**Agency Implementation Finances**

1. UNDP implements projects in programme countries through its network of agencies, mainly through implementing partners, and Direct Implementation modalities.
2. In consultation with, and with the agreement of the programme country Government, the UNDP Administrator shall select a single executing entity or, under harmonized operational modalities, an implementing partner, among the designated entities for each specific UNDP programme activity. With the agreement of the programme country Government and UNDP, the selected executing entity or implementing partner, may be associated with one or more other entities in carrying out UNDP programme activities.
3. Agency Implementation illustrates the financial aspects of the implementation of these projects, in particular how best the country office should record and process expenditures/cash reported/provided by agencies.

Agency Implementation

1. Agency implementation is one of the four modalities available to UNDP for the implementation of projects and programmes.
2. A UN agency may be either an Implementing Partner (accountable for the delivery of overall results in a programme or project) or a Responsible Party (accountable for delivery of elements of a programme or project).

1. UNDP Financial Regulation 17.02 stipulates that *“national execution shall be the norm for UNDP programme activities, taking into account the capacities of programme countries and the nature of UNDP programme activities. Where national execution is found not to be appropriate, consideration in the selection of an executing entity shall be given to organizations of the UN system.”* This applies irrespective of the cash transfer modality used in the NIM project (direct cash transfer, direct payment or reimbursement).

1. A UN agency will be an appropriate implementing partner when:
   * A UN agency has technical expertise that is critical to project success.
   * The relevant substantive national agency is unwilling or unable to undertake project implementation

# Funding of Agency Implementation

1. With the implementation of new ERP System Oracle Cloud (Quantum) in UNDP starting January 2023, an important modification has been introduced on the budgetary implications of all advance payments in UNDP. All advance payments will now impact project budget in Quantum’s Project Module as well as GL Cash budget. Therefore, in order to ensure timely and efficient release of advance payments, UNDP Offices are required to accurately set up project budgets in advance and ensure that that budgets are adequately available to process advance payments.
2. When a UN agency undertakes programme or project activities, the Global Shared Services Centre (GSSC) provides funds directly to the UN agency. These funds are provided in accordance with the schedule of advances in the letter of agreement between UNDP and the UN agency ([Model Standard Basic Executing Entity Agreement [SBEAA]).](https://intranet.undp.org/global/documents/ppm/Standard_Basic_Executing_Agency_Agreement_(SBEAA).doc) The UN agency’s request for funds is documented in a financial report, which specifies the cash requirements based on planned expenses (the costs of new inputs that will be procured and received in the coming period). updated based on the current context
3. The HACT assurance framework does not apply to cash transfers under agency implementation.
4. UN agencies report their project expenses on quarterly Project Delivery Reports (PDRs). This funding is recorded as an advance in UNDP’s accounts. PDR and accounting procedures are the same when an Agency is an IP or RP. Indirect costs incurred by organizations of the United Nations system in the implementation of UNDP programme activities, are paid from project resources, as negotiated between the parties.
5. Advances provided to UN agencies and expenses reported on the PDR are recorded in a Project Clearing Account (PCA) i.e. GL account (16015). This forms the basis of the inter agency balance due to/from the UN agency in respect of UNDP projects. Requests for advances submitted by UN agencies are reviewed by GSSC and approved by OFM/ Financial Performance Monitoring and Reporting (FPMR) / Corporate Financial Reporting & Agency Services (CFRA).
6. UNDP policy is to centralize both the advances to agencies for projects and the posting of their PDR expenses. Both are posted through the Quantum Project Clearing Account (account 16015). With support from OFM/FPMR/CFRA, GSSC monitors and reconciles the balances due to/from each agency and together with Treasury, ensures the net balance advanced and held by the respective agency is not excessive and hence that UNDP has both control of the funds and does not lose investment revenue through excessive pre-financing, enabling UNDP to invest excess cash and maintain tighter control of the funds. It is important for UNDP Offices to comply with the centralized management structure of these interagency transactions, as failure to do so can result in the double counting of advances and/or expenses, creating potential funding problems in later periods and inefficient processes
7. Under exceptional circumstances (e.g. agency does not operate under the global PCA modality, i.e. it does not use the corporate Project Delivery Report (PDR) submissions, the agency has not signed the Standard Basic Executing Entity Agreement (SBEAA), etc.), UNDP offices may request the use of local PCA account (account 16010) through GSSC. The authorization of the use of local agency account is provided by OFM/FPMR/CFRA, with the understanding that it becomes the Country Office’s responsibility, with oversight by the respective Regional Bureau, to ensure that the balance in local PCA account 16010 is liquidated in a timely manner.

UNDP Offices can contact GSSC Agencies unit for general policy guidance or to request authorization for the use of local agency account using the email address: [localagencyadvance@undp.org](mailto:localagencyadvance@undp.org).

# Project Delivery Reports (PDR)

1. Project Delivery Reports are due 15 days after the quarter end date (31 March quarter is due by 15 April, 30 June quarter is due by 15 July).

