Other Resources (Non-Core) Revenue Mgmt: Better Practice Guide

Policy:

- Plan & Formulate
- Negotiate & Sign Agreement
- Manage Payment Schedule
- Collect Funds
- Allocate Funds
- Spend Funds & Recover Cost
- Report

From IDEA to Mobilizing Resources and More......

Contact: email@undp.org
Management of donors’ contributions is a complex undertaking that requires considerable care and attention. It requires well-drafted agreements and strict adherence to certain core principles. These principles include compliance to agreed terms and conditions, proper analysis of the budgeting, funding and spending situation, compliance to reporting requirements and timely closeout of project activities.

Unfortunately, some critical weaknesses have been observed in contribution management practices in UNDP. The problems include often non-compliance of reporting requirements and delayed closures due to unclear roles and responsibilities of the parties involved, improperly trained staff in managing contribution agreements, inadequate guidance of voucher processing and project closeout. These weaknesses would have an adverse effect on UNDP and its cash flow.

The purpose of this Guide is thus to provide practical tips to those who may be involved with the management of contribution agreements in UNDP. It provides some suggestions regarding the accountability, financial management and risk management of funding agreements. It provides quick access to relevant policies, tools and the donors’ web-site. A number of country office colleagues were consulted in developing this guide. Also, guidance documents developed by other units were reviewed to help develop this guide.

The practices outlined in this guide should not be viewed as mandatory guidance; instead they should be viewed as practices that are useful in performing contribution agreement management function in a more orderly and efficient manner.
**Non-core Revenue Management-Better Practice Guide**

**Legend**
- **Oversight / Monitoring Functions**
- **ATLAS:** Activities undertaken by prog / operation staff
- **Activities outside Atlas**

**Process Flow**

**Pre Agreement**
- Generate Award and Assign Roles and Responsibilities
- Negotiate & Mobilize Resources
- Review Agreements
- Finalize Proposal; Upload Agreement to & Update Monitoring Schedules in Atlas

**Post Agreement**
- Set up receivable for 1st installment*
- Send budget to Commitment Control
- Review Budget, GMS set up in Atlas
- Update Budget & Enter GMS Rates

**Delivery Or Execution**
- Collect Receivable
- Execute project activities (procurement, payment, etc)
- Quarterly review of project activities
- Prepare expense adjustment if necessary
- Upload report & update completion date
- Send Interim Report to donor
- Prepare & Signoff Donor Reports

**Close Out**
- Is proj activity complete?
- NO
  - Update receivable based on delivery and work plan
  - Execute project activities (procurement, payment, etc)
  - Quarterly review of project activities
  - Prepare expense adjustment if necessary
- YES
  - Close Project & refund excess cash per agreement
  - Prepare, Send & Upload Final Donor Report
  - END

**Oversight / Monitoring Functions**

**ATLAS:** Activities undertaken by prog / operation staff

**Activities outside Atlas**
Better practice of contribution management consists of all activities required to successfully complete the work of the formal agreement reached between UNDP and the donors, within the limits of the terms and conditions stipulated in the contribution agreement. It entails negotiation with donors; preparation of agreements; preparation of budgets, expenditure monitoring; preparation and submission of both financial and sustentative donor reports. It starts with the generation of an Award, which indicates that proposed project is appraised and confirmed to be adequate for UNDP intervention in a Country. As financial resources are the blood for running a project, it has a strong linkage with the project management processes. The main objectives of revenue management are to mobilize resources to fund development initiatives and account for the resources utilized and results achievements through monitoring reporting.

While the day to day management of the agreement rests with the programme officers or fund managers, Resident Representatives or Bureau Chiefs have the ultimate responsibility for meeting the obligations for both fiscal and programmatic areas. They should inform those working under their supervision that they should comply with the applicable standards and that they would take appropriate action if the staff do not comply to the standards and procedures. Funds must be expended within the restrictions of the agreement, and if a deficit should occur, it is the responsibility of the Head of the Office or Bureau to clear the deficit by transferring charges out to an appropriate account.

‘Better contribution agreement practices’ would, therefore, begin with the proper establishment of the roles and responsibilities of staff involved in implementing contribution agreements. Accountability of staff should be clear and should be defined as an integral part of their responsibility and accountability for the management of projects. It is helpful to have a pre-meeting with applicable Project Officer/ Fund Manager; Operations Manager and the Head of the Office so that there is a clear understanding of their specific responsibilities and restrictions in administering the contribution agreement.

To ensure that Project Officer and Fund Managers can manage contribution agreements effectively, a training in Resource Mobilization Toolkit and the Results Management Section of the User Guide would be necessary. Training in the Financial Rules and Regulations and Procurement Manual is also very helpful for those who handle complex contribution agreements.
Central Oversight Function:

- As non-core continues to be crucial to UNDP, a unit fully equipped with the knowledge of non-core resource administration is critical to the success of every Country Office or Bureau in mobilizing resources. The "compliance burden" with non-core contribution is ever-growing and irregularities can potentially cause serious problems in UNDP’s perceptions and flow of income. A central ‘oversight’ function would be critical to ensure compliance with agreements to the corporate standard, to review the specific reporting requirements specified in an agreement and to ensure that the necessary contribution monitoring data are recorded in Atlas on a timely basis.

- In UNDP context, each country office and Regional or HQs Bureau is urged to assign a unit responsible for overseeing compliance to and administration of contribution agreements processed in the office. Contribution agreements are legal agreements for which each office’s senior management is liable; a responsible unit would thus ensure that project activities comply with UNDP’s regulations and the terms and conditions agreed upon by the office. Further, such a unit would serve as a central office within a country office or bureau, that supports and nurtures staff in the development of proposals for external funding and administration of contribution agreements.

