they are also an important UNDP project monitoring tool.

UNDP's Board of Auditors relies on audit outcomes and delays in the completion of audits on nationally implemented UNDP projects have a direct impact on the opinions expressed by the Board of Auditors on UNDP financial statements.

7.1. Relevant Policies

UNDP Financial Regulation 16.04 states: "The Administrator shall ensure that, except for organizations of the United Nations system, executing entities or, under the harmonized operational modalities, Implementing Partners, shall require auditors to follow the audit principles and procedures prescribed for the United Nations in respect of resources obtained from or through UNDP and shall ensure that each UNDP programme activity is audited at least once in its lifetime, or as otherwise required pursuant to the relevant agreements governing such programme activity."

Government and NGO Implementing Partners are advised to refer to the NIM manual[20] and seek the help of the UNDP Country Office in carrying out audits of the nationally implemented projects in order to ensure compliance with the UNDP's Financial Regulations.

7.2. Audit of Nationally Implemented Projects by UNDP

UNDP should select an independent audit firm, through a competitive request for proposal and procurement process, to carry out audits of projects that are nationally implemented by Government or NGOs. UNDP is to make decisions regarding the selection of an audit firm in consultation with the Government Coordinating Agency (EAD) and the contract for the audit should be signed between UNDP and the audit firm. For details on UNDP requirements for qualifications of auditors refer to http://www.undp.org/content/dam/undp/library/corporate/Programme%20and%20Operations%20Policies%20and%20Procedures/NIM_for_Government_english.pdf.

Alternatively, the Auditor General of Pakistan (AGP) may carry out an audit of projects implemented nationally by Government or NGO on the condition that the AGP has a demonstrated capacity to undertake such audits in an independent manner. The AGP must undergo capacity assessment and may be assigned to audit a NIM project only if the outcome is satisfactory. For more details refer to the http://www.undp.org/content/dam/undp/library/corporate/Programme%20and%20Operations%20Policies%20and%20Procedures/NIM_for_Government_english.pdf and OAI annual call for NIM audit plans.

The UNDP country office must provide documentation of a satisfactory AGP capacity assessment, which is consistent with the HACT framework for determining auditors of Implementing Partners.

20 National Implementation by the Government of UNDP Supported Projects : Guidelines and Procedures 01-July-11.

OAI has made available at http://intra.undp.org/oai/auds/ngonim.htm guidance regarding the assessment of a country's Supreme Audit Institution.

7.3. Scope of Audit

Auditing of nationally implemented projects shall cover the overall management of the project's implementation, monitoring and oversight.

The audit of nationally implemented projects by Government or by NGOs will be more of a financial nature and the auditors are expected to express their opinion on the annual expenditure, assets and equipment and the cash position of a project. Thus, the audit ought to include a review of work plans, progress reports, project resources, project budget, project expenditure, project delivery, recruitment, operational and financial closing of projects (if applicable) and disposal or transfer of assets.

The audit of projects, nationally implemented by Government or by NGOs, will express an opinion on the functioning internal controls of the Implementing Partner. Fully HACT compliant country also may opt to follow the audit regime described above for non-HACT country offices and have the auditors complete a financial audit of individual projects.

Audits commissioned by UNDP country offices consist of a review of each individual project (one audit report per project) while audits for HACT country offices review each Implementing Partner (one audit report per Implementing Partner).

7.4. Audit of Nationally Implemented Projects by Government of Pakistan

Audits of nationally implemented projects by Government will be undertaken by the AGP. AGP will audit the account (Revolving Fund Account) specifically opened for a project to receive foreign funding and make disbursement. These project accounts are sub accounts of receipt and expenditure under the consolidated fund of the government and are subject to certification as part of the consolidated government financial statements by the auditor general of Pakistan.

Refer to: Procedure for Revolving Fund Accounts (Foreign Currency Assignment Account) http://www.finance.gov.pk/circulars/procedure_for_revolving_fund_foreign_currency.pdf.

