



*Government of
Mongolia*



Mongolia

NATIONAL EXECUTION OF UNDP-SUPPORTED PROJECTS IN MONGOLIA MANUAL

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Preface

This Manual is the second revision of the National Execution Manual initially developed in 1998 by the UNDP Country Office in Mongolia. It has been prepared in response to the needs expressed by various parties involved in the implementation of UNDP-supported projects under the national execution modality. These needs include a systemized and consolidated set of guidelines and procedures for project preparation and implementation. Through the years, UNDP has systematically improved policies and procedural guidelines affecting project preparation and implementation in a general way. This Manual attempts to translate these UNDP policies and procedural guidelines, within the context of existing policies of the Government of Mongolia and local conditions, into more specific terms useful at the operational level. Thus, this Manual provides detailed information on project preparation and implementation, including planning activities, budgeting expenditures, developing management systems, mobilizing inputs and conducting monitoring and evaluation.

Most of the information in this Manual is based on UNDP documents and existing Government policies and guidelines. The specific policies and guidelines contained in this Manual have been discussed and agreed upon by the UNDP Country Office and the Government Coordinating Authority (Ministry of Finance and Economy).

The users of this Manual are primarily the project management personnel of NEX projects: National Project Directors, National Project Managers and administrative/financial support staff. It is also intended for use by staff of the UNDP Country Office, officials of the Government Coordinating Authority and national executing agencies, and other Government and non-governmental organisation staff who are involved in the planning, supervision and/or implementation of such projects.

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ANNEXES

Abbreviations

ACP	Advisory Committee on Procurement
AFA	Administrative and Finance Assistant
ALD	Assignments of Limited Duration
APR	Annual Project Report
CAP	Contracts, Asset and Procurement Committee
CCF	Country Cooperation Framework
CDR	Combined Delivery Report
CFS	Contract For Services
CIF	Cost, Insurance and Freight
CO	Country Office
COSC	Country Office Support Cost
DEX	Direct Execution
DRR/P	Director Resident Representative/Programme
DSA	Daily Subsistence Allowance
DST	Development Services Team
DV	Disbursement Voucher
FIM	Financial Information Management
GCA	Government Coordinating Authority
INCOTERMS	International Commerce Terms
HQ	Headquarters
ITB	Invitation To Bid
JD	Job Descriptions
LPAC	Local Programme Advisory Committee
MFE	Ministry of Finance and Economy
MIP	Medical Insurance Plan
MNT	Mongolian Tugrig (local currency)
NEX	National Execution
NGO	Non-Governmental Organization
NPD	National Project Director
NPM	National Project Manager
NPPP	National Project Professional Personnel
OM	Operations Manager
PDR	Project Delivery Report
PSC	Project Steering Committee
PO	Project/Programme Officer
QFR	Quarterly Financial Report
QPR	Quarterly Progress Report
RDP	Request for Direct Payment
RFP	Request For Proposal
RFQ	Request For Quotation
RIR	Receiving and Inspection Report
RLA	Reimbursable Loan Agreement
RR	Resident Representative
TA	Travel Authorization
TOR	Terms of Reference
TPR	Tri-Partite Review

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Abbreviations

TRAC	Target for Resource Assignments from the Core
TSSC	Technical Support Service Contract
SA	Service Agreement
SBAA	Standard Basic Assistance Agreement
SBAA	Standard Basic Assistance Agreement
SC	Service Contract
SRCC	Strikes, Riots and Civil Commotion
SSA	Special Service Agreement
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Programme
UNV	United Nations Volunteers
VAT	Value Added Tax



1.0 CONCEPTUAL FRAMEWORK FOR NATIONAL EXECUTION

1.1 BACKGROUND

1.1.1 Project Execution and Implementation

With UNDP-supported projects, a distinction is made between the terms “execution” and “implementation”. *Execution* refers to the overall management of a project, along with the assumption of responsibility for the production of project outputs, achievement of project objectives, and accountability for the use of UNDP resources. *Implementation* refers to the procurement and management of project inputs and their conversion into project outputs.