- Specific duties and responsibilities of such a unit would thus include the following:
  - Reviews every non-core agreement prepared in the office to ensure that it is consistent with UNDP’s policies and guidelines.
  - Ensures that signed agreements are scanned and uploaded to Atlas Award page.
  - Monitors timely recording of receivables or schedules of payments and collection of payment form donors;
  - Monitors if expenditure reviews are performed regularly;
  - Monitors the proper and timely closure of projects and handling of some of the special cases such as refund and interest payment and
  - Monitors timely submission of donor reporting and uploading of reports to Atlas Project Attachment page,
Programme/Project Officer (PO):

- All programme/project officers should be knowledgeable about UNDP’s policies, guidelines and restrictions related to budgeting of both direct and overhead costs, proposal preparation, implementation of project activities and should comply with such guidelines and restrictions. He/she should comply with the specific terms and conditions of each agreement that he/she is responsible for, including reporting requirements.

- Another major responsibility of any PO who is assigned to manage a project is the financial management of the funds. UNDP is expected to keep accurate records of expenditures and to charge the project only for the purposes authorized under the agreement. Monthly transaction review enables prompt correction of errors and enables a PO to assess the delivery rate vis-à-vis the budget. The PO should also ensure that budgets are maintained and revised appropriately and assist national counterparts in the proper management of the funds.

- No expenditures should be incurred prior to the receipt of a fully signed agreements unless necessary and authorized advanced approvals have been obtained from the Head of the Office and the donor(s). Further, expenditures should not exceed the total amount of funds committed by the donor(s) and PO has the responsibility for ensuring that all costs charged to a project are accurate and specifically benefit the project.

- PO needs to follow up with donors to ensure that they pay their contributions in line with the mutually agreed Schedules of Payments. Also should ensure that contributions paid by donors at HQs or local banks are applied on a timely basis. PO should follow up the status of unapplied income using the “unapplied deposit” listed at the donor’s site. During the course of project implementation, PO needs to update Schedules of Payments and Schedules of Financial/Substantive Reporting as required, in consultation with Donors.

- Submission of donor reports of a sufficiently high quality and as per agreed due dates is another critical responsibility of a PO. Appropriate narrative and financial reports should be submitted to donors on the due dates.

- Finally, he/she is responsible for ensuring proper project closure and for dealing with the remaining unspent balance in line with agreement.
Team work of the Programme and Operations Services:

- Well-defined relationship between the PO and the Operations Section of the office is essential. The staff should be encouraged to work as a team. The team approach would significantly increase interaction with staff and provide a high level of support for successful implementation of contribution agreements. This is accomplished by providing training to all involved in contribution management and discussing relevant questions and concerns about each contribution agreement.

- The teamwork concept is enhanced by designating the responsible project officer early in the process and pre-meeting with the Operation Section so that the Operation Section is familiar with the program requirements. During planning, the Operation Section’s participation is critical to assess the impact of the implementation of the agreement. The Operation Section would be able to assist the project officer in developing the implementation plan and the procurement service, including the budgeting process. The involvement of the Operation Section early in the planning phase would greatly speed the actual implementation process.

- In an effort to help the implementation work better and foster teamwork, the Programme Section should keep all concerned updated on the operation requirements.
Fund Manager for Trust Funds:

• Refer to the Interoffice Memo from the Associated Administrator dated the 7th January 1999 regarding the role of the Trust Fund Manager.

• Fund Manager is designated by the Resident Representative or Head of the Bureau and is responsible for managing the trust according to the general designation of the agreement, for allocating funds to offices as authorized; for monitoring and reviewing income and expenditure of the fund.

• Once a trust fund agreement has been signed, the Head of the Recipient Office or Bureau should assign the fund manager and communicate same to the Office of Finance in writing.

• Fund Manager must also ensure the projects receiving money from the fund operate efficiently, effectively and in accordance with the terms and regulations of the fund.

• The Fund Manager should ensure that a fund id has been assigned by the Office of Finance and Atlas budgetary (or commitment control) rules are set up by the Office of Budget and Planning immediately.

• Fund Manager needs to ensure that the payment schedules from the donor’s) that signed the agreements are set up in Accounts Receivable and ensure timely collection of same from the donors.

• Trust Fund Manager is also responsible for compiling and providing financial reports to donors, or producing an annual activity report on assigned trust funds, for following up closely with donors for timely collection of payments; for submitting donor reports of a sufficiently high quality and as per agreed due dates.

• Fund Manager is responsible for ensuring proper project closure of all projects supported by the trust fund and for closing the trust fund.
HQs Office of Finance (OF)

- OF also plays an important role in contribution administration by reviewing trust fund agreements as part of the clearance procedure, setting a new fund ID; monitoring the overall fund balance, preparing financial statements for the trust fund and submission of the certified annual donor reporting.

- OF also ensures that funds are closed only after unexpended balances or overdrafts are cleared with the consultation of the fund manager.

- OF works with Audit to respond to fund audit requests.

HQs Office of Planning and Budget (OPB)

- OPB has the overall responsibility for monitoring the collection, allocation and use of cost recovery fees earned from third party cost sharing.
Corporate guidance on partnership building and resource mobilization can be found in the Resource Mobilization Toolkit. For more details on partner-specific information, please refer to the BRSP intranet site.

Building sustainable partnerships involves four key processes:

- Assessing the external and internal environment needed to position the CO to successfully deliver development results.
- Positioning
- Mobilizing and
- Delivering efficiently on agreed obligations.

Basic principles when entering into partnerships:

- Your relation to a particular partner is determined by strong partnership principles and not driven by the desire to access funding opportunities (see also “Rethinking Partnerships”);
- Programme Country Governments are our most crucial partners
- Mobilize resources for the country not for UNDP
- Don't mobilize resources at all costs but build quality partnerships: be selective and demonstrate added value
- Successful resource mobilization is based on efficient delivery and showing of development results
- Positioning the CO at the crossroads of development relevance is at the heart of any partnership.