Certification of project account by AGP will be in addition to the external audit required under the grant agreement between UNDP and Government and UNDP NIM guidelines.

7.5. Oversight and Assurance Mechanism

As agreed under the CCPAP and Annual Work Plans, Government Implementing Partners will cooperate with UNDP in monitoring all activities supported by cash transfers and will facilitate access to relevant financial records and personnel responsible for the administration of cash provided by UNDP. To that effect, Implementing Partners agree to the following:

- Periodic on-site reviews and spot checks of their financial records by UNDP or their representatives;
- Programmatic monitoring of activities following UNDP standards and guidance for site visits and field monitoring;
- Special or scheduled audits. UNDP will establish an annual audit plan, prioritizing audits of Implementing Partners with large amounts of cash and/or supply assistance provided by UNDP, and to those whose financial capacity needs strengthening.

Depending upon the outcome of capacity assessment, the Supreme Audit Institution (SAI) may undertake the audits of Government Implementing Partners. In addition to audits by SAI, UNDP will commission private sector audit services to undertake the financial and compliance audits of NIM projects.

EVALUATION

Chapter 7

8. EVALUATION

Evaluation provides decision makers and partners with an objective assessment of the project's contribution to development results. Evaluation assesses the relevance, appropriateness, effectiveness, efficiency, impact and sustainability of development efforts based on agreed criteria and benchmarks. It is a rigorous, systematic and objective process that answers specific questions related to design, analysis and interpretation of information. Evaluation is distinct from monitoring, review, audit, investigation, and research. Evaluation addresses what works and why, what does not work as well as unintended outcomes. Evaluation supports accountability, informs decision-making, allows UNDP and national counterparts to better manage for development results and improves UNDP and its partners' learning and knowledge for development.

Project evaluations assess the performance of a project and its contribution at the outcome level. A project evaluation can be carried out early, mid-point or in the later stages of the programming cycle. A project evaluation is steered by an Evaluation Reference Group (ERG), which includes UNDP, the Implementing Partner, the Government Coordinating Agency (EAD), project donors and other relevant stakeholders. The ERG provides substantive feedback in the development of the terms of reference for the evaluation, selection of evaluators, review of draft evaluation report and design and follow-up to the evaluation.

UNDP usually commissions evaluation of a UNDP supported project, but it can also be conducted as a joint evaluation with other partners such as the Planning Commission or the provincial Planning & Development Department. In such instances, UNDP and evaluation partners must ensure that UNDP's specific contribution is evaluated in a credible manner, in order to meet the organization's accountability and learning objectives, and in accordance with the UNDP Executive Board's approved 2011 Evaluation Policy[21].

The UNDP evaluation policy establishes guiding principles and norms; explains the essential evaluation concepts; outlines key organizational roles and responsibilities; defines the sorts of evaluation to be covered; and, identifies critical elements of a system for learning and knowledge management. The evaluation policy emphasizes the evaluation norms of independence, intentionality, transparency, ethics, impartiality, quality, timeliness and utility. The guiding principles include managing for results, national ownership, stakeholder participation, human development and human rights, and UN system coordination and global partnership.

An evaluation report should follow the UNDP Planning Monitoring and Evaluation Handbook and include specific recommendations that help the Project Director and UNDP prepare a management response plan with timelines, roles and responsibilities for follow-up actions. In accordance with the UNDP disclosure policy, all evaluations must be made available at the UNDP Evaluation Resource Centre.[22]

21 UNDP evaluation policy is available at http://web.undp.org/evaluation/.

22 http://erc.undp.org/index.html;jsessionid=4C97674836D566C314AAB7EB1606582B.

