Interoffice Memorandum

To: All Heads of Bureaux
   Director, Brussels Liaison Office, BRSP

From: Ad Melkert
       Associate Administrator

Subject: New Clearance Procedure for Standard Agreements to Establish
          EC-funded UNDP Closed Trust Funds

Date: 12 July 2007

EC contributions to UNDP are received as Trust Fund contributions. To receive these funds, UNDP (either through UNDP Brussels or the country office) signs a very detailed Trust Fund agreement that sets out all key financial and reporting obligations, as well as other project details. As these EC agreements have many implications for the country office, all EC agreements are required to undergo a clearance process before I grant approval for them to be signed. Given the volume of agreements, however, the current clearance process can be lengthy, taking on average three weeks. At the same time, the vast majority of EC agreements that come to me for approval conform to the standard Financial and Administrative Framework Agreement (FAFA). In fact, out of the last 100 or so EC agreements, only three were non-standard as regards the FAFA. This clearly advocates for a simplified procedure for clearing EC agreements where they conform to the standard FAFA format, ensuring, of course, that we strike the proper balance between efficiency and risk mitigation.

With the help of UNDP Brussels and BRSP, the Executive Office has reviewed the process and agreed on the following solution, which should reduce clearance time from the current average of three weeks to less than a week. This process has undergone extensive consultations among the parties involved in the present clearance process.

The new clearance process, set out below, has two guiding principles:

A) Standard EC agreements which conform to the FAFA and UNDP regulations and rules will undergo an expedited clearance process. Non-standard contribution agreements will go through the existing clearance process.

B) The quality of the clearance exercise will be improved through clear lines of responsibility and accountability.

New Clearance Procedure

I. Standard Agreements:
The new clearance procedure reduces the number of individual checks from seven steps to two. For standard agreements, two signatures are now required: that of the UNDP Brussels Office and the relevant Country Office. The UNDP Brussels Office will clear the contractual issues in the agreement for compliance with the FAFA, and the Country Office will clear the substantive issues of the agreement. Therefore, for agreements where there are no deviations from the standard format, the new clearance process is the following:

1. Country Office submits the draft agreement and Annex 1 (Description of the Action), which has been cleared by the Country Office, in collaboration with the Regional Bureaux, to the Help Desk of the UNDP Brussels Office.

In cases where the Agreement is 'Regional' it is the relevant Regional Bureau that would send the agreement for clearance to Brussels. Where the Agreement is 'thematic' and non-geographically specific, it is the relevant thematic Bureau that would send the Agreement for clearance to Brussels. These are nonetheless very much minority cases within the EC portfolio.

One United Nations Plaza, New York, NY 10017 Tel: (212) 906 5000 Fax (212) 906 5001 www.undp.org
The Country Office and Regional Bureau will take responsibility for this part of the Clearance and will refer to OLPS and OSG (or other relevant HQ Units) should there be any doubt about conformity with UNDP Regulations and Rules in respect of any part of the action.

This ‘Action’ clearance will be formalised through the Country Office signing off on a newly introduced EC Trust Fund Clearance slip (attached), which the Country Office will transmit to the Brussels office along with the EC agreement. Signature will not only confirm that the Action fully conforms to UNDP Regulations and Rules but also that there is an existing UNDP project document capturing the commitments in the EC agreement that has been signed by the Government. In this way, UNDP Brussels will know that by the time it is required to clear the agreement for FAFA conformity, the Action will already have been approved.

In order to save time on this part of the clearance process, the UNDP Country Office is encouraged to involve its Regional Bureau and UNDP Brussels from the very earliest stages of Agreement negotiation with the EC.

Where UNDP is implementing a specific EC-financed Action and the EC is the sole donor involved, the UNDP project document constitutes Annex 1 to the EC Contribution Agreement. Where UNDP is implementing a wider Action in which the EC is one of several donors, it will be important that both the UNDP project document and Annex 1 (Description of the Action) to the EC Contribution Agreement be conversant with each other. Certainly, there should be no contradictions between the two.

2. Once the UNDP Brussels Office has received the signed EC Trust Fund Clearance slip from the Country Office, the Brussels Office reviews the full package of the EC Agreement (Special Conditions and Annexes) for contractual compliance with the FAFA. UNDP Brussels is accountable for determining whether the agreement adheres to the standard format. If the agreement is FAFA compliant, UNDP Brussels authorises the Country Office to sign the agreement.¹

3. The Country Office sends signed Agreement to Brussels, creates pending item ID in Accounts AR, and informs the Contributions Unit of same.