For more detailed tips on how to build partnerships look at the Resource Mobilization Toolkit - Tips_Help_Strengthen_Partnerships.
When mobilizing resources, you need to be prepared to present a professional image, negotiate mutually beneficial agreements, comply with partner requirements, and report in a timely and accurate manner.

Every effort should be made to use the standard agreement templates available on Resource Mobilization Toolkit. Adherence to the standard agreements would avoid any delay in getting HQs clearance, thus, avoiding any delay in implementing contribution agreements. A detailed list of negotiable, as well as non-negotiable items is provided in the Mobilizing section of the Resource Mobilization Toolkit. For EC, refer to detailed information available at ‘Signing an Agreement with the EC’.

- Be aware of the donor’s specific substantive and administrative requirements. Use the appropriate co-financing modality and agreement. See Donor Specific Agreements to find out the agreement that should be used.

- For detailed information and steps involved in Budgeting and Project Formulation, refer to the Results Management Section of the User Guide. The proposal results should contribute to outcomes indicated in the country office’s Country Programme and Country Programme Action Plan (CPAP) agreed by UNDP and the host government. See tips on preparation of a project proposal and ‘Justifying a Project’ Section of the Results Management Section of the User Guide.

- Donor Reporting: if some donors demand more detailed financial reports that do not correspond to the standard reporting format, try to negotiate with them so that their requirements would agree to the standard reporting formats. It is useful to organize donor projects so that they correspond to the budgeting and reporting format designed in Atlas. Reporting periods should also better fit with year-end closing schedule.
Budgeting:

All budgets itemize the costs that are expected to be incurred for implementing activities included in the contribution agreement. It identifies the type of costs and estimated amounts needed to complete the project.

Total Project Cost is the sum of direct costs and indirect costs. This amount includes the donor’s, UNDP’s share, and, in some cases, other third party’s contributions, if known.

Budgeting is critical because:

The exercise of preparing a budget forces you to think through each activity in detail, to differentiate between essential (high priority) and non-essential activities; to assess if the planned activities are financially feasible and to determine whether or not additional resources need to be mobilized;

Budgets also give POs and Managers essential information to evaluate the actual costs of activities against the projected costs.

Costs associated with the delivery of programmes funded through other resources should either be charged against programme budgets, or fully recovered through cost recovery mechanisms.

Budgets have to be managed in USD, even if the contribution currency is received in a different currency. Use the UN exchange rate at the time when contribution agreements were signed to convert the total contribution amount to USD. Note that when receiving the contribution itself there may be a discrepancy compared to the original budget. If this is large, then you should either re-negotiate with the donor or scale down the results expected. A periodic budget revision vs. contributions received is thus highly recommended in order to avoid or minimize the impact of exchange gains/losses at the end of the project.
Budgeting (cont’d)

There are two basic steps to prepare a budget: (i) identifying the necessary resources and their costs, and (ii) determining their sources of funding.

The first step is to identify all the resources required to implement the activities listed in the work plan and to assign a cost to these resources. To determine realistic costs, study each activity in the work plan and quantify the time, supplies, equipment, and other costs required to carry it out. Direct costs - Direct costs are those costs that can be specifically identified with a particular project or program, such as salaries and benefits of project personnel, travel, equipment, services, and supplies.

The second step in budget preparation is to determine where the resources you need will come from and which expenses will be paid for by which funding source. Part of the resources could come from UNDP TRAC or other donors’ contributions.

Main Budget Categories include: Direct costs that can be specifically, exclusively and readily assigned to a specific project should be budgeted directly in the project budget.

Salaries and Benefits: To estimate personnel costs, it is useful to start by listing all staff positions, the amount of salary or wages to be paid to staff in that position, and the percentage of time that position will be employed (100 percent, 50 percent, etc.) When calculating salaries for personnel, please account for all benefits such as insurance, pension, training; etc. and include percentage increases to account for 'cost of living' salary adjustments.

Fees: Specialized activities for which fees are paid instead of salaries; such as annual audits, monitoring and evaluation; design of information systems and training for staff.
Budgeting (cont’d):

**Travel and daily subsistence allowances** include the cost of all travel associated with the activities of the project such as field visits, meetings, outreach visits, etc. To do this, project the number of trips, the destinations, and the duration of trips for each person. Include all estimated costs for travel, such as air fare, bus/train fare, taxis, daily subsistence allowances, etc.

**Other Operating Expenses**: This category covers many types of expenses, including software, photocopying, fees use of the program’s vehicles and the number of vehicles.

**Communication Costs**: charges such as telephone calls, faxes, postage, can be budgeted directly to the extent that they can be identified directly to the project.

**Indirect Costs**: cost recovery (General Management Service fees) in accordance with the cost recovery policy endorsed by the Executive Board. The rates provided in the standard agreements have to be adhered.
As mentioned in the ‘Contribution Agree Mgmt Support’ section, each office is urged to appoint a staff or a team of staff to review contribution agreements very carefully before an agreement is signed by the Head of the office. Careful review of the agreement upfront is critical to ensure that it is consistent with UNDP Regulations, Rules, Policies and Procedures and follows the recommended corporate agreement templates already negotiated with donors. Every effort should be made to use the standard agreement templates available on BRSP intranet which contains information on the appropriate co-financing modalities and agreements.

Be aware of the donor’s specific substantive and administrative requirements. There is a specific section on Donor-Specific Agreements in the BRSP intranet, providing information on this. Adherence to the standard agreements would avoid any delay in getting HQs clearance, thus, avoiding any delay in implementing contribution agreements. All standard cost-sharing agreements, including those specific to an OECD/DAC donor, can be signed at the country office level by the Resident Representative. All non-standard agreements require clearance from UNDP headquarters. The establishment of any new trust fund needs clearance from UNDP headquarters. The Division for Resource Mobilization, DRM, should be contacted at cosupport@undp.org to initiate the clearance process. However, all EC trust fund agreements should be sent directly to the UNDP Brussels Office for clearance.

