**Project Costing and UNDP Support Services GEF Financed Projects**

# Background

* 1. UNDP and the Global Environment Facility (GEF) signed the GEF Trust Fund Agreement in 1991. In 2010, UNDP and the GEF Trustee signed Financial Procedures Agreement which sets the financial procedures for administering the GEF Trust Fund. UNDP accesses GEF grant financing from a number of GEF trust funds, including the GEF; Least Developed Countries Fund (LDCF); Special Climate Change Fund (SCCF); Nagoya Protocol Implementation Fund (NPIF); and Capacity- building Initiative for Transparency (CBIT) funds. As a Vertical Fund, the GEF has its own governance, evaluation, policy, and programming arrangements. GEF resources are earmarked for specific projects and must comply with GEF-specific eligibility criteria and policies.
  2. As a GEF Agency, UNDP works with GEF-eligible countries to access and program GEF resources. As the Environmental Vertical Funds manager within UNDP, the Bureau for Policy and Programme Support of the Global Policy Network - Nature, Climate and Energy - Vertical Fund (BPPS NCE-VF) Directorate manages the relationship with the GEF and supports countries on GEF programming and implementation across interrelated GEF technical areas.
  3. BPPS NCE-VF has specialized technical teams in New York, Addis Ababa, Geneva, Istanbul, Bangkok, and Panama, working on catalyze environmental finance for achieving the sustainable development goals. Specifically, the teams work with UNDP Country Offices to develop country capacity to put in place the right mix of regulatory and financial incentives, remove institutional and policy barriers, and create enabling environments that attract and drive public and private sector investment. In doing so, BPPS NCE-VF assists partner countries to access, combine, and sequence resources from a wide range of environmental vertical funds.

# Types of GEF Financing

* 1. GEF provides grant financing through four project types: Full-sized Projects (FSP, over US$2 million), Medium-sized Projects (MSP, up to US$2 million), Enabling Activities (EA), and child projects under GEF Impact Programs. MSPs and EAs are approved by the GEF CEO. FSPs and child projects under GEF Impact Programs are first approved by the GEF Council, and the full project is later endorsed by the GEF CEO.
  2. Upon CEO endorsement/approval, the GEF Trustee issues a Letter of Commitment to UNDP.
  3. UNDP receives two types of resources from the GEF Trustee, each for a specific purpose.
     1. Indirect Costs (GEF Agency Fee):

The GEF provides the GEF Agency Fee (the “GEF Fee”) to cover UNDP’s costs in delivering GEF-specific Project Cycle Management Services (PCMS) and GEF Corporate Activities as defined by the GEF Council. These include Oversight services to ensure that project execution (by the Implementing Partner) meets GEF standards and requirements. The Fee is additional to the GEF Grant and is separately committed by the GEF Trustee. The Fee is determined as a percentage of the GEF project budget: For the global GEF Small Grants

Programme, it is 4%, and for other GEF projects, 9% or 9.5%, depending on the project budget.

UNDP GMS and GEF PCMS services differ. However, the GEF Fee is disbursed to UNDP COs and/or other UNDP offices/Units acting as Project Business Units according to the principles that govern UNDP GMS.

Since 2016, following IPSAS requirements, the Fee is released to respective UNDP units based on project delivery. The Fee earned on delivery for COs is included under the annual XB Institution Budget (IB) allocation to COs by RBx. COs are to use the Fee for the abovementioned GEF project cycle management services (Oversight services).

* + 1. Direct Costs (GEF Grant, project budget):
       1. The GEF Grant is the Program Fund (Project Budget) of the approved GEF project. GEF project budgets must be used for the purpose approved by the GEF at the CEO endorsement stage. Detailed budgetary items are included in the Total Budget and workplan table of the project document submitted to GEF Secretariat (GEFSEC) at the CEO endorsement stage.
       2. UNDP has traditionally provided two categories of support to GEF-financed projects: Oversight services (covered by the GEF Fee) and execution support (funded from the project budget if approved by GEF). However, various GEF policies stress that both types of support cannot be provided by the same GEF Agency due to **conflict of interest (meaning it is conflict of interest for an office to oversee its own work).**
       3. The July [2020 GEF Guidelines on the GEF Project and Program Cycle Policy](https://www.thegef.org/sites/default/files/documents/GEF_Guidelines_Project_Program_Cycle_Policy_20200731.pdf) state that “*in exceptional cases1 and as required by the Agency in accordance with its policy requirements, per the request of the beneficiary country/countries, and with the appropriate justification (see below), the same GEF Agency may carry out both functions.*” The conditions for doing so are:
          - The request for such exceptions should be clearly specified and included in a letter of support (using a GEF template) from all the relevant in-country GEF Operational Focal Points (OFPs).
          - The letter of support must be submitted before or by the time of CEO Endorsement/Approval at the latest.
          - The specific roles and responsibilities of all partners, including any execution activities provided by the GEF Agency. must be clearly described in the letter of support.
          - Upstream consultation with the GEF Secretariat on the proposed execution arrangements is strongly encouraged.
          - The GEF Secretariat assesses the request and decides whether to approve it the GEF Agency is informed of the decision in the review sheet.

1 Refer to the Annex 1 – UNDP Execution Support to GEF-finance Projects

* + - 1. The July [2020 GEF Guidelines on the GEF Project and Program Cycle Policy](https://www.thegef.org/sites/default/files/documents/GEF_Guidelines_Project_Program_Cycle_Policy_20200731.pdf) also state that when the GEF Secretariat approves an exceptional request and the same GEF Agency carries out both oversight services and execution support, the GEF Agency must separate its oversight services and execution support and establish the following:

1. A satisfactory institutional arrangement for the separation of oversight and execution functions in different departments of the GEF Agency;
2. Clear lines of responsibility, reporting, monitoring evaluation and accountability within the GEF Agency between the oversight and execution functions.