Annexes

Annex 1:	Roles of Partners in Country Programme and Project Management
Annex 2:	Roles of Programme Board and Project Boards
Annex 3:	Selection of an Implementing Partner
Annex 4:	Project Board Composition, Roles and Responsibilities
Annex 5:	Checklist for Review of Project Concept (PC-1)
Annex 6:	Policies and Principles for Project Support to Training and Fellowships

Annex 1: Roles of Partners in Country Programme and Project Management

	PARTIES			
	Government Coordination Agency	UNDP Country Office	Implementing Partner	Responsible Party
Programme Level	Ensures alignment to national priorities and creates national ownership of Country Programme results through CAP development and approval. Identifies national capacities for implementation of programme while ensuring management arrangements are in place for proper CCPAP management and implementation. Monitors and coordinates programme implementation and ensures national audits are completed and proper CCPAP oversight. Provides an enabling environment and conditions for CCPAP outcomes/outputs. Designates Government Cooperating Agency that is the Government's representative in the project implementation process.	Provides expertise in developing CPD and CCPAP to ensure quality and alignment w/ Strategic Plan. Ensures management clauses are included in the CCPAP and are adhered to.	N/A	N/A
Project Level	Jointly selects IPs. Oversees project outputs. Participates in project via Government contribution and creating an enabling environment for project. Owns project outputs.	Assesses Govt. capacity and choice of disbursement modality. Ensures effective and efficient use of resources through project design, joint selection of IPs and monitoring of activities. Appraises, approves and provides oversight of projects. Transfers funds for the implementation of individual projects.	Agree to implement project in accordance with project PC-1 and the Annual Work Plan (however, NGO can't sign the project Annual Work Plan) Delivery of outputs Efficient/effective use of project resources Supervision of responsible parties	Delivery of goods and services Ensure accountability as specified in contract

Annex 2: Roles of Programme Board and Project Board

	Roles and Responsibilities	Government Coordination Agency	UNDP Country Office	Implementing Partner	Responsible Party
Programme Board	Mechanism for consultation on country programme issues and managing decisions based on consensus. Responsible for the oversight of the CCPAP. Responsible for the integration of individual outcomes within UNDP, as well as their contribution to the overall UN Country Team efforts as documented in the UNDAF results matrix.	Co-chair of Programme Board.	Co-chair of Programme Board. Programme Manager.	N/A	N/A
Project Board	Responsible for managing projects by consensus decisions when guidance is required by the Project Manager.	Senior beneficiary on Project Board as appropriate.	Senior Supplier role and Assurance role in Project Board.	Project Board (Senior Supplier). Project Manager.	Senior Supplier role on Project Board as appropriate. Project Team role.

Annex 3: Project Board Composition, Roles and Responsibilities

The Project Board is the group responsible for making by consensus management decisions for a project, including recommendation approval of project plans and revisions. The Project Board decisions should be made in accordance to standards that shall ensure best value to money, fairness, integrity transparency and effective international competition. In case a consensus cannot be reached, final decision shall rest with the UNDP Country Director. Project reviews by this group are made at designated decision points during the running of a project.

Based on the approved annual work plan (AWP), the Project Board may review and approve project quarterly plans when required and authorizes any major deviation from these agreed quarterly plans. It is the authority that signs off the completion of each quarterly plan as well as authorizes the start of the next quarterly plan. It ensures that required resources are committed and arbitrates on any conflicts within the project or negotiates a solution to any problems between the project and external bodies.

Composition and organization:

This group contains three roles, including:

1) An Executive: individual representing the project ownership to chair the group.
2) Senior Supplier: individual or group representing the interests of the parties concerned which provide funding and/or technical expertise to the project. The primary function is to provide guidance regarding the technical feasibility of the project.
3) Senior Beneficiary: individual or group of individuals representing the interests of those who will ultimately benefit from the project. The primary function is to ensure the realization of project results from the perspective of project beneficiaries.

The Executive role can be held by a representative from the Government Cooperating Agency or UNDP, the Senior Supplier role is held by a representative of the Implementing Partner, and the Senior Beneficiary role is held by a representative of the government or civil society.
Representative of other stakeholders can be included in the Board as appropriate.

Specific responsibilities:

Initiating a project

- Agree on Project Director's responsibilities, as well as the responsibilities of the other members of the Project Management team;
- Delegate any Project Assurance function as appropriate;
- Review and appraise detailed Project Plan and AWP, including activity definition, quality criteria, issue log, updated risk log and the monitoring and communication plan.