A detailed list of negotiable, as well as non-negotiable items, is provided in the Mobilizing section of the Resource Mobilization Toolkit. For Standard TF Agreements with the EC, refer to detailed information available at ‘Signing an Agreement with the EC’ in the Resource Mobilization Toolkit. Sometimes Donor Agreements have clauses relating to refund of interest, anti-terrorism, anti-corruption, reference to national laws and so on. Any deviation from the standard formats needs clearance from HQ.

Each agreement must have a budget narrative. The budget should include all costs, both direct and indirect (GMS and ISS).

The staff assigned to review agreement for cost effectiveness must also pay particular attention to the following areas:

Non-core Revenue Management-Better Practice Guide
• **Return of interest & unspent balance**: Ensure that no refund of interest is agreed to for open and thematic trust fund since expenditures and unspent balances are not maintained by donor. Resources for such funds are co-mingled. For cost sharing and closed trust funds, interest, if the donor insists, could be possible. Any non-standard clauses in the agreement relating to return of interest and unspent balances has to be cleared by HQ.

• **Cost Recovery rates**: UNDP charges cost recovery (GMS and ISS) for contributions to all its projects and programmes in accordance with the cost recovery policy endorsed by the Executive Board. The rates provided in the standard agreements have to be adhered to unless the Bureau of Management grants exceptional waiver. GMS (or known as Facilities and Administration or F&A rate in Atlas) is applied to direct costs and is the accepted method to reimburse UNDP for the indirect costs incurred with the implementation of project activities.

• **Payment schedules/conditions**: Contributions should be paid in advance of the planned programme activities. Normally, the first installment should be paid prior to starting the project implementation. Schedule for payments of subsequent tranches attached to the agreement are only indication; since the schedules may be conditional to programme delivery, donor reporting and other conditions agreed upon in the agreement.
Per the Framework Agreement signed with EC, payment schedules for EC funded projects should be prepared as follows:

i) If implementation period does not exceed 12 months or the contribution is less than Euro 100,000 the Commission will provide an advance payment of 80%-95%.

ii) If implementation exceeds 12 months and contribution is Eur 100,000 or more, the Commission will provide an advance payment of 80%-95% of that part of the forecast budget for each 12 month period.

iii) The Commission will pay the balance within 45 days of approving the interim and/or final report. Any report will be deemed approved 45 days after receipt, accompanied by a request for payment.

iv) On expiry of the payment period, UNDP may, within two months of receiving late payment, demand interest at the rate applied by the ECB...on the first day of the month in which the payment was due, increased by three and a half percentage points. The interest shall be payable for the period elapsing from the day following expiry of the time limit for payment up to the day of payment. The interest shall not be treated as an income for the purposes of determining the final amount of Community financing.
• **Narrative reports**: The minimal standard reporting requirements is annual. Narrative progress reports. Recipient offices need to make sure they are comfortable with the reporting requirements requested of them, before they sign an agreement. If additional reporting is requested by the donor, then this should be costed and paid for by the donor. Effort should also be made to establish donor reporting “seasons” that correspond to our year-end closing schedule.

• **Financial reports**: Provisional financial reports can be provided by the CO using the reporting format available at the donor web-site. Interim reports provide the latest available figures and the annual certified financial statement from Office of Finance is submitted on 30th June of the year after the year-end closing. The CO also provides, within six months after the completion of the agreement, provisional financial data and a certified financial statement is provided by the Office of Finance no later than 30 June of the year following the financial closing of the project. Any deviation in the nature/timing of these reports is considered non-standard and needs clearance from HQ.

• For **EC reporting**, narrative as well as financial, shall cover the whole of the Action and should include other donors financial data, regardless of whether this Action is wholly financed or co-financed by the Commission. Further, reports to be submitted to the Commission are in Euro. Current corporate Euro donor report is under development.

• **Monitoring/Audit/Evaluation**: UNDP monitors its projects and programmes and any request from the Donor for monitoring, is not acceptable. However, requests for participation in evaluation missions etc. is allowed in some circumstances, but this needs clearance from HQ and a mutually acceptable text can be proposed. UNDP cannot accept any external audit from a donor.
• **Reference to national laws:** As an intergovernmental international organization, UNDP cannot accept submission to any given national law. Therefore, any reference to national laws is not acceptable in donor agreements.

• **Unforeseen circumstances** UNDP projects and programmes funded from other (non-core) resources are dependent upon contribution from donors. According to the decision of the Executive Board, UNDP's regular (core) resources should not be used to subsidize projects funded by other (non-core) resources. Therefore, if there is a deficit in the project funds owing to fluctuations in exchange rates, inflationary factors or other unforeseen circumstances, UNDP will approach the donors to use their "best endeavors" for obtaining additional finances. If that is not available UNDP will try its best to obtain resources from other sources. If this also fails, UNDP will be forced, due to circumstances beyond its control, to reduce, suspend or terminate assistance to the project. There is no mandatory requirement here that the donors have to give the additional funding; what is reflected in the agreement are the steps UNDP will take to obtain additional funding in case such a situation arises.
Once an agreement has been signed by concerned parties, the award has to be finalized and generated in Atlas.

The contribution agreement should be uploaded against the ‘Award’ relating to the signed contribution agreement. (Navigation: Atlas, Grants – Document tab). To facilitate easy retrieval, try to use the following convention for contribution agreements file name.

Agreement_ (followed by donor and year)

**Donors’ Reference ID:** Donors normally have their own reference id for each contribution agreement. The donors’ reference id is captured in the ‘Award Attribute’ field when processing the proposal.