This separation helps ensure the segregation of accountability and financial management roles, in light of the accountability of the GEF Agency to supervise the Implementing Partner executing the project. Segregation of duties is to be maintained in the following areas at a minimum: settlement processing, procurement processing, risk management/reconciliations, and accounting. Related roles and duties of the separate responsible units within the Agency are subject to regular review by Agency management and action by the Agency is required when discrepancies and exceptions are noted.

Refer to Annex 1 – GEF Conditions for UNDP Support Services (11 August 2020”, on the procedures to follow, when UNDP offices/Units that act as Project Business Units, are requested to provide execution support to the Implementing Partner.

1. **Structure of GEF Direct Cost/GEF Project budget (Refer to Table 1 for eligibility of cost items)**
   1. **Total Budget and Work Plan (TBWP) –** UNDP offices/Units acting as Project Business Units are required to submit a TBWP with the UNDP-GEF Project Document (financed by Global Environment Facility) for CEO endorsement. The project budget (i.e., TBWP) must breakdown Project **Technical Components** and **Project Management Costs (PMC)** separately. The costs of UNDP Support Services, if approved (as an exception) by GEF CEO, must be included under the GEF project budget under the PMC budget. For details, see [Annex 1 – GEF Conditions for UNDP Support Services (11 August 2020)](https://intranet.undp.org/unit/ofrm/_layouts/15/WopiFrame.aspx?sourcedoc=/unit/ofrm/Financial%20Resource%20Management%20Policies/Annex%201%20-%20GEF%20conditions%20for%20UNDP%20support%20services%2011%20August%202020.docx&action=default).
   2. **Project Structure in Atlas** – To ensure compliance with GEF budget reallocation policies at the technical component level (Atlas Activity level), the GEF project is normally set up with one Atlas Award (use “award” instead of “project”) and one Atlas Output, with multiple ‘Atlas Activities’ under the same Atlas Output. Each Activity corresponds to a project technical component, with one for Knowledge Management and Monitoring & Evaluation, and with one for PMC. A ‘Total Budget and Work Plan’ (TBWP) table (including activity level and budget notes) is the main budget table used for budget monitoring during project implementation. Refer to the TBWP template under the [UNDP-GEF Project Document](https://popp.undp.org/document/undp-annotated-project-document-projects-financed-various-gef-trust-funds) (financed by Global Environment Facility).

Any cash co-financing (i.e. cost sharing, TRAC, etc.) to be directly used under the same UNDP- GEF project document, should be monitored by a separate Atlas output under the same Atlas award. This will not delay the GEF project closure as required by the GEF Council if the co- financing fund balance is still active after the GEF terminal evaluation is completed.

# Project Management Costs (PMC)

* 1. **PMC** costs are associated with project execution by the Implementing Partner and financed from the GEF project grant and/or co-financing sources. PMC is capped by the GEF at the amount approved, according to the percentage of the project budget and based on the GEF project size. This amount cannot be increased even when a project extension is approved. Any additional amount must be covered by non-GEF resources, such as cost-sharing or co-financing.
  2. PMC activities should directly relate to project execution. The GEF has a specific policy on activities covered under PMC. See Annex 1 for details.
  3. At the project submission stage, the estimated PMC amount should be indicated in the Project Identification Form (PIF):
     1. **Full-Sized Projects**: PMCs shall not exceed 5% of GEF project financing (which is above USD 2 million).
     2. **Medium-Sized Projects and Enabling Activities:** PMCs shall not exceed 10% of GEF project financing (which is up to USD 2 million).

**DIM** – GEF may approve DIM modality under certain conditions. At submission stage, UNDP should provide a strong justification that project oversight covered by the GEF Fee, and execution functions covered by PMC are separated through internal controls with clear lines of responsibility, reporting, and accountability between both functions.

# Exceptions on UNDP Support Services

* + 1. If the GEF Secretariat approves UNDP execution support (i.e. UNDP support services) the costs of this support must be included in the GEF project PMC budget. The PMC budget is capped, and expenses cannot exceed the GEF approved amount throughout the project’s duration.

# Budgeting and eligibility of Expenditures

* 1. Expenditures of GEF-financed projects are eligible if they were budgeted in the TBWP at the time of CEO endorsement/approval, and were budgeted in the UNDP multi-year Work Plans (AWPs) and cleared/approved by the BPPS NCE-VF team.
  2. As required by the Delegation of Authority letter from the Executive Coordinator of the UNDP BPPS NCE-VF Unit to Resident Representatives (RRs) of COs, UNDP offices/Units acting as Project Business Units must submit budget revisions to BPPS NCE-VF for clearance. The Regional Technical Advisor (RTA) clears multi-year AWPs based on the TBWP of the Project Document for the allocation of Authorized Spending Limit (ASL). Any deviation from the TBWP must be approved by BPPS NCE-VF based on justification and assurance from the Project Manager/IP and the CO that the revision is within the budget tolerance approved by the Project Board, and complies with re-allocation and new budgetary item thresholds, as noted in the UNDP-GEF Project Document (financed by Global Environment Facility). Any deviations will risk UNDPs accreditation status with the GEF.
  3. Budget notes of the TBWP must detail the expenses to be incurred, especially those related to transportation equipment, grants (indicating that they will follow UNDP guidelines on Low-Value Grants) and audit expenses.
  4. Expenditures should be based on a Procurement Plan submitted with the multi-year AWPs for clearance to the BPPS NCE-VF unit. A Procurement Plan is mandatory for clearance of AWPs for ASL allocation.
  5. Utilization of GEF resources must comply with UNDP Programme and Operations Policies and Procedures (POPP), other applicable policies, the approved UNDP-GEF Project Document (financed by Global Environment Facility), and GEF policies and guidance.
  6. GEF financing is capped and does not permit over-spending. COs must absorb over expenditures from non-GEF resources.