1.1.2 Project Execution Modalities

UNDP-supported projects can be executed in one of the following four ways:

- a) National Execution (NEX). This refers to management by a government entity and is the most common form of project execution in Mongolia;
- b) Execution by a United Nations agency or multilateral development bank;
- c) Execution by a non-governmental organisation (NGO);
- d) Direct Execution (DEX). This refers to management by UNDP itself and is permitted only in exceptional circumstances.

The execution modality of a project, as well as its implementation arrangements, is determined at the time the project is formulated. The execution modality is determined on the basis of certain criteria for execution (Annex 1A. Capacity-building for Execution: Key Considerations). On the basis of a thorough assessment of the capacity of potential executing agencies, the project formulator recommends the execution modality to UNDP. Thus, an approved project already indicates the executing modality and implementing arrangements.

The final decision on the execution modality rests with the Administrator in view of his accountability to the Executive Board for the use of UNDP resources. The Administrator has delegated this responsibility to the UNDP Resident Representatives through the Associate Administrator and the Regional Bureaux Directors. The authority to approve UNDP direct execution (DEX) has been delegated to the Associate Administrator alone.

1.2 KEY PRINCIPLES FOR NATIONAL EXECUTION

Since 1992 the promotion of National Execution has become a policy priority for UNDP. It aims to more effectively achieve self-reliance among developing countries by placing in their hands the direction, control and ownership of development programmes/projects.

Toward this end, the operational activities of the UN system have been reoriented to strengthen and fully utilize national capacities in all aspects of the programme and project cycle.

Part of this reorientation is the promotion of National Execution as the predominant and ultimate modality for managing UNDP-supported projects.

1.2.1 What is National Execution?

National Execution (NEX) is defined as the overall management of projects by national government authorities, along with the assumption of responsibility and accountability for those projects. NEX is based on an expression of the interest and willingness of the Government to assume management responsibilities for the project and is conditioned on existing national capacities.

The objectives of NEX
<ul style="list-style-type: none"> a) Capacity-building, self-reliance and sustainability; b) Ownership and internalisation for external inputs; c) Relevance and impact, particularly when used in the conjunction with the programme approach.
The key principles for NEX
<ul style="list-style-type: none"> a) Use of government rules and procedures, where they are consistent with internationally recognised practices, to ensure integration with and relevance to national programmes and structures; b) Government accountability for the effective use of UNDP resources through adequate financial reporting and the achievement of programme/project objectives; c) Adherence to UNDP rules and regulations, when the UNDP CO provides support services.

1.2.2 Selection of Implementing Agencies

The government Designated Institution (new term for Designated Institution) must be substantively concerned with the attainment of project objectives and should have the required capacities.

UNDP recognizes that while some national agencies are able to handle both project execution and implementation, many may not have the full capability to mobilize all project inputs and convert them into outputs. In such cases, the Designated Institution

may identify one or more Implementing Agencies to carry out the implementation function.

The Designated Institution selects Implementing Agency(s) to be responsible for delivering specific project outputs based on their comparative advantages. Implementing Agencies may include the following:

- the Designated Institution itself
- another government institution
- a United Nations Agency, and/or
- another legal entity

The process of selecting an outside entity depends on the nature of the activities and the legal status of the potential implementing agency. Outside for-profit entities, such as private companies or consulting firms, are normally selected through competitive bidding. NGOs may be selected through competitive bidding or based on a waiver of competitive bidding in certain circumstances.

Implementing Agencies work under the overall supervision of the Designated Institution and are accountable to it. In the case of a United Nations agency serving as an Implementing Agency, the arrangements are normally determined in the project document, so that a Letter of Agreement (see sample in Annex 1B) may be signed by the Designated Institution and a UN Agency serving as an Implementing Agency and implementation begins in a timely manner.

2.0 UNDP PROGRAMMING AND THE PROJECT CYCLE

2.1 UNDP PROGRAMMING

2.1.1 The Country Cooperation Framework

The Country Cooperation Framework (CCF) is a document prepared by a recipient government in consultation with UNDP for each 5-year programme cycle. Based on national plans and priorities, the CCF is conceived as both a strategy and a statement of understanding between the Government and UNDP on the development challenges facing the country, and to which UNDP resources will be applied in the next programming cycle. It describes the overall strategy and thematic areas for UNDP cooperation, as well as management arrangements during the period.