The donor reporting due dates should also be completed in the Project Management ‘Monitoring’ page, along with other relevant monitoring dates. Each project funded from non-core is expected to have at least one donor reporting schedule date per year. Failure to indicate the due date or to complete the submission of the donor reporting on the due date would be considered as ‘delinquent’.
**Entering Budget in Atlas**

**Budget Chart of Accounts:**

Project budgets are set up in Atlas using the Chart of Accounts (Ref: Finance User Guide, Chapter 3). The ‘fund’ chartfield identifies the source of fund. The operating unit and department used in the budget refer to the chartcodes assigned to the beneficiary country office or HQ office.

**Fund Chartfield**

This chart field is used to classify funding resources. Funds are segregated for the purpose of conducting specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. It is also used for control spending in UNDP.

The fund code for **project-level co-financing or cost sharing** is used as follows:

Fund codes in the 3xxxx series are primarily used for cost sharing agreements.

For government cost sharing, the fund id ranging from 30071 – 30077 is applicable. The first fund id used for a government donor for a particular project is 30071. If another agreement is signed with the same donor for the same project, fund id 30072 is used, for the third agreement 30073, etc. These numbering conventions would facilitate reporting the expenditure incurred against each contribution agreement. If an agreement is reached with the same donor but for another project, the fund id used for this agreement would start with 30071.

Funds 30071, 30072, 30073, etc. should NOT be used in conjunction with Development Bank funds. These fund codes should only be used for government funds that do not originate from Development Banks. Fund codes used for such banks include the following: **World Bank = 30011; Inter-American Development Bank = 30021; Central American Bank for Economic Integration (CABEI) = 30061.** If a project has more than one loan from the same donor, use the next sequential fund number, e.g., 30021 = IBD loan #1 and 30022 = IDB loan #2.
Entering Budget in Atlas (cont’d):

**Trust Fund (fund-level co-financing):**

Budgets are prepared using the unique fund id assigned to the trust fund. The operating unit and department used in the budget refer to the chartcodes assigned to the beneficiary country office or HQ office. Further, ‘open trust funds’ or fund-level co-financing are managed through allocation. The designated trust fund manager needs to post the budget allocation at trust fund and department level.

**Donor Codes**

For Government, must contain either the name of the country, e.g., Government of Colombia or the 3 letter ISO country code followed by the description of the ministry. If a project has more than one government ministry as a donor, e.g., ministry of health and ministry of finance then each donor should have its own code.

Example 1: The World Bank (IBRD) provides monies to the Government of Colombia in the form of a loan and the UNDP CO signs an agreement with the Government of Colombia. In this example, the Fund = IBRD {30011} and the donor is Government of Colombia.

Example 2: The IBRD provides grant monies to UNDP and signs an agreement with UNDP to implement a project in Colombia. In this example, the Fund = Cost Sharing {30000} and the donor is IBRD.

Example 3: The Netherlands Government signs a cost sharing agreement with UNDP to implement a project in Colombia. In this example, the fund = Cost Sharing {30000} and the donor code is the Government of Netherlands.

Open trust funds: since the funds are co-mingled, the generic UNDP donor code ‘00012’ is used when budgeting. When recording contributions received against the trust funds, however, the actual donor code should be used.
Entering Budget in Atlas (cont’d):

For European Union funded project, ensure that each budget line also identifies one of the following budget categories in order to report properly to EU.

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<th>EU Category</th>
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<td>EU530</td>
<td>EU Auditing Costs</td>
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<td>EU Rent or Purchase of Vehicle</td>
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Cost-Recovery:

All non-core funds are subject to the cost recovery principles explained in Cost recovery from Regular and Other Resources. The document describes standard methodologies for calculating cost recovery related to General Management Support fee (GMS) and Implementation Support Services fee (ISS).

Cost recovery fees are classified under two broad categories:

**GMS:** Those activities that are indirect i.e. cost that benefit common activities and therefore cannot be readily assigned to specific direct cost of the projects, are covered from the extra budgetary income paid by the fund.

The following are major costs covered from GMS income.

- Project identification, formulation, and appraisal
- General oversight and monitoring
- Receipt, allocation and reporting of financial resources
- Determination of execution modality and local capacity
- Briefing and de-briefing of project staff and consultants
- Systems, IT infrastructure, branding, knowledge sharing

**ISS:** If administrative or operational services can be specifically identified with a project or activity, direct charging of ISS costs is also appropriate. ISS are an integral part of project delivery, and hence should be budgeted into the same budget line as the project input budget.
**Cost-Recovery (cont’d):**

**GMS Set Up:** Use one of two methods to set up GMS fee, viz., ‘off-the-top’ charge to the donor contribution received; or the ‘earn-as-you-go’ method based on expenditure incurred. For more details, see Atlas Go Live – Creating Bills and Managing Cost Recovery, V. 2, 15 JUL 05 and Building Block No. 6.

The method of GMS cost recovery must remain the same throughout the duration of the whole project, and it is not possible to mix the two methods in one project. Refer to the GMS guide for a list of project types that can only use one specific GMS cost recovery method.

If ‘Off-the-top’ method is used, do not set percentage and effective date; GMS amount is collected and distributed through GLJE. For details on recording GMS using GLJE, see Atlas Go Live – Creating Bills and Managing Cost Recovery, V. 2, 15 JUL 05.

For ‘earn-as-you-go’ method, GMS percentage rate has to be entered for each activity. If two or more donors, funding the project, have different GMS rates, activities should be split by donor.

For details on distribution of GMS for Central Services, Regional Bureau and Country Office, see Policy on Cost Recovery form Regular and other Resources. Any deviation in the allocation of GMS require clearance by the Office of Planning and Budgeting (OPB).