Running a project

- Provide overall guidance and direction to the project, ensuring it remains within the purview of the approved Project Concept (PC-1), Annual Work Plans (AWPs), and any other specified constraints;
- Provide guidance and agree on possible countermeasures/management actions to address specific risks;
- Agree on Project Director's tolerances in the Annual Work Plan and quarterly plans when required;
- Conduct regular meetings to review the Project Quarterly Progress Report and provide direction and recommendations to ensure that the agreed deliverables are produced satisfactorily according to plans.

- Review quarterly and annual Project Progress and Financial Reports, and make recommendations for follow-on actions;
- Appraise the Project Annual Review Report, make recommendations for the next AWP;
- Provide ad-hoc direction and advice for exception situations;
- Assess and agree on project changes through revisions;

Closing a project

- Assure that all Project deliverables have been produced satisfactorily;
- Review and approve the Final Project Review Report, including Lessons-learned;
- Make recommendations for follow-on actions to be submitted to UNDP and the Government Coordinating Agency (EAD);
- Commission project evaluation (only when required by partnership agreement);
- Notify operational completion of the project to UNDP and the Government Coordinating Agency (EAD).

Annex 4: Checklist for Review of Project Concept (PC-1)

QUESTIONS	HIGH	MEDIUM	LOW	COMMENTS
1. General				
a. Alignment: Are the expected outcomes and outputs of the proposed project aligned with the outcomes and outputs of the CPAP?				
b. Clarity: Is all narrative text written clearly and logically?				
c. Completeness: Are all requirements for information and annexes met? Is any additional information required to make the project clearer?				
d. Correctness: Is all text editorially correct and budget figures arithmetically correct?				
e. Substance: Has UNDP guidance (practice areas, cross-cutting areas) relevant to the project substance been taken into account?				
2. Situation Analysis and Strategy				
a. Does the CPAP and/or any additional information in the project document present a clear rationale for the proposed project?				
b. If the proposed project is not included in the CPAP, is the rationale for the project and the Government's support clearly described?				
c. Does the CPAP or project document clearly indicate who the project beneficiaries would be?				
d. Does the CPAP and/or any additional information in the project document present a clear strategy for the achievement of the project's outputs and linkage to outcomes?				
3. Annual Work Plan				
a. Are the outputs and related indicators, baselines, and targets clearly defined?				
b. Are activities clearly and defined and logically related the respective output?				
c. Have Atlas considerations been reviewed when defining the AWP? Is the AWP output/activity structure consistent with the Atlas project setup?				
d. Have responsible parties been identified for all major activities?				
e. Have terms of reference or draft agreements been prepared for responsible parties?				
f. Is the budget logical, complete, and correct?				
4. Management Arrangements				
a. Has implementation capacity of the proposed implementing partner been assessed?				
b. If so, have the findings been incorporated in the proposed management arrangements?				
c. Does the section on management arrangements explain the roles and responsibilities of the implementing partner?				
d. Have the roles and responsibilities for project oversight been clearly specified?				
e. If UNDP is to act as a responsible party, is the scope of work for UNDP clearly defined in the project document?				
f. Are inputs from the government or other parties specified?				
g. Are prior obligations and prerequisites, if any, clearly set out?				
h. Are collaborative arrangements with related programmes or				

QUESTIONS	HIGH	MEDIUM	LOW	COMMENTS
projects clearly set out?				
i. Has the HACT micro-assessment been carried out? Is the method for cash transfers (i.e. advances, reimbursement, and direct payment) clearly specified?				
j. Are arrangements for audit clearly specified?				
5. Monitoring and Evaluation				
a. Are requirements for periodic and annual reporting by the implementing partner clearly specified?				
b. Is a description of the required annual review included?				
c. Is an initial monitoring schedule is included?				
d. If required or desired, is a plan for evaluation included?				
6. Legal Context				
a. Have the standard legal clauses been included in the project document?				
7: ANNEXES				
a. Has the risk analysis been completed using the standard format?				
b. Have any required additional agreements, such as, cost sharing agreements, project cooperation agreements signed with NGOs (where the NGO is designated as the implementing partner) been attached to the project document?				
c. Have draft terms of reference for key project personnel been attached?				