The CCF in turn is based on the UN Development Assistant Framework (UNDAF) jointly prepared by all UN agencies working in a country in consultation with the host government.

UNDP Resources

Core resources: The TRAC Scheme

Beginning on 1 January 1997, UNDP allocates its resources through a scheme called "Target for Resource Assignments from the Core" (TRAC). TRAC 1 and TRAC 2 are UNDP's main regular resources and are used in combination with other resources to fund the programmes set out in the Country Cooperation Framework (CCF). TRAC 3 is available exclusively for projects in countries in special development situations.

Non-core Resources: Trust Funds and Co-financing

Besides core resources derived from its member countries, UNDP mobilises funds for country programmes and projects from three other sources:

- a) From trust funds for certain types of projects. Trust funds are generally established by bilateral, multilateral or private donors to finance projects/programmes in specific fields, often covering several countries;
- b) From other donors or the recipient country itself in the form of direct cost-sharing of projects. Such funding is provided by donors to specific country programmes or projects;
- c) From other donors or the recipient country itself in the form of indirect parallel financing of related projects. Such funding is for separate projects that are related to those supported by UNDP, and often developed through a joint programming exercise.

2.1.2 Project Document

UNDP provides support to both programmes and projects. The project document is a legally binding agreement between UNDP and other partners, delineating the plan for achieving the objectives and the means to evaluate their achievement.

These documents establish the outputs to be produced in order to achieve the objectives, the activities to be undertaken and the inputs required to produce the outputs. They also specify the indicators by which progress is to be measured, the resources that are needed, and the management arrangements.

The project document is the key instrument of the project cycle: a sequence of activities that comprises the identification, formulation, implementation, monitoring, evaluation and feedback from experience into the design of new programmes and projects. Sample formats (old and new simplified) for a project document are provided in Annex 2AI-II.

2.2 PROJECT CYCLE

Projects are the basic means through which the resources of UNDP, the recipient country and other donors are organized and mobilized to achieve development objectives. During its life, a project goes through stages, which together comprise the project cycle. These stages are:

- a) Identification – The stage when the idea for a project is conceived;
- b) Formulation – The stage when the project idea is defined and written in the standard format of a UNDP project, the end product being a project document;
- c) Appraisal and Approval – The stage when the proposed project embodied in the project document is formally and systematically reviewed by Government authorities and UNDP. Approval is the desired end point of the appraisal stage;
- d) Implementation – The stage when the activities of the project are undertaken. The implementation stage of UNDP-supported projects begins when the National Project Director (NPD) is officially designated and activates the project, and ends when the financial accounts of the project are closed by UNDP;
- e) Monitoring and Evaluation – Monitoring and evaluation take place continuously during project implementation or after project completion. The purpose of monitoring and evaluation is to measure and assess project performance against its stated objectives and indicators.

This Manual focuses on the implementation, monitoring and evaluation of NEX projects. Further information on project identification and formulation can be found in Chapter 4 of the UNDP Programming Manual, “Formulating Programmes and Projects.” Project appraisal and approval are discussed briefly in the following two sections and in detail in Chapter 5 of the UNDP Programming Manual. Project activities and implementation are covered in Chapters 3 through 9 of this Manual while monitoring and evaluation is covered in Chapter 10.

2.2.1 Essential Elements of a Project

A *project* is a planned undertaking designed to achieve specific *objectives*. In addition to objectives, other essential elements of a project include a coherent set of *outputs*, *activities* and *inputs*.

Objectives are specific targets, goals or desired situations, which a project seeks to achieve. These objectives are defined quantitatively or qualitatively in such a way that they can be measured.

Outputs are concrete, tangible or observable results of project activities. Examples of outputs are safe water sources such as wells, a study on poverty reduction or a group of people trained on local governance.

Activities are actions or measures that a project supports. For example, the project may select suitable sites and construct wells, conduct research on the causes of poverty or organize a workshop on good governance.