**Third-Party Project Co-Financing and Fund Co-Financing:**

GMS 5-7%
HQ share: 2%; CO share everything above 2%
Enter F&A budget line with Category 75100 and appropriate COA

**Programme Country Project Co-Financing:**

GMS on average 3%
HQ share: 0.6%; CO share everything above 0.6%
Enter F&A budget line with Account 75100 and appropriate COA
Before the project budget is sent to Atlas Commitment Control, it is important to check and verify the accuracy of the budget. The following are some of the key areas that should be looked into before finalizing the budget, ideally by the unit or team responsible for overseeing contribution agreement management.

a) Is the total amount allocated or contributed by the donor fully budgeted?

b) For non-USD contribution, is it converted into USD using the correct exchange rate applicable on the agreement date?

c) Has the agreement been uploaded to the Atlas Proposal page?

d) Has the donor reference id, if available, been captured in the Award attribute field?

e) Has the project budget used the correct chartfields, including the fund id ranges based on the contribution agreement? Is the donor field the correct one?

f) For EU funded project, has the correct EU budget category been selected?

g) Has the project monitoring page recorded the donor reporting due dates,

h) Is the first tranch of the payment schedule for cost sharing projects set up in Accounts Receivable Module?

i) If the ‘earn-as-you-go” GMS is used, is the GMS rate, as well as the distribution of the GMS to the country office, regional bureau and central services been set up correctly?
Receivables (or Payment Schedules):

After a co-financing agreement has been signed, the payment schedules approved by the donor(s) have to be recorded in Atlas Account Receivable Module.

Who owns Contribution Agreement Receivables?

The country office or HQ Regional Bureau responsible for the program or administrative function that led to the receivable is responsible for setting up and collecting the monies from donors. The tasks involved include: scheduling payment schedules in Atlas, ensuring timely collection of receivables, following up on delinquent accounts, identifying issues causing delay in payment, and ensuring timely application of cash. The Office is ultimately responsible for ensuring that monies spent on agreements are collected from the donors.

Timely recording of receivable is important in order to enable UNDP to better forecast income, project cash flow, facilitate regular follow-up with donors on outstanding receivables, and provide the ability to perform age analysis.

Before setting up the pending item, ensure that a customer id already exists for the donor. If not, submit a request for a customer id, using the format available at ….

Minimum information required to set up a receivable:

Customer or Donor: who owes the payment?
Amount: How much is the receivable for?
Currency: What is the currency of the receivable or pledged amount?
Reason - What is the payment for?
Time: When is the receivable processed? When is it to be paid?
Accounting Classification - Accounting codes need to be assigned to the receivable as indicated below:
Receivables (cont’d):

- Currencies: All receivables should be entered in the currency stated in the co-financing agreement. Pending items should be created in the same accounting period in which the agreement was signed.

- Pending items recorded in AR should use the same chartfields as the ones used in the project budget.

- Department IDs used in pending item should be one of the country office's detail departments, not the ‘B’ department.

Chartfields used when setting up pending items:

<table>
<thead>
<tr>
<th>Fund Type</th>
<th>Chartfields</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fund</td>
</tr>
<tr>
<td>Cost Sharing or closed trust fund</td>
<td>Account</td>
</tr>
<tr>
<td></td>
<td>51005</td>
</tr>
<tr>
<td>Open Trust Fund: including Thematic Trust Fund</td>
<td>51005</td>
</tr>
</tbody>
</table>
Collection of Receivables:

How are account receivable management responsibilities shared?

Non-core receivables should be set up before spending occurs on a contribution agreement. From that time to the time monies are collected, a number of activities need to occur to ensure all monies are collected from the donor. The responsibilities can best be handled in a collaborative way between the PO, Finance Section and HQs Contribution Unit for monies received through HQs banks. If payment is overdue by more than 30 days, the Head of the Office (the Res Rep) or the Head of the Bureau should be notified.

Deposits received from Donors should be recorded immediately upon receipt of the funds. Next, effort should be made to identify the fund or project for which the contribution is received and apply same against a receivable already set up in Atlas as quickly as possible.

Deposits received but not applied yet should be closely followed up with the donors. Use Unapplied Income report to monitor late application of deposits or go to the Donor’s Web-site.

For payments made by donors into HQs’ accounts, recording and applying deposits are performed by the Contributions Unit of the Office of Finance. If there are deposits made in the HQ account, contact the Contribution Unit and provide them with relevant details to accelerate the application process.
Donors’ funds should be used only for expenditures necessary to carry out the work required to achieve the approved specific objectives. Particular costs that are not allowed by donor's), if any, should be specified in the contribution agreement and in such instances, project officer should ensure that the funds are not used for items that are not allowed. All staff are expected to abide by UNDP Internal Controls Framework designed to reasonably ensure compliance with the UNDP Financial Rules and Regulations.

Source: Internal Control Framework Presentation by Office of Finance
Regular Review by Project/Programme Officer:

All POs should monitor the financial activity of their projects from the day it becomes active until it is closed. Proactive, regular (preferably monthly) expenditure monitoring, can help avoid costly over expenditure and ensure that charges to the projects are accurate (consistent with the approved budget, expenditures that were actually authorized and correctly recorded.

A key monitoring task is to compare the actual resources mobilized and expenses with those which were projected in the budget. This is critical to ensure that immediate action is taken if the collected resources are lower or expenses are higher than projected in the budget.

Detailed and summary financial project reports are available in the Executive Snapshot, updated daily. There are also three key reports that are useful for monitoring project activity. Each report can be run according to multiple parameters, to obtain information on fund balances, remaining budgets, and detailed transactions.

a) The Project Balance Report must be reviewed in a timely manner by the project officers for completeness and accuracy. It provides a summary of award financial data by fund, donor and implementing agency. The budgets are also listed on the report to facilitate comparison between budgeted and actual expenditures. This is the best way to view the fund balance, as it includes all encumbrances and disbursements that have been posted to the award.

b) Combined Delivery Report: This report provides aggregate expenditure by award, project and fund, broken out by disbursing sources. Further, the report can be generated with or without encumbrances. The year-end CDR that should be certified by the Government is the one with encumbrances since UNDP’s financial statements would include encumbrances.

c) Detail Listing Report (expenditure detail report): The UN Expenditure Report is run to see individual transactions that have been recorded in Atlas. By looking at individual transaction lines, a PO can determine if all charges are accurate and appropriate. Also, miscoding (i.e. wrong activity / donor/ fund or account code) can be easily identified using this report.
Regular Review by Project/Programme Officer (cont’d):

Avoid overspending, which may cause a deficit and limit further spending; and make every effort to assure your Senior Managers that the project is in compliance with the rules and the spending terms and conditions.