# Ineligible expenditures/transactions: include:

* 1. Expenditures that do not align with the provisions of the signed UNDP-GEF Project Document (financed by Global Environment Facility) (which was endorsed/approved by the GEF CEO).
  2. Costs relating to UNDP quality assurance and oversight functions, and any other activities involved in the GEF Project Cycle Management Services, which have already been paid by the GEF to UNDP in the form of GEF Agency Fee. Double charging risks UNDP’s accreditation with the GEF.
  3. Travel costs for Oversight and quality assurance activities by UNDP staff or consultants. GEF Policy requires all oversight activities, including oversight missions, to be covered by the GEF Agency Fee. Building the capacity of the Project Management Unit is critical for timely and quality delivery of the project activities. This will ensure that COs maintain a balanced and minimum GEF required number of oversight missions.
  4. Harmonized Approach to Cash Transfers (HACT) spot checks must be conducted by a third party (select a firm under HACT Long Term Agreement list). Cost of UNDP staff cannot be charged for a GEF-financed project.
  5. Cost of Development Effectiveness activities.
  6. Unsupported expenditures – missing/insufficient supporting documents, missing/inappropriate authorizations and shared costs not justified.
  7. Expenditures incurred outside the scope of the approved budget – goods/services not included in the approved UNDP-GEF Project Document (financed by Global Environment Facility), annual work plans and budget, budget adjustments without prior approval by the BPPS NCE-VF Unit, expenditures incurred outside the implementation and/or closeout periods.
  8. Expenditures compromised by prohibited practices, including diversion of assets, procurement irregularities/non-compliance with procurement procedures, fraudulent and corrupt practices, disregard for efficiency/value for money, as established in the governance and management arrangements section and Legal Context Section of the Project Document.
  9. UNDP Support Services not approved by the GEF (and not included in the UNDP-GEF Project Document [financed by Global Environment Facility]). Cost of UNDP Support Services that exceed the approved budget for such services in the UNDP-GEF Project Document (financed by Global Environment Facility).
  10. Project Management Costs that exceed the approved PMC budget in the UNDP-GEF Project Document (financed by Global Environment Facility).
  11. Government staff salaries.
      1. Salaries of UNDP staff (excluding project personnel specifically recruited under UNDP

contracts on behalf of IPs, and excluding UNDP staff costs approved by GEF and included in the TBWP of the approved GEF Project Document).

* 1. Purchase of vehicles not approved in the UNDP-GEF Project Document (financed by Global Environment Facility), or added after approval as a new budgetary item.
  2. Costs under Account 75105 Facility and Administration.
  3. Any other cost which does not comply with UNDP Financial Regulations and Rules.

# Budgeting for project closure of GEF-financed projects

* 1. GEF requires financial closure of projects within 12 months of completing the Terminal Evaluation, as agreed in the UNDP-GEF Project Document (financed by Global Environment Facility).
  2. The project budget required for closure should be approved by the Project Board in the final review for operational closure.
  3. Financial closure of projects (in the GEF Trustee Financial System) is required within 12 months of submitting the Terminal Evaluation Reports to GEF.

GEF Projects must be operationally closed three (3) months after the posting of the Terminal Evaluation report, and financially closed six (6) months after operational closure. Before financial closure in Atlas, COs should send the final signed closure documents, including confirmation of the final cumulative expenditure and unspent balance, to the BPPS NCE-VF Unit for validation. Within two (2) months of financial closure in Atlas, BPPS NCE-VF must report to the GEF Trustee for final project financial closure in the Trustee system.

* 1. Refunds to GEF for any unspent funds are managed directly by BPPS NCE-VF in New York. COs should **NOT** transfer funds from one GEF project to another, or to other funds.
  2. On an exceptional basis, only one project extension may be approved by BPPS NCE-VF Executive Coordinator, subject to the submission of the request and justification. Requests must be submitted 6 months prior to the expected planned operational closing date. Those submitted after this window will not be accommodated and project closure will commence. The maximum extension for projects under implementation as of the effective date (GEF-4 to GEF-6) is 12 months, and for projects under development (GEF-7), is 6 months. The implementing partner must submit a request to UNDP offices/Units acting as Project Business Units, justifying the need for extension and agreeing to cover any additional project costs in addition to the originally

approved PMC. Further, the CO Resident Representative (RR) and/or Head of Office/Units acting as Project Business Units must clear the request, acknowledging that any CO oversight costs incurred during the extension period which exceed the originally approved GEF Fee, will be covered by non-vertical fund resources.