Finally, *inputs* are the resources that are provided under the project. The main categories of inputs available in UNDP-supported projects are:

- Project personnel (international and national experts, consultants and support staff)
- Training (fellowships, study tours and in-country training)
- Equipment (non-expendable/durable and expendable/consumable)
- Contracts (professional services and works)
- Miscellaneous (printing, communications, sundries, etc.)

The budget of a project is the money value or cost of these resources, assigned to specific budget lines and allocated to the project.

These elements are built into a project in such a way that a clear causal relationship exists among them. This means that a project is designed in such a way that the inputs provided enable activities to be undertaken which produce outputs which, when taken together, lead to the achievement of the project's objectives.

2.3 PROJECT APPRAISAL

2.3.1 Purpose and Content

Project appraisal is the critical and analytical review of the design of the project that leads to its approval or rejection. During appraisal, the UNDP Country Office (CO) and stakeholders ensure that the project has been designed in a sound and results-oriented way.

All projects funded by UNDP must be appraised before approval. The appraisal consists of the review of the draft project document.

2.3.2 Procedures

Upon completion of the project document, the Designated Institution submits it to the Ministry of Finance and Economy (MFE), which is the Government Coordinating Authority for appraisal.

It is through the Local Programme Advisory Committee (LPAC) that the final appraisal of a project document is undertaken jointly by the Government and UNDP CO. The LPAC is chaired by UNDP and is comprised of representatives from the Government/MFE, other national institutions involved in the programme or project, and representatives of other donors, NGOs, civil society and target beneficiaries.

The UNDP CO jointly with the Designated Institution prepares minutes of the LPAC discussions and recommendations. The minutes are then be submitted to the UNDP Resident Representative (RR) for approval. The LPAC recommendations may either be for approval, revision or rejection of the project.

Minutes of the LPAC meeting (Annex 2B) must be kept on file for later review by audit, country review and evaluation teams.

2.4 PROJECT APPROVAL

2.4.1 Purpose

The approval of a project document constitutes a commitment to implement that project. It is formalized through the signing of the document by UNDP and the Designated Institution.

The maximum period covered by project document is seven years. A new phase with a new document must be prepared if support for a longer period is needed.

2.4.2 Approval

The Ministry of Finance and Economy, as the Government Coordinating Authority, approves UNDP-supported projects on behalf of the Government.

The authority to approve programmes or projects on behalf of UNDP at the country level is delegated to the UNDP RR by the Director of the Regional Bureau (in Mongolia's case it is the Regional Bureau for Asia and the Pacific/RBAP) when a CCF has been approved by the Executive Board. In exercising this authority, the UNDP RR will be guided by the recommendation of the LPAC. Any divergence between the recommendation of the LPAC and the decision of the UNDP RR should be recorded on file.

2.4.3 Project Signature

The project document is signed by the parties, either through a formal signing ceremony or by an exchange of letters. Signatories to the project document are the UNDP RR and an official representing the Designated Institution.

The UNDP CO shall prepare the project document for signature. One original of the signed project document shall be sent by the UNDP CO to the Designated Institution and one original shall be kept in the UNDP CO. Copies of the signed project document shall also be sent by the UNDP CO to UNDP Headquarters, MFE and any donors, implementing agencies or stakeholders as needed.

3.0 MANAGEMENT ARRANGEMENTS**3.1 ROLES AND RESPONSIBILITIES**

Under national execution various entities participate in project implementation as described below:

3.1.1 The Government Coordinating Authority

Designated by the Government of Mongolia, the Ministry of Finance and Economy (MFE) is the focal point for coordinating all official development assistance in Mongolia, and also serves as the focal point for coordinating UNDP's technical cooperation in the country. In this capacity, MFE:

- a) Ensures coherence of activities with national policies and objectives through participation in the appraisal process;
- b) Supports and complements project implementation; and
- c) Participates in monitoring and evaluation.