Verify that adjustments or corrections have been made or are made in a timely manner.

Maintain a clear audit trail for the future.

Do not wait until a problem is brought to your attention or until a project has terminated before reconciling an account. The longer an error remains uncorrected, the harder it is to demonstrate compliance to UNDP’s policies and the donors’ agreements.

Open Encumbrances:

Project/Programme Officer should periodically monitor encumbrances and communicate any problems with the appropriate department (i.e. Purchasing or Finance). All encumbrances to be liquidated should be cleared within maximum of one year after the project is operationally closed to ensure their inclusion in the final financial report. All open commitments have to be liquidated or closed in order to close the project in Atlas.

All deficits are the responsibility of the project/programme officers. Deficits will result in a negative cash position until they are resolved. The project officer should determine if the deficit occurred due to error and if so, an expense adjustment should be initiated by the officer to move the expenditures in error to the appropriate project. All such adjustments must be fully documented and processed in a timely manner and to the extent possible, it should be done within the fiscal year that the error occurs.

The Office of Finance has the overall responsibility to oversee the deficit and to send follow-up notices to the appropriate offices on a regular basis, at least once a year.
Quarterly Review by Senior Manager:

The single most important responsibility of a senior manager of an office is to ensure good financial management of resources. Effort should be made to schedule quarterly meetings with the project/programme managers to review expenditure activity for the previous quarter.

Quarterly transaction review enables prompt correction of errors and would enable the Senior Managers to assess the spending rate vis-à-vis the work plan. Monthly review would avoid both over or under expended resources. Appropriate guidance should be given to staff who are not monitoring the contribution agreements that they are responsible for properly.

During the quarterly review, use following information available at the donors’ web-site:

a) List of over-due donor reports
b) List of projects / funds in deficit
c) List of operationally closed projects; but not financially closed for over one year
d) List of over-due pending payments overdue in excess of 30 days and
e) List of unapplied deposits
Regular Review by Fund Managers:

Fund Managers, in addition to the review required of every project funded from the source, has the responsibility for managing and reviewing the overall financial status of the fund itself. There are two important financial reports which provide information about the financial status of the funds: the balance sheet and the income statement.

1. A balance sheet is designed to show the financial position of a fund at a particular point in time. It shows the assets, liabilities (debts or payables), and reserves. It is called a balance sheet because it must "balance," that is, the liabilities subtracted from the assets must equal the "fund balance". A balance sheet is used to assess the financial structure of a fund, for example, to see whether its liabilities can be met. “Fund balances” can be defined as the financial value after the liabilities are settled.

2. An income statement is designed to show the income or deficit of the fund during a specific period of time. It shows the revenues minus the expenses and the resulting surplus or deficit. The income statement is used to assess the overall financial performance of the fund.

Balance Sheet and Income Statements can be obtained from Accounts Section, Office of Finance.

There are a number of other reports listed below that you may find useful to assess the overall financial and performance of the fund or project, to compare actual with budget in order to monitor the budgetary performance and to identify where budgets need to be revised or action needs to be taken.
The following list contains list of Atlas reports and queries most useful for budget management process.

   Gives an overview of all resources managed by CO by funding source – Level 1 (ASL or Cash Balance), Level 2 (Approved Budgets), Expenditure. Supplemental query UN_RESOURCE_FUND_DEPT_ACCT will show ASLs issued at account level.

   Presents cash balances, income and expenditure for project-level co-financing (cost sharing and most Trust Funds).

   Presents allocation, approval and pipe-line projects under selected fund for three consecutive years. Useful to assess TRAC approvals against authorized levels.

4. **Extra budgetary Status Report** (Atlas – UN Reports – Commitment Control)
   Shows the status of unit XB account (opening balance income and expenditure) both actual and projected figures. Also provides extra queries to drill into details.

5. **Status of Project Budget** (Atlas – UN Reports – Commitment Control)
   Shows budget, pre-encumbrances, encumbrances, disbursements and budget balance. Can be run for selected criteria: Department, Fund code, Project Manager, Impl. Agent. Represents a “drill down” from a Resource Planning Framework to a more detailed level of expenditure under selected budgets.

6. **Project Budget Balance** (Atlas – UN Reports – Commitment Control)
   Next level of analysis down to individual award level. Shows projects approved under one award at the activity/budget line level as well as expenditures for same. Useful for various types of analysis within individual budgets (budget revision exercise, adding new activities and inputs, GMS lines verification, etc.).

7. **Expenditure Detail Query UN_EXP_Detail** (Atlas – UN Reports – Grants)
   Shows expenditure details for selected criteria: award, project, period, activity, etc.

8. **Fund Status Query UN_FUND STATUS** – Query run out of GL, showing opening balance, income and expenditure for selected cash controlled fund. Useful to analyze GL data.

9. **NEX Advance query (OFA_NEX_ACTIVITY_QUERY)**
   Enables to track and analyze the status of NEX advances within Operating Unit.

10. **GMS review query (OPB_GMS_CHECK_FA_BUD)**
    Enables to review GMS rates and distribution within department.
Expense Adjustment:

A correcting journal entry (or accounting adjustment) is prepared to transfer an expense originally charged to one project/donor, fund or activity to a different one. Expense adjustments should be approved by Senior Approving Officer. Adjustments should be timely, infrequent, and adequately explained so that they do not cause serious questions to be raised about the propriety of the adjustment or do not raise questions about UNDP’s internal controls.