# Management of GEF Agency Fees (Indirect Costs)

* 1. As per the GEF policy, an Agency fee for PCMS is provided to the GEF Agencies to enable them to manage a portfolio of projects and programmatic approaches, through the various phases of the project cycle including providing quality assurance and oversight (GEF/C.39/9). The fee covers the quality assurance and oversight services involved with GEF project identification, preparation of project concept, preparation of detailed project document, project approval and start-up, project implementation and supervision, and project completion and evaluation.
  2. The [POPP definition of GMS](https://popp.undp.org/node/3656) is: “the costs to UNDP that are in addition to direct project costs associated with managing the implementation of programmes are levied through the application of the General Management Service (GMS) fee.”
  3. GEF Agency Fee does not equal UNDP GMS. GEF Project cycle management services are the ‘quality assurance and oversight’ services that UNDP must provide throughout the project cycle. GEF purchases these via the service fee, which it disburses to agencies based on performance. A portion of the fee must be returned if the project is cancelled. Additionally, agencies must provide portfolio-wide ‘corporate services’ to the GEF.
  4. The internal distribution of earnings of GEF Agency Fee (based on project delivery/GL expense) follows the POPP [Resource Planning and Cost Recovery section](https://popp.undp.org/taxonomy/term/116).
  5. In Atlas, GEF Agency Fee is not included in the project budget and is monitored under two other fund codes (Fund ID 62050 and 62999). GEF Agency Fee expenses are recorded under CO’s Expense Department/Operating Unit, account 75105, fund 62050, and donor code 10003. The revenue (GMS earning, as per UNDP terminology) of GEF Agency Fee is recorded under CO’s expense department/Operating Unit, account 54010, fund 11300, and donor code 10003. COs earn GEF Agency Fee based on delivery. UNDP corporate level automatically processes the fee monthly. Manual entries are not permitted except those processed by the BPPS NCE-VF Unit for adjustment purposes.

BPPS NCE-VF enters and monitors the GEF Agency Fee in [Atlas](https://partneragencies.b2clogin.com/partneragencies.onmicrosoft.com/B2C_1A_signup_signin_saml_v2/samlp/sso/login?SAMLRequest=fVJda9swFH3frzB694eUrDMidkgawgJdZxZ3D3sxinKdCuwrV1fO1n9f22lpt9GC0AXdq3OOztFi%2BadtgjM4MhYzxqOEBYDaHg2eMnZXbsOULfNPC1JtIzq56v09%2FoCHHsgHm2EzqPx08977jmQcd8p5BKdOA4oBig5CN%2FZkMNK2%2Fa9psTXaWbK1n%2FprcV3xVUXmhH03FYPVSF2dRTzWLiay8QTIgq11GiZFGatVQ8CC3SZj%2B9W3myqdqQS4SMP0C4hwns4%2Bh4eU1%2BGMz%2BagQaeq1sM4FYrInOEVgKiHHZJX6DMmEsHD5GpYpUik4DK5iuY8%2FcWCwllvtW3WBi9W9Q6lVWRIomqBpNdyFCJFlMjDZYjk17IswuL7vmTBzxfLxWj5EAKSvJj8MVb3TMzySyZyUuzeInwMMDwY3JgZy9%2FL7N9Y7m43RcG3%2B0X8ljJ%2F%2BRS3A8duU9jG6Mdg1TT297UD5V9NHYJqlX9fFo%2F4dGKOYT2Nyh6pA21qA0cW58%2B8f3%2B%2F%2FAk%3D) as per UNDP’s internal distribution policy for GEF Funds. GEF Fee revenue to respective UNDP Units is recorded in Atlas by expenditure departments and GEF donor code (10003) (refer to para 8.5), and can be extracted accordingly. COs must establish delivery targets in discussion with Regional Bureaus (cost centers) in order to access Institution Budget resources (earned on GEF project delivery) so as to provide the required oversight services (Project Cycle Management Services, PCMS). See Annex I for details on services covered by the GEF Agency Fee.

*Table 1 – GEF table of direct costs (project budget) and indirect costs (GEF Fee)*

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| **DIRECT COSTS – GEF Grant budget**  **I. Costs that (1) can be directly linked to a GEF project in a reasonable and economically feasible way, and (2) must be part of the Total Budget and Workplan (TBWP) of the GEF-approved Project document. Note that total project management costs cannot exceed the GEF-approved PMC budget, which is capped.**   * Cost of personnel, UN-Volunteers, and consultants hired for GEF projects, e.g., technical specialists and project management unit (PMU) staff (depending on project type, complexity, and donor policy; these include project manager, project assistant, technical specialist(s), procurement specialist, financial specialist). * Cost of missions and travel by project personnel/consultants. * Costs of contractual services (Individual or companies). * Cost of goods or services. * Cost of training, workshops, and events. * Cost of project-related communication material and publications (production and printing). * Cost of Grants (Low-Value Grants) * Cost of project equipment, furniture, and other supplies. * Cost of transportation equipment (vehicles) if approved by GEF. * Cost of project-level independent evaluations. * Cost of HACT Assessments and HACT Spot checks by third parties. * Cost of security services for project personnel or consultants. * Rent of office premises and common services cost if approved by GEF. * Cost of preparation of procurement plans by Project Management Unit (PMU). * Cost of procurement processes performed by PMU. * Cost of management of consultant activities by PMU. * Cost of management of output deliverables by PMU. * Cost of maintenance of records of all project-related documentation by PMU. * Cost of preparation of progress reports and financial reports for the projects by PMU. * Cost of projects teams’ consultation with stakeholders. * Cost of project financial auditing.  1. **From July 2020, all GEF 7 projects submitted to the GEF for PIF approval and/or CEO endorsements/approvals, UNDP Support Services must follow the due process outlined in the new GEF guidance on handling Government/Implementing Partner requests to a GEF agency for the provision of Support Services.**   For details, see [Annex 1 – GEF Conditions for UNDP Support Services (11 August 2020)](https://intranet.undp.org/unit/ofrm/_layouts/15/WopiFrame.aspx?sourcedoc=/unit/ofrm/Financial%20Resource%20Management%20Policies/Annex%201%20-%20GEF%20conditions%20for%20UNDP%20support%20services%2011%20August%202020.docx&action=default)   1. **Exceptions if approved by GEF:**   **Costs of UNDP transactional services when UNDP staff provide administrative support services to NIM/IGO/NGO projects. Note that these costs must be pre-approved by GEF and cannot be charged retroactively to the project budget. The list of services must be included in the TBWP of the UNDP-GEF Project Document**  **(financed by Global Environment Facility) at submission stage:** | **INDIRECT COSTS – GEF Agency Fee**  **GEF requires UNDP to provide the following Oversight services (paid by GEF Agency Fee) at the project level and portfolio level**:  **I. Project Cycle Management Services (project level)**  **(a) Project identification**   1. Consult with appropriate stakeholders in-country, including the GEF Operational Focal Point, identify opportunities for GEF financing, using country dialogue and other country planning/sector strategy documents as a basis. 2. Together with the involved governments, identify the possible Project Executing Entity (EA) for the project and review the proposed execution arrangements. 3. Together with the project proponent, review options for co- financing and partnerships. 4. Incorporate GEF opportunities in appropriate planning/country assistance strategy documents of the GEF Agency.   **(b) Preparation of project concept**   1. Discuss GEF eligibility criteria with the recipient country’s GEF operational focal point and other stakeholders. 2. Undertake brief in-country consultation mission if necessary. 3. Consult within the GEF Agency. 4. Assist project proponent to prepare PIF, in consultation with appropriate stakeholders, including the GEF operational focal point and the GEF Secretariat. 5. Assist the project proponent to prepare the PPG. 6. Obtain endorsement letter(s) from the GEF operational focal point(s). 7. Discuss with the GEF Secretariat PIF clearance and PPG approval.   **(c) Preparation of the detailed Project Document**   1. Prepare and execute legal agreements for PPG activities. Keep the operational focal point informed. 2. Help the project proponent write terms of reference (TORs) for consultant(s), if required, to undertake PPG activities. 3. Assist the project proponent to identify and recruit consultants to assist with project preparation, if necessary. 4. Supervise project preparation, in consultation with all appropriate stakeholders, including missions to the field, with particular focus on risk assessment, governance issues, execution arrangements, co- financing, capacity development, partnership building and outreach. 5. Negotiate and reach agreement on incremental cost with government and other relevant stakeholders. 6. Provide technical oversight on the preparation of GEF tracking tools for different focal areas. 7. Submit Project Document with Request for CEO Endorsement/Approval template to the GEF Secretariat. |