3.1.2 The UNDP Country Office

The UNDP CO provides technical support and funding to Mongolia to help build capacities for sustainable human development through assistance in the implementation of national development programmes. Specifically, the UNDP CO, in consultation with the Government:

- a) Develops UNDP's technical assistance programme according to Mongolia's development priorities and needs;
- b) Participates in the formulation, approval, funding and management of the UNDP programme of assistance to Mongolia as well as individual projects;
- c) Monitors, maintains records, evaluates, and reports to the Government of Mongolia, UNDP Headquarters and other stakeholders, such as donors and civil society organisations, on the substantive and financial performance of the overall UNDP programme of assistance;
- d) Coordinates with MFE and Designated Institutions in promoting effective execution and implementation of projects; and
- e) Mobilizes inputs under NEX projects on behalf of national Designated Institutions.

3.1.3 The Government Designated Institution

Under NEX projects, the Designated Institution is a national institution or agency. It is usually a ministry, a department within a ministry, a local government, a regional governmental body or a governmental institution of a semi-autonomous nature, such as the central bank or a university. The roles and functions of the Designated Institution are as follows:

- a) The Designated Institution is first and foremost responsible for linking the project with related to government programmes to ensure that it supports the achievement of national priorities;
- b) The Designated Institution is primarily responsible for the planning and overall management of project activities, reporting, accounting, monitoring and evaluation;
- c) The Designated Institution is accountable to MFE and UNDP for the production of outputs and for the achievement of project objectives;
- d) The Designated Institution is also responsible for supervising the implementing agencies and managing and auditing the mobilisation and use of project inputs;
- e) The Designated Institution provides management and other project staff as specified in the project document in consultation with UNDP. This will include, at a minimum, designation of a National Project Director (NPD);
- f) The Designated Institution provides the personnel, physical facilities and other resources that make up the Government's counterpart contribution to the project, as specified in the project document.

3.1.4 The Implementing Agency

As mentioned earlier, there may be more than one implementing agency. Implementing Agencies may include government institutions, non-governmental organisations (NGOs), other UN agencies or private firms. The Implementing Agency is designated to deliver specific inputs to the project through an agreement with the Designated Institution and UNDP CO. The key roles of the Implementing Agency are as follows:

- a) The Implementing Agency provides services and carries out activities such as the procurement and delivery of project inputs and their conversion into outputs;
- b) The Implementing Agency is accountable to the Designated Institution for the quality, timeliness and effectiveness of the services it provides and the activities it carries out. It is also accountable for the use of funds provided to it. The Implementing Agency reports to the Designated Institution.

3.1.5 Project Management

The Designated Institution is responsible for managing a NEX project. Within the Designated Institution, the ultimate responsibility for managing the project lies with the

National Project Director (NPD), who is a senior official serving in the Designated Institution. While the NPD takes on a supervising and policy role, the responsibility for day-to-day management of the project lies with the National Project Manager (NPM). The NPM may be an officer of the Designated Institution or may be hired from outside Government as described below. The Designated Institution shall also assign an Alternate NPD who will assume responsibility for all project activities in the absence of the NPD.

- a) The National Project Director. The NPD represents the Designated Institution's ownership and authority over the project, responsibility for achieving project objectives, and accountability to the Government and UNDP for the use of project resources. The primary function of the NPD is to ensure that the project is fully integrated into national priorities and to undertake policy-level discussions to facilitate effective project implementation and maximise its impact.

In line with these responsibilities, the NPD holds the ultimate authority to approve the use of project funds and is thus designated as Approving Officer for the project. Normally the NPD will approve budget expenditures quarterly based on a detailed quarterly workplan. The NPM will then be responsible for making financial commitments and disbursements based on that approved workplan. However, any single commitment or disbursement more than USD 500 must be approved by the NPD.

Serving as an NPD is not intended to be a full-time job because the day-to-day management of the project is handled by the NPM. Indeed, supervision of the NPM is one of the most important tasks of the NPD. The official designated as NPD can therefore continue performing her/his normal duties. A model job description for the NPD is in Annex 3A.

- b) National Project Manager. The responsibility for day-to-day management of the project lies with the NPM. The NPM ensures that the project inputs are mobilized by implementing agencies, plans and manages project activities, ensures that project outputs and results are produced according to the project document, and manages project finances on day-to-day basis. The NPM is, therefore, designated as the Certifying Officer for the project. In this capacity, s/he certifies that the project expenditures are in accordance with the project document and workplans and that funds are available in the relevant lines of the project budget.