The objective should always be to get it right the first time. However, a correcting journal entry may be justified in certain circumstances, such as the following:

- To correct clerical or data entry errors
- Transfer to a new project number that was not not established when the expense was incurred
- Pre-financing specifically authorized by the donor in writing or
- If it was not possible to charge project at the time of spending.

Expense adjustments must be supported by documentation that contains a full explanation of how the error occurred and approval of the accuracy of the new charge by a responsible/designated officer. An explanation which merely states that the transfer was made ‘to correct error’ or ‘to transfer to correct project’ is not sufficient.
Every office receiving funding from donors is responsible for ensuring that appropriate reports are provided in a timely manner i.e. in accordance with the due dates agreed upon with the donors. The reports should also be of sufficiently high quality to assure donors that UNDP is capable of managing resources entrusted to it in a professional, effective and efficient manner.

Donor reports should be reasonable, i.e., within the generally accepted standards for such requirements. Any excessive reporting requirements which cannot be readily accommodated should be avoided to the extent possible.

If the terms and conditions of an agreement entails additional reporting requirements, the office has the responsibility to understand and comply with these requirements. Failing to turn in reports on a timely basis can result in the donor delaying or suspending final payments on the agreement. It can also jeopardize possible future funding from the donor; not just for the office involved but for other UNDP offices as well. Therefore, ensure that you fully understand when reports are due, what information is required, and what format is specified by the donor.

The reports are prepared by the office receiving the contributions. The Head of the Office (RR or DRR) or designated senior manager of the Bureau should sign off on these reports. Prepare quarterly or annually project progress report, depending on the specific requirements of the signed co-financing agreement using the standard format:

To facilitate easy retrieval of progress reports to donors, all narrative or progress reports should be uploaded to Atlas using the ‘attachment facility’ in the Project, attachment page. The reports, to the extent possible, should be named using the following conventions:

- interim_report_”project_id”_date_of_report
- final_report_”project_id”_date_of_report
Interim and Final Financial Report

For all multi-year contributions, the office must submit reports as agreed in the contribution agreement. Interim financial report can be generated from UNDP Donor’s Web-site at ……. The report is exportable in excel, should the office wishes to include additional details based on the specific requirements agreed upon with the donors.

Within one year of the operational ending date, all financial transactions should be closed and a final project report should be submitted to the donor’s). All authorized expenditures related to the project must be processed, open encumbrances closed, cost sharing verified, and the account's) reviewed for errors or necessary adjustments processed in preparation of the final financial report. Any expenditure that remains unrecorded in Atlas and therefore not included in the final report will become the responsibility of the PO and the Office.

Staff should review the report available at the Donor’s web-site to ensure that it is correct and consistent with the reporting format agreed with the donors. Any differences need to be investigated and adjusted properly in Atlas.

Programme officer should also ensure that Atlas Project Management donor report monitoring field is flagged as completed as soon as a report is sent to the donor. Failure to update the project management record would show up as overdue or delinquent donor report at the donor web-site.

**Overdue or Delinquent Reports**

Reports not received by the due dates become overdue. Office Senior Managers should review with the project officer. Once a report is more than 1 month overdue it becomes delinquent and it will be listed in the Donor Tracking Web-site.

Regional Bureau should also monitor the office’s compliance in terms of meeting donor reporting. If a report is more than 3 months overdue without adequate response, the regional bureau should approach the country office since this could affect future flow of income.
After finalizing the donor reporting, the programme officer/ fund manager should ensure that the receivable for the next tranche is recorded in the Accounts Receivable module. This is typically done when the office is preparing the request for payment.

**Updating of Budgetary Data**

On multi-year projects, the PO should update the budgetary data previously submitted for remaining project years and to provide an estimate of funds which will remain upon completion of the current budget year.
Prudent financial management of non-core projects includes timely and accurate reporting and project closeout. Project closeout begins when the work has been physically or operationally complete i.e. all services have been performed and products delivered. Closeout is complete when all administrative actions have been completed, i.e. the operations, as well as the financial payments have been settled and that any remaining unutilized fund balances are promptly refunded or transferred to other projects as agreed with donors.

Closeout becomes more difficult with the passage of time because persons responsible for managing various aspects of a project may retire or transfer. The focus of the project officer may shift to other priorities; and project documents may become lost or destroyed.

Try to avoid some of the problems/weaknesses observed related to project closure by ensuring the following:

1. Project closeout is an important aspect of contribution agreement management; thus ensure proper management attention is given to close projects on a timely basis.
2. Operation Section of the office should be notified first of the closure of a project. The closing of projects should be done within a maximum period of one year after the operation of the project has been completed. All final financial transactions have thus to be recorded within the one year grace.. Any erroneous charges should be transferred and any deficits should be cleared.
3. The central oversight unit must ensure that the project resources are balanced (i.e. revenues = expenses). Unspent balance should be treated inline with the terms agreed upon with the donor(s). If there is a deficit, the deficit has to be cleared adjusted in consultation with Senior Managers. No project should be closed without balancing the revenue and expenditure. If there is surplus, the surplus should be treated in line with the agreed terms. If the office has agreed to refund any “unutilized” balance, HQs Contribution Unit should be contacted to verify the surplus and establish the donor refund liability. The office, upon receiving OF’s confirmation, would refund the surplus to the donors, charging the liability account established by OF. The refund should be recorded before submitting the final financial report.
4. Once the project is ended and the accounting process is completed, the project will be closed in Atlas by the responsible project officer.
5. A final report, both narrative and financial, should be prepared, reviewed and submitted to the donor(s) after proper review by the designated officer and should be signed by the head of the office.
6. Remove staff payroll from the project account.
7. For additional information, refer to Programme User Guide…
1. Internal Control Framework

2. User Guide on Programming for Results

3. Budget Management Overview

4. Projects/Grants and Joint Programming Overview

5. Cost Recovery

6. AP / PO Overview

7. Executive Snapshot

8. Reporting Overview

9. Reporting Guide