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| * Creation of documents related to revenue processing, budget, expenses, payments, vendor and project-level reporting, requisitions, purchase orders, vouchers, payroll processing. * Procurement of project-related goods and services. * Human resources (HR) services: recruitment and management of project personnel (security and general administration briefings, trainings and learning tools) * Logistics, travel and event management. * Equipment and asset management services, including information technology (IT) equipment, maintenance, licenses, and project team and activities support.   Transactional services costs should be based on the Universal Price List (UPL) and/or Local Price List (LPL).  UNDP staff providing oversight services to the project activities (see next column) cannot provide the above listed execution services in order to avoid conflict of interest.  Total charge on support services must be capped at the GEF Approved budget level. Any additional services (requested by the Implementing Partners) with a cost exceeding the approved budget, must be paid by non-GEF resources. | (viii) Coordinate with relevant stakeholders in formulating programs; prepare a Program Framework Document (PFD) for submission to the GEF Secretariat for work program entry and Council approval; implement the programs; monitor and report on progress of the programs, prepare and submit for approval all Child Projects under the program; complete implementation of all Child Projects under the program.  **(d) Project Approval and Start-up**   1. Appraise the project and finalize project implementation arrangements, including mission travel. 2. Prepare legal and other documentation for approval by the GEF Agency approval authority. 3. Advise the project proponent on the establishment of a project management structure in the recipient country/countries. 4. Assist project management to draft TORs and advise on the selection of experts for implementation. 5. Advise on and participate in project start-up workshop.   **(e) Project implementation and supervision**   1. Conduct at least one supervision mission per year, including briefing operational focal points on project progress. 2. Provide technical guidance, as necessary, for project implementation. 3. As necessary, include technical consultants during supervision missions to advise government officials on technical matters and provide technical assistance for the project as needed. 4. Oversee procurement and financial management to ensure implementation is in line with Agency policies and timeline. 5. Disburse funds to the EA and review financial reports. 6. Oversee the preparation of the required reports for submission to the GEF Secretariat. 7. Monitor and review project expenditure reports. 8. Prepare periodic revisions to reflect changes in annual expense category budgets. 9. Undertake the mid-term review, including possible project restructuring. Send a copy to the GEF Secretariat.   **(f) Project completion and evaluation**   1. Oversee the preparation of the Project Completion Report/Independent Terminal Evaluation, submit the report to the GEFIEO and send a copy to the GEF Secretariat. 2. Prepare project closing documents and inform the GEF Secretariat. 3. Prepare the financial closure of the project and inform to the GEF Secretariat.   **II.GEF Corporate Activities**   1. Policy support includes the development, revision and operationalization of GEF policies, strategies, business plans and guidelines. It also includes participation in the meetings of the GEF governing bodies. 2. Portfolio management includes pipeline and program management, financial management and data management. It includes participation in financial consultations organized by the Trustee. It also comprises preparation of the Annual Monitoring Report (AMR),   the Annual Portfolio Review for the Evaluation Office (APR) and the |

overall management of the portfolio regardless of the number of projects undertaken.

1. Reporting includes all the reporting requirements as per the Guidelines.
2. Outreach and knowledge sharing include participation in sub- regional consultations, Country Support Program (CSP) activities and STAP meetings.
3. Support to Independent Evaluation Office includes evaluations, reviews and studies initiated by the GEF Independent Evaluation Office.