The NPM may be assigned or selected in one of three ways: a) s/he may be an officer of the Designated Institution seconded to work on the project full-time and paid for by the Designated Institution; b) s/he may be an officer of the Designated Institution seconded to work on the project full-time and paid for by project funds under a Reimbursable Loan Agreement (RLA) between UNDP and the Designated Institution; c) if suitable officers are not available within the Designated Institution, the NPM may be recruited from outside Government. In this case, this should be made known at the time the project is being formulated. It may then be decided to include this post under the UNDP project budget to enable the Designated Institution to hire a qualified person from outside the Government through the UNDP CO.

In any case, the UNDP CO must approve the designation/selection of the NPM. A model job description for the NPM is provided in Annex 3B.

- c) Project Steering Committee (PSC) may be set up for a project that involves more than one Implementing Agency or more than one sector, in order to give the Designated Institution access to a wider range of stakeholders and to ensure unified guidance of project implementation and better coordination among all stakeholders. The PSC normally consists of senior representatives of the Designated Institution, Implementing Agencies and/or concerned institutions, the UNDP CO, as well as the NPD/NPM. It meets periodically to review project progress and advise or take important project-related decisions to ensure smooth implementation.
- d) Other Project Personnel. Besides the NPD and NPM, the project team may include national and international consultants, UN Volunteers and support staff. Long-term consultants, experts, and UNVs are normally recruited to support project implementation, and this supportive role should be reflected in their Job Descriptions (Annex 3C – 3E).

3.2 PROJECT WORKPLANS

The project workplan is of central importance to both the substantive and financial management of the project. Substantively, the workplan clearly indicates what activities must be undertaken at what time to produce each and every project output required to achieve project objectives.

From a financial management perspective, the workplan is also the main tool for determining which project inputs and how much funds are required by the project within a given period. Thus, the workplan is required both to forecast drawdowns on the project budget, and also to serve as the basis for reports on the financial status of the project at any given time.

Workplans are therefore the main tool in project implementation and are carefully reviewed and cleared by the UNDP CO and the Designated Institution itself.

The development of a project workplan involves the following process:

- The NPM prepares it in close consultation with the UNDP PO. Together, the NPM and UNDP PO must ensure that project workplans are in line with the project document and subsequent adjustments agreed upon by the Government and UNDP.
- The NPD then approves, and
- The UNDP DRR/P clears the workplan.

The NPM may choose to organise quarterly meetings with the NPD and DRR/P to present draft workplans for approval and clearance.

Three types of workplans need to be prepared by the Designated Institution. Annual and quarterly workplans should be approved by the NPD and cleared by the UNDP DRR/P.

- a) An Overall Project Workplan covering the entire life of the project, indicating the quarter and year in which the project objectives, outputs and sets of activities are expected to be achieved or completed. The NPM prepares the overall project

workplan in partnership with other stakeholders when the project is activated based on the indicative workplan contained in the project document. A sample format for the project workplan is provided in Annex 3F.

- b) An Annual Workplan is prepared on the basis of the overall project workplan. It is more detailed than the overall project workplan. The first annual workplan, together with the annual budget, is prepared at the same time as the overall project workplan. Subsequent annual workplans and budgets are prepared within the last quarter of the current project year and presented at TPR meeting. A sample format for the annual workplan is attached as Annex 3G.
- c) A Quarterly Workplan for each quarter of the project’s life is prepared on the basis of the annual workplan. It is the most detailed of the three workplans. The immediate objectives serve as the main headings of this three-month workplan, with the corresponding outputs for each objective listed. When listing activities in the workplan, it is important to include all steps or actions for mobilizing project inputs and corresponding budget requirements. A sample format for the quarterly workplan is attached as Annex 3H.

This workplan should be submitted to the UNDP CO not later than 15 calendar days after the start of the quarter for which the plan is prepared. The quarterly workplan is especially important because the UNDP CO requires it for the following financial instruments: the Request for Advance of Funds and the Request for Direct Payment (refer to Chapter 9 “Financial Management”).