Annex 5: Selection of an Implementing Partner

Considerations that apply to the selection of all Implementing Partners for programme activities will include the potential partner's ability to:

- Ensure ownership at the national level;
- Carry out the key technical, financial, and administrative capacities required for the project;
- Ensure that project outputs will be produced;
- Sustain project outputs over time;
- Deliver good value for money.

Guidelines for the Selection Process

The selection process for an Implementing Partner should ensure that:

- The maximum number of appropriate organizations are considered to ensure objective comparison;
- There is impartial and comprehensive evaluation of prospective candidates.

The selection process for Implementing Partners has the following steps (please see details below under each step):

1. Identification of potential partners.
2. Assessment of each potential partner's capacity for project implementation (using the Implementing Partner checklist).
3. Preliminary decision on selection of partner.
4. Financial and other specific capacity assessment (for partners that receive or are expected to receive over $100,000 per year in total funds from UN agencies. However, this does not apply to UN agencies and IGOs that have signed the Implementing Agreement with UNDP). Other additional assessments, as needed or required, of procurement and recruitment capacities would be carried out to identify specific problem areas.
5. On the basis of the preliminary selection of the Implementing Partner and findings from all capacity assessments, completion of components in the PC-1 template that deal with:
   a) Management arrangements.
   b) Definition of responsible parties in the Annual Work Plan.
   c) Risk mitigation and assurance measures.
6. Circulation of drafts for comment and subsequent revision as needed.
7. Submission of drafts for project appraisal and approval.

The details on each of these steps are explained below:

<u>Step 1: Identification of Potential Partners</u>

The preliminary selection of Implementing Partners is undertaken during the Common Country Programme Action Plan (CCPAP) formulation stage, along with a decision on the implementation modality. If not, project developers should identify potential partners during project formulation regardless of modality. In accordance with the guidelines for the selection process, developers should identify as many appropriate potential partners as possible. However, since the implementation capacity of each potential partner must be assessed, it may be useful to carry out some kind of informal screening of potential partners to reduce the number of such assessments. Government should provide input into the list of potential partners.

<u>Step 2: Assessment of Project Implementation Capacity</u>

Project developers and concerned country office programme personnel should assess the project implementation capacity of all potential partners that have been identified. The assessment should be conducted using the *"Capacity Assessment for Project Implementation checklist"*, which includes instructions for use. This checklist is intended to be used as a screening tool for the preliminary selection of the best candidates for Implementing Partner from among several potential partners. The checklist enables a rapid assessment of each proposed candidate's appropriateness and capacity to implement a proposed project. The checklist is also designed to satisfy UNDP Financial Regulations and Rules 16.05 on the determination of whose financial procedures would apply if the candidate organization is selected to be the Implementing Partner. The assessment covers managerial, technical and administrative capacities. The latter include recruitment, procurement and financial management capacities. Project developers should prepare a brief written report on the findings of the capacity assessment, highlighting strengths and weaknesses of the capacities of the proposed partners.

Step 3: Preliminary Decision on Proposed Partner

The purpose of a preliminary decision on the Implementing Partner is to increase transparency by making that decision a discrete step and to encourage use of capacity assessment findings to support a fact-based decisions. Furthermore, a preliminary decision on the selection of Implementing Partner is essential for the completion of a number of steps in project formulation. Final approval of an Implementing Partner is incorporated into the final approval process for the project as a whole by the UNDP official authorized to approve projects. Government must be consulted and ultimately confirm the choice of Implementing Partner. To secure this preliminary agreement, the country office programme manager should advise Government in writing of the proposed implementation arrangements, based on the findings of the capacity assessment, and request its concurrence. A "no objection" format with a time limit can be used for this communication.