4. With proof that the Action has already been cleared and having undertaken the FAFA conformity check, UNDP Brussels sends the completed clearance and signed agreement to the Contributions Unit for assignment of Atlas fund codes and application of funds and informs OSG and the relevant Regional Bureau of the completed clearance.

5. Contributions Unit requests Atlas fund codes and informs the Country Office and UNDP Brussels of receipt and application of the contributions.¹

6. UNDP Brussels provides the Associate Administrator with a quarterly report indicating all the trust funds that have been signed, a summary description of the projects and the amount of resources.

A flow chart of the new clearance process fort standard agreements appears below.

¹ There is an existing checklist from which UNDP Brussels analyses agreements. BOM units could add to this checklist to ensure that all issues are taken into account.

¹ Contributions Unit will request trust fund code and assignment should be complete within two business days. Application of funds will be expedited if the country office has already created the pending item in Atlas against which funds are to be applied. This will eliminate any delays in funds application once the trust fund code has been assigned.
FLOW CHART: CLEARANCE OF STANDARD AGREEMENTS

1. Submission of draft Agreement and Annex 1 cleared by the CO and signed off on the new EC TF Clearance slip

2. FAFA compliance cleared; Brussels authorizes signature

3. Sent copy signed by CO

4. Signed documents sent to CU and AA office informed as well as Regional Bureau

5. CO informed of assignment of codes and receipt of contribution

Country Office

UNDP Brussels

Regional Bureau

Contributions Unit

AA Office
II. Non-Standard Agreements:

The clearance process for non-standard agreements closely follows the current process with minor adjustments. This revised clearance process for non-standard agreements, will now also require signature of the Director of the Office of Audit and Performance Review (OAPR). Please note that the Country Office remains responsible for clarifying whether and what part of a Contribution Agreement negotiation is not standard. When in doubt, the Country office should consult with other relevant parts of UNDP HQ to establish what is not standard and if a derogation on the Action is required. The Brussels office remains responsible for pointing out what part of an EC Contribution Agreement under negotiation is not FAFA compliant. Non-standard agreements are those where the contractual aspects differ from the standard FAFA provisions in any respect, or where Annex I stretches UNDP regulations and rules. Post-facto clearances, which should be avoided at all costs, will be considered non-standard by default and hence require the complete HQ clearance process.

This new and streamlined process will take effect on 15 July 2007.

Delegation of Authority

To permit implementation of this new procedure, I am hereby authorising the Resident Representatives and/or Regional Bureaux Directors to sign standard EC agreements, i.e., agreements that fully conform to the FAFA. Their signature will indicate:

1. conformity with UNDP’s mandate and UNDP Regulations and Rules have been verified;
2. acceptance of reporting requirements;
3. confirmation of the executing agency’s acceptance of support cost arrangements;
4. confirmation of administrative cost arrangements; and
5. Trust Fund Manager has been informed of his/her responsibilities.

I am also hereby authorising the Director of the UNDP Brussels Office to sign the standard agreement. Signature will indicate that:

1. a general review of the agreement has been undertaken;
2. conformity to general practice with the donor has been confirmed;
3. propriety of modality for intended contribution has been ensured;
4. there are no deviations from standard format.
CLEARANCE SLIP FOR ESTABLISHMENT OF AN EC FUNDED
UNDP CLOSED TRUST FUND

Trust Fund Title and (Proj. # if applicable):

Designated Trust Fund Manager:

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<tr>
<th>Bureaux/Units</th>
<th>Signatures</th>
<th>Date</th>
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| 1. Country Office / Regional Bureau  
  a) Agreement reviewed and conformity with UNDP's mandate verified  
  b) Check the conformity with UNDP Regulations and Rules  
  c) Reporting requirement noted and accepted  
  d) Executing agency acceptance of support cost arrangement confirmed  
  e) Administrative cost arrangements confirmed  
  f) Trust Fund Manager informed of his/her responsibilities as per attached document | Resident Representative and/or Regional Director (or focal point) | |
| 2. Division for Resources Mobilisation/BRSP:  
  a) General review of the agreement undertaken  
  b) Conformity to general practice with donor confirmed  
  c) Propriety of modality for intended contribution ensured  
  d) Noting and clearing deviations from standard format  
  e) Special issues noted as relevant | Brussels office Director Authorising Signature | |

Please note that the following scheme takes it as read that the Country Office has already involved its Regional Bureau, other UNDP HQ Bureaux and Divisions and UNDP Brussels in the preparatory stages of negotiating the EC Contribution.