# Annex 1 - UNDP Execution Support to GEF-financed Projects

Third Update 11 August 2020

UNDP is bound by the GEF Financial Procedures Agreement to comply with [GEF policies and guidelines.](https://www.thegef.org/documents/policies-guidelines) This guidance note has been prepared to assist UNDP in complying with the GEF requirements related to the provision of execution support.

# Background:

As explained in the [UNDP Rules and Procedures governing UNDP projects](https://popp.undp.org/node/11531) (PPM), UNDP may provide support services for any implementing partner (IP), called Country Office Support (COS). These can include delivering specified outputs, implementing select project activities, contracting a responsible party on behalf of the IP, or providing procurement, recruitment, payment or other services. COS is specified and agreed between UNDP and the IP through a signed letter of agreement. UNDP is entitled to reimbursement for the costs of service provision. This cost reimbursement is negotiated at the time of project formulation and included in the project budget.

While Country Offices (COs) often receive request from IPs to provide COS for a GEF-financed project, **the GEF, by default, does not allow** GEF Agencies to undertake both oversight of the IP (called oversight services) and execution support (i.e. COS) on behalf of the IP as this is a conflict of interest, except in exceptional cases and provided that clear firewalls are in place.

The separation of oversight functions performed by the GEF Agency and execution functions performed by the IP is a key feature of the governance of the GEF Partnership and an important aspect of the [GEF](https://www.thegef.org/sites/default/files/documents/gef_minimum_fiduciary_standards_partner_agencies_2019.pdf) [Policy on Minimum Fiduciary Standards](https://www.thegef.org/sites/default/files/documents/gef_minimum_fiduciary_standards_partner_agencies_2019.pdf). GEF Agencies are the only legal entities accountable to the GEF Council for the operational use of GEF financing. Their exercise of such legal personality in the supervision and oversight of execution activities is, therefore, critical to the operations of the GEF Partnership.

# GEF Services, exceptions and conditions:

**Oversight services**: GEF Agencies are provided a [Fee](https://www.thegef.org/sites/default/files/documents/Agency_Fee_Policy.pdf) to oversee the execution of a GEF project led by the IP. Oversight is provided to ensure project execution is being carried out according to UNDP and GEF standards and requirements. Should a GEF project be cancelled, and therefore oversight is no longer required, the Fee must be returned to the GEF as per GEF guidelines. See Annex B for a list of the GEF oversight services as defined by the GEF Council.

**Execution support**: The IP for a GEF project executes the project under the supervision of a GEF Agency. Execution generally includes the management and administration of the day-to-day activities of projects in accordance with specific project requirements outlined in the UNDP-GEF Project Document. The capacity of the IP is assessed during project design (using PCAT and HACT). Execution implies accountability for intended and appropriate use of funds, procurement and contracting. The costs of execution are covered by the GEF project budget under project management costs (PMC).

**Exceptions and conditions for a GEF Agency to provide execution support**: GEF policies preclude the merging or crossing over of oversight functions undertaken by GEF Agencies and execution functions

undertaken by IP as this is a conflict of interest. However, in exceptional cases the same GEF Agency may carry out both functions, under the following requirements and conditions:

* 1. When required by the GEF Agency in accordance with its policy requirements, and
  2. When the beneficiary country requests the GEF Agency to provide execution support as specified in a GEF letter of support from the GEF OFP (using a GEF template) submitted before or by the time of CEO Endorsement/Approval at the latest, and
  3. The GEF Secretariat assesses the request and decides whether to approve it.
  4. In the exceptional cases where a GEF Agency carries out both implementation and execution functions of a project, the following conditions apply to separate project oversight from execution responsibilities to avoid the conflict of interest:
     + A satisfactory institutional arrangement for the separation of implementation and executing functions in different departments of the GEF Agency; and
     + Clear lines of responsibility, reporting, monitoring and evaluation and accountability within the GEF Agency between the project implementation and execution functions.
     + Segregation of duties is to be maintained in the following areas, at a minimum: settlement processing, procurement processing, risk management/reconciliations and accounting.
     + Related roles and duties of the separate responsible units within the Agency are subject to a regular review by Agency management and action by the Agency is required when discrepancies and exceptions are noted.

**GEF eligible execution support:** Execution functions to be charged to the GEF grant are financed through Project Management Costs (PMC), which are funded partly by the GEF funding and partly by the counterpart funding of the beneficiary government or other co-financing resources:

1. The GEF has capped PMC at 5% of the GEF grant for full-size projects and 10% for medium sized projects and enabling activities.
2. The co-financing to PMC should be commensurate with the GEF grant amount to PMC.

Support that is eligible and can be charged to PMC:

1. Staffing costs, including: Project manager; Project assistant technical specialist(s); Procurement specialist; and/or Financial specialist.
2. Project-related activities including:
   * Preparation of procurement plans;
   * Terms of reference and procurement packages;
   * Management of consultant activities;
   * Management of output deliverables;
   * Maintenance of records of all project-related documentation
   * Management and administration of the Knowledge Management Plan;
   * Preparation of progress reports and financial reports for the project;
   * Consultation with project stakeholders;
   * Financial auditing for the project.

Support that is not eligible and can therefore not be charged to PMC:

1. Government staff salaries, benefits, bonuses or other emoluments (not eligible for any GEF project funding);
2. Salaries and fees for GEF Agency staff or consultants;
3. Purchase of vehicles;
4. Monitoring of project indicators and periodic monitoring report (this should be budgeted under the M&E Budget and is a separate component of the project cost)

# UNDP procedure:

This applies to all GEF PIFs to be submitted on or after 11 August 2020.