1. With the adoption of IPSAS in January 2012, UNDP recognizes expenses only when goods have been received or services have been rendered. PDR expenses therefore include two components: (i) all items for which goods have been received or services have been rendered and paid for by the UN agency; and (ii) all items for which goods have been received or services have been rendered but which have not yet been invoiced to the UN agency by the supplier or service provider (receipt accrual). The concept of unliquidated obligations (ULO) no longer applies and is not part of the PDR reporting process. All UN agencies are required to submit their PDRs in the IPSAS accrual-based format effective since 1 January 2012.
2. Expenses must be recorded in the system in the period when the goods were received or services rendered. Example - Expenses reported in a PDR for Jan to Mar and submitted in April must be recorded in the period Jan to Mar to ensure compliance with IPSAS.

1. All PDRs are entered into a bridging platform called UNEX (United Nations Expenditure system) and processed in Quantum by GSSC.

1. UNDP Quantum project budgets are output-orientated as opposed to the traditional input budgets used by most other UN agencies. UNEX translates the agency expense coding to that used in Quantum, apportioning costs in respect of donor and activity which do not exist in standard UN budgets.

1. Programme Officers are responsible for all expenses in respect of their project portfolio, including the monitoring of project expenses in UNEX where they are able to amend the automated apportionment exercise and also to reject expenses, as may be appropriate.

# Recording & Monitoring PDR Expenses

1. Ultimate responsibility for all UN agency expenses rests with the UNDP Programme Officer, who must:
   * Ensure project budgets are correctly entered into Quantum before the activities commence, and
   * Review incoming PDRs on a timely basis in order to accept expenses that are consistent with the AWP and UNDP’s Financial Regulations and Rules (FRRs), and
   * Ensure incoming PDR expenses are within the established project budget and reject improper PDR expenses.

1. PDR expenses may be rejected at any time if subsequent information becomes available that questions the appropriateness of expenses previously accepted and recorded in the system .

1. Project budgets and Authorized Spending Limits (ASL) constitute ceilings for expenses on UNDP programme activities for current and future years. Financial Rule 118.07 (b) states:

***In any given year, the expenses of an implementing partner may exceed an approved project budget for that year by 4 per cent of that year’s annual project budget (excluding the cost-sharing and trust fund budget). These additional expenses are authorized provided that the total excess amount of such entity or partner for that year does not exceed 2 per cent of the total UNDP fund (excluding cost-sharing and trust funds) approved for the expenses by that entity or partner for that year.”***

# Project Closure

25. As soon as UNDP project activities have ceased, the implementing partner shall declare the project operationally completed. It shall inform UNDP of such operational completion and submit to UNDP a budget revision, in conformity with established procedures for budget revision. UNDP programme activities shall be considered financially completed when they have been operationally completed or terminated, and provided that all financial transactions have been recorded, the relevant accounts closed, and a final project budget revision approved.

# Audit

26. The audit of programmes and projects implemented by a UN Agency is carried out by the duly appointed auditors of that agency. If a UNDP Office has concerns about the implementation of a project or programme, it should bring this to the attention of the UN Agency. If the UNDP Office is not satisfied with the agency’s response, it may forward the concerns to the Office of Audit and Investigations (OAI). UNDP policy requires that a project be audited once in a lifetime (OIL). The criterion for OIL audits requires auditing a project once in its lifecycle in the year following which the cumulative expenses reach or exceed $300,000. This criterion does not apply in the first year of activities of a project. The audit becomes due in the year following which the cumulative expenditure has reached or exceeded the threshold of $300,000. For example, an audit of a project will be required in the third year of activities in cases where the cumulative expenditure in the first two years has reached or exceeded $300,000 and the project has not been subject to an audit yet.

**Annex 1: Accountability Framework for Agency Implementation**

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| Accountability Framework for Agency Implementation | | | |
| Programme Officer | 1. Create project and project budget in Quantum. 2. Reviews all PDRs in UNEX to ensure reported expenses are consistent with AWP and the system project budget, and within established funding ceilings. 3. Investigates and resolves PDR expenses rejected by   UNEX.   1. Determines if any PDR expenses should be rejected or the chart of accounts revised. 2. Follow up with UN agency counterparts to resolve all pending issues concerning rejected or contentious expenses. 3. Where rejection of expenses or correction of reported chart of accounts is justified (for example due to expenses above budget), notifies GSSC (with supporting documentation) for correction or rejection in UNEX. 4. On an on-going basis, monitors all project expenses recorded in Quantum to ensure they are correctly stated. | |  |
| OFM/CFRA | 1. Approve project advances for (global) PCA GL account number 16015. 2. Approve use of account 16010 for local advances as requested by GSSC. | |  |
|  | |  |  |  |
| GSSC | | For core and non-core funds:   1. GSSC in collaboration with CFRA/FPMR assesses quarterly advance requests and reviews the levels of outstanding advances for each agency and as appropriate remits cash to the agency. These advances are based on the annual forecasts of the project to be implemented by the respective UN agency. All advances should be based on expense forecasts and not limited to payments only. 2. Agencies submit cumulative quarterly accrual-based PDRs to GSSC who oversees their upload into UNEX. 3. Validated PDRs are then processed in UNEX and posted in Quantum . 4. OFM/GSSC reconciles PCA balances with each UN agency. | PDRs are processed via UNEX platform, and the information will be populated in Quantum AP to liquidate advances and record expenses which will finally be posted to GL. |
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