Step 4: Financial Capacity Assessment

After securing preliminary agreement to the proposed partner, a detailed financial management capacity assessment is required for partners that receive or are expected to cumulatively receive over $100,000 per year in total funds from UN agencies. Partners that receive less per annum may also be assessed if deemed necessary. The purpose of this assessment is to identify capacity gaps or problems in the partner's financial management system and practices and to determine ways and means of addressing them. The conditions and procedures for this assessment are contained in the UN Development Group document, "Framework for Cash Transfers to Implementing Partners" Any funds required to carry out the above assessments should be advanced by UNDP and subsequently charged to the project once approved.

Step 5: Completion of Management and Implementation Arrangements

On the basis of the preliminary selection of the Implementing Partner and all capacity assessment findings, the project developers should complete formulation of project components that cover:

a. Management arrangements: The PC-1 and the Annual Work Plan template (MS Word Template) together define the information to be included in regard to management arrangements. The accountability of the Implementing Partner is set out in standard text in this section. This section of the PC-1 should explain the partner's role in managing the project, carrying out the activities and providing oversight, including: the role of the Government Coordinating Agency (EAD); prior obligations and prerequisites; collaborative arrangements with related projects (if any); brief description of the inputs to be provided by the Implementing Partner and any other government inputs; arrangements for cash transfers to the project and any related assurance activities; these arrangements would vary depending on whether the Implementing Partner is UNDP, UN agency, IGO, etc; audit arrangements; organization chart of the project; annexes containing terms of reference for key personnel and any other significant information; terms of reference for responsible parties; and, description of assurance mechanisms.

b. Definition of responsible parties for activities: The Implementing Partner may involve a responsible party to perform specific results, activities or tasks included in the project. In all those cases, the Responsible Parties are accountable to the Implementing Partner, which would remain accountable for the delivery of project results and use of funds to UNDP.
c. Assurance mechanisms: In accordance with the findings of the Harmonized Approach to Cash Transfers (HACT) micro-assessment of financial management capacity, UNDP will use three mechanisms to provide assurance that funds provided to each Implementing Partner were received, expended and reported according to the agreed system for internal controls. These mechanisms are: (a) Periodic on-site reviews of the partner's financial records for cash transfers; (b) Programmatic monitoring of the implementation of the Annual Work Plan; and, (c) Scheduled audits (in collaboration with other UN organizations that use the same Implementing Partner) of the partner's internal controls for the management of cash transfers.

Step 6: Circulation of draft for comments and subsequent revision as needed

Step 7: Submission of draft for project appraisal and approval

Annex 6: Policies and Principles for Project Support to Training and Fellowships

The project can fund training designed to contribute to the expected results and the capacity development strategy of the project. The key policies and principles on organizing training, namely fellowships and other training are:

- Participants in training are project beneficiaries and government staff. Consultants are not eligible for training within a project since they are recruited to perform specific tasks for which they must already be qualified. This however does not apply for the purpose of orientation training on UNDP approaches. In addition, all personnel may participate in local group training activities;
- UNDP programme resources may not be used for the training of UNDP staff alone;
- Sitting fees cannot be paid for training, although UNDP may finance travel and allowances for participants who live somewhere in the country other than where the training event takes place;
- Only training necessary to produce the outputs and achieve results, as identified in the PC-1 and work plans should be funded from project resources;
- The Implementing Partner must establish procedures to ensure that the most appropriate and best-qualified candidates are selected for training;
- Beneficiaries of training must prepare a report not more than one month after their training ends. The employer, normally the government, is responsible for ensuring that the participant puts the training to good use to achieve results. Impact of training must be regularly assessed as part of project monitoring.

Fellowships: A fellowship is a specific training activity for a qualified individual, referred to as a fellow. The individual is entitled to payment of a stipend. For more information, see DESA Training and Fellowships.[23]

Other training: Other types of training include short-term courses or workshops, study tours and conferences, mentoring programmes, etc.

23 http://esa.un.org/techcoop/fellowships/index.html.