# Pre-PIF formulation:

* 1. When a Government approaches the Country Office (CO) for support in accessing GEF funds, the CO informs the Government that execution is expected to be the function of the selected IP, not UNDP, in line with GEF policy.

# PIF formulation and pre-PAC meeting prior to submission of PIF to GEF:

1. The CO ensures the Partner Capacity Assessment Tool (PCAT) and the HACT assessments of the likely Implementing Partner are completed.
2. The results of the Partner Capacity Assessment Tool and HACT assessments are discussed during a virtual pre-PAC meeting (including at minimum the RR, the RTL and the RTA) to determine whether execution support is required, and if so, which entity will provide this support. Note the following:
   1. IPs should have the ability to manage and administer the day-to-day activities of a project. If the IP does not have the capacity to execute the project, another IP can be selected, or UNDP CO can choose not to proceed with the project.
   2. If the only option is to proceed with an IP with weak capacity, and execution support is to be charged to PMC, it can be included in the services to be delivered by one or many of the project responsible parties.
   3. If the Government requests UNDP CO to provide execution support, the RTA and PTA will discuss the feasibility of this exception with the GEF Secretariat. The results of the Partner Capacity Assessment Tool and HACT assessments may be shared with the GEF Secretariat to justify the exceptional request.

# PIF submission:

1. The OFP Letter of Endorsement submitted with the PIF should not include reference to an exception for execution support without prior consultation with the GEF Secretariat.
2. The PIF should not include reference to execution support without prior consultation with the GEF Secretariat.

# PPG phase and formulation of the CEO endorsement request and the UNDP-GEF Project Document:

1. Should the GEF Secretariat have informally agreed to the exceptional request for UNDP to provide execution support, the **following letters** are required by submission for CEO endorsement:
   * [GEF specific Letter of Agreement](https://www.thegef.org/documents/templates) must be fully completed and signed by the GEF OFP. The types of execution support can only be those that are GEF eligible (see above). This letter will be Annexed to the UNDP-GEF Project Document. See Annex C
   * The [UNDP Letter of Agreement for the Provision of Support Services](https://popp.undp.org/node/4796) must be duly completed. The types of execution support can only be those that are GEF eligible (see above). This letter will be Annexed to the UNDP-GEF Project Document. See Annex D
2. To ensure the GEF conditions for a GEF Agency to provide execution support are met, the following steps must be taken:
   * The Governance arrangements outlined in the UNDP-GEF Project Document (will clarify how a firewall will be maintained between oversight and execution.
   * Project PMU staff should not be located in a UNDP Country Office but in the IP or other location.

# Annex A: [Relevant GEF policies and guidance](https://www.thegef.org/documents/policies-guidelines)

1. [GEF cancellation policy](https://www.thegef.org/sites/default/files/documents/Project_Cancellation_Policy_20181220.pdf) dated 20 December 2018
2. [GEF Fiduciary Standards](https://www.thegef.org/sites/default/files/documents/gef_minimum_fiduciary_standards_partner_agencies_2019.pdf) dated 19 December 2019
3. [GEF Guidelines on Program and Project Cycle](https://www.thegef.org/sites/default/files/documents/GEF_Guidelines_Project_Program_Cycle_Policy_20200731.pdf) dated 20 July 2020
4. [GEF Fee Policy](https://www.thegef.org/sites/default/files/documents/Agency_Fee_Policy.pdf) dated 5 August 2012

# Annex B: GEF Corporate Services

1. **Project identification**
   * Consult with appropriate stakeholders in-country, including the GEF Operational Focal Point, identify opportunities for GEF financing, using country dialogue and other country planning/sector strategy documents as a basis.
   * Together with the involved governments, identify the possible Project Executing Entity (EA) for the project and review the proposed execution arrangements.
   * Together with the project proponent, review options for co-financing and partnerships.
   * Incorporate GEF opportunities in appropriate planning/country assistance strategy documents of the GEF Agency.

# Preparation of project concept

* + Discuss GEF eligibility criteria with the recipient country’s GEF operational focal point and other stakeholders.
  + Undertake brief in-country consultation mission if necessary.
  + Consult within the GEF Agency.
  + Assist project proponent to prepare PIF, in consultation with appropriate stakeholders, including the GEF operational focal point and the GEF Secretariat.
  + Assist the project proponent to prepare the PPG.
  + Obtain endorsement letter(s) from the GEF operational focal point(s).
  + Discuss with the GEF Secretariat PIF clearance and PPG approval.

# Preparation of the detailed Project Document

* + Prepare and execute legal agreements for PPG activities. Keep the operational focal point informed.
  + Help the project proponent write terms of reference (TORs) for consultant(s), if required, to undertake PPG activities.
  + Assist the project proponent to identify and recruit consultants to assist with project preparation, if necessary. (iv) Supervise project preparation, in consultation with all appropriate stakeholders, including missions to the field, with particular focus on risk assessment, governance issues, execution arrangements, co-financing, capacity development, partnership building and outreach.
  + Negotiate and reach agreement on incremental cost with government and other relevant stakeholders.
  + Provide technical oversight on the preparation of GEF tracking tools for different focal areas.
  + Submit Project Document with Request for CEO Endorsement/Approval template to the GEF Secretariat.
  + Coordinate with relevant stakeholders in formulating programs; prepare a Program Framework Document (PFD) for submission to the GEF Secretariat for work program entry and Council

approval; implement the programs; monitor and report on progress of the programs, prepare and submit for approval all Child Projects under the program; complete implementation of all Child Projects under the program.

# Project Approval and Start-up

* + Appraise the project and finalize project implementation arrangements, including mission travel.
  + Prepare legal and other documentation for approval by the GEF Agency approval authority.
  + Advise the project proponent on the establishment of a project management structure in the recipient country/countries.
  + Assist project management to draft TORs and advise on the selection of experts for implementation.
  + Advise on and participate in project start-up workshop.

# Project implementation and supervision

* + Conduct at least one supervision mission per year, including briefing operational focal points on project progress. (ii) Provide technical guidance, as necessary, for project implementation.
  + As necessary, include technical consultants during supervision missions to advise government officials on technical matters and provide technical assistance for the project as needed.
  + Oversee procurement and financial management to ensure implementation is in line with Agency policies and timeline.
  + Disburse funds to the EA and review financial reports.
  + Oversee the preparation of the required reports132 for submission to the GEF Secretariat.
  + Monitor and review project expenditure reports.
  + Prepare periodic revisions to reflect changes in annual expense category budgets.
  + Undertake the mid-term review, including possible project restructuring. Send a copy to the GEF Secretariat.

# Project completion and evaluation

* + Oversee the preparation of the Project Completion Report/Independent Terminal Evaluation, submit the report to the GEFIEO and send a copy to the GEF Secretariat.
  + Prepare project closing documents and inform the GEF Secretariat.
  + Prepare the financial closure of the project and inform to the GEF Secretariat.

# Corporate Activities (done at regional and HQ level)

* + Policy support includes the development, revision and operationalization of GEF policies, strategies, business plans and guidelines. It also includes participation in the meetings of the GEF governing bodies.
  + Portfolio management includes pipeline and program management, financial management and data management. It includes participation in financial consultations organized by the Trustee. It also comprises preparation of the Annual Monitoring Report (AMR), the Annual Portfolio Review for the Evaluation Office (APR) and the overall management of the portfolio regardless of the number of projects undertaken.
  + Reporting includes all the reporting requirements as per the Guidelines.
  + Outreach and knowledge sharing includes participation in sub-regional consultations, Country Support Program (CSP) activities and STAP meetings.
  + Support to Independent Evaluation Office includes evaluations, reviews and studies initiated by the GEF Independent Evaluation Office.

# Annex C: [GEF OFP Letter of Support](https://www.thegef.org/documents/templates) when GEF Agency also executes

[Government Letterhead]

To: [Name of GEF Agency Coordinator] [GEF Agency Name]

[GEF Agency Address]

[Date]

# Subject: Letter of Support to request GEF Agency Execution for [Title of Project/Program Proposal] [GEF ID#]

1. In my capacity as GEF Operational Focal Point for [Country], I hereby request [name of GEF Agency], the GEF implementing agency for the aforementioned project, to also carry out execution services for the above project/program, on an exceptional basis.
2. The execution services provided by [name of GEF Agency] are expected to include:2
   * [Function 1
   * Function 2
   * Function 3
   * Etc.. ]
3. The execution services to be provided by [Country, ministry or other entity] are expected to include:3
   * [Function 1
   * Function 2
   * Function 3
   * Etc.. ]
4. Execution activities, including those provided by [Name of GEF Agency], will be described in detail in the GEF CEO Endorsement/Approval request and accompanying project/program documents, including the project/program budget.

Sincerely,

[Name of Operational Focal Point] [Position/Title in Government]

1. Include a brief summary of the execution services to be provided by the GEF Agency. Please refer to Project and Program Cycle Guidelines Annex 8 (Table B) for eligible execution functions.
2. This para to be included as appropriate. Delete if all execution services are to be provided by GEF Agency.

# Annex D: [UNDP Letter of Agreement](https://popp.undp.org/node/4796) when UNDP provides execution Support

**Appendix 1**

List of Acronyms

**Acronym Description**

|  |  |
| --- | --- |
| AMR | Annual Monitoring Report |
| APR | Annual Portfolio Review for the Evaluation Office |
| ASL | Authorized Spending Limit |
| AWP | Annual Work Plan |
| BMS | Bureau for Management Services |
| BPPS | Bureau for Policy and Programme Support |
| CBIT | Capacity-building Initiative for Transparency |
| CEO | Chief Executive Officer |
| CO | Country Office |
| CSP | Country Support Programme |
| DIM | Direct Implementation |
| EA | Enabling Activity |
| EA | Project Executing Entity (Implementing Partner in UNDP terminology) |
| FSP | Full Sized Project |
| GEF | Global Environment Facility |
| GL | General Ledger |
| GMS | General Management Service |
| HACT | Harmonized Approach to Cash Transfers |
| HR | Human Resources |
| IB | Institution Budget |
| IGO | Intergovernmental Organization |
| IP | Implementing Partner |
| IT | Information and Technology |
| LDCF | Least Developed Countries fund |
| LPL | Local Price List |
| LTA | Long Term Agreement |
| MSP | Medium Sized Project |
| NCE | Nature, Climate and Energy Team |
| NGO | Non-Governmental Organization |
| NIM | National Implementation |
| NPIF | Nagoya Protocol Implementation Fund |
| OFP | Operational Focal Point |
| PCAT | Partner Capacity Assessment Tool |
| PCMS | Project Cycle Management Services |
| PFD | Program Framework Document |
| PIF | Project Identification Form |
| PMC | Project Management Cost |
| PMU | Project Management Unit |
| POPP | Programme and Operations Policies and Procedures |
| PPG | Project Preparation Grant |
| RR | Resident Representative |
| SCCF | Special Climate Change Fund |
| SOP | Standard Operating Procedures |
| STAP | Scientific and Technical Advisory Panel |
| TBWP | Total Budget Work Plan |
| TOR | Terms of Reference |
| UNDP | United Nations Development Programme |
| UPL | Universal Price List |
| VF | Vertical Fund |
| XB | Extra-Budgetary |