3.3 ACCOUNTABILITY IN NATIONALLY-EXECUTED PROJECTS

Accountability for What? Accountability may be defined as the assumption of responsibility for ensuring that the funds provided to a project are used for the purposes and in the manner agreed upon by the parties to the project. Specifically, the two things that are to be accounted for are: (a) the achievement of project objectives and (b) the proper use of project funds.

Who is Accountable to Whom? In a NEX project, there exists a hierarchy of accountabilities among the project parties. These accountabilities may be summarized as follows:

WHO IS ACCOUNTABLE	TO WHOM
Designated Institution	UNDP and Government, through MFE
National Project Director	Designated Institution and UNDP
Implementing Agency	Designated Institution through NPD
National Project Manager	National Project Director and UNDP
Project Personnel	National Project Manager

How is Accountability Preserved? For the above organisations and individuals to adequately discharge their accountabilities, the primary sources of guidance are:

- a) The project document which, among others, details the objectives, outputs, activities and inputs of the project, the funds allocated to the project, and a breakdown of the items for which funds can be spent;
- b) A set of operational and financial policies, procedures and standards under which project funds are handled. Agreed upon by the Government and UNDP, these include monitoring, reporting and auditing mechanisms that enable project parties to take any corrective actions if required. These policies, procedures, rules and standards, together with the associated forms and documents, are described throughout this Manual.

3.4 NEX SUPPORT FROM THE UNDP COUNTRY OFFICE

In addition to the assistance that UNDP normally provides to UNDP-supported projects, the UNDP CO may provide further support services to NEX projects if certain conditions are met. A key condition is that such services should be provided on the request of the Government. Such support may include:

- a) Support to reporting. The UNDP CO may assist the Designated Institution on an exceptional basis in fulfilling its reporting requirements while ensuring that the capacity of the Designated Institution is strengthened to enable it to report adequately;
- b) Direct payments. The UNDP CO may also act as a paying agent in cases where the Designated Institution is not able to make payments due to various fiscal constraints, such as limited flexibility in the banking system, or when it is clearly more cost-effective for UNDP to make the payment. In these cases UNDP will make direct payments upon request of the Designated Institution;
- c) Support services. The UNDP CO may provide the following support services:
 - Identification and/or recruitment of project personnel
 - Development and/or facilitation of training activities
 - Procurement of goods, works and/or services
 - Access to UNDP-managed global information systems and rosters

Support will be accompanied by appropriate capacity-building measures, including clear exit strategies to ensure that long-term capacity-building objectives are achieved. The list of key considerations for execution may be used as a tool for this (see Annex 1A: Capacity-building for Execution: Key Considerations).

The full range of services currently provided by UNDP country offices were not foreseen when the UNDP Standard Basic Assistance Agreement (SBAA) was made with the Government. In order to provide full legal coverage for country office support services under NEX projects, the UNDP CO is required to negotiate and conclude an agreement with the Government of Mongolia to cover the provision of all such services. UNDP requires protection through privileges and immunities, and protection against liability, in the context of its support to NEX.

Therefore, a copy of the signed “Standard Letter of Agreement” (Annex 3I) must be attached to each project document requiring such support services. When doing this, the UNDP CO completes the attachment to the standard letter on the nature and scope of the services and the responsibilities of the parties involved for that specific project document.

All support services provided by UNDP must be carried out in accordance with the regulations, rules and procedures of UNDP.

3.3.1 Cost Recovery

When UNDP is requested to provide support services as described in the above paragraphs, the UNDP CO may incur administrative costs.

On the request of the Government, provisions may be made for UNDP administrative support services to NEX projects if such services would be beyond the scope of normal administrative backstopping. Normally a minimum of three percent of project funds are allocated to cover these country office supports costs (COSC), with a higher allocation subject to a determination of actual costs. The UNDP CO should calculate these costs at the project formulation stage and include all such costs in the project budget. For this purpose, budget line 53-80 COSC has been established for all NEX projects.

4.0 ACTIVATING THE PROJECT

After a NEX project is approved, the UNDP CO and the Designated Institution undertake the following actions to activate the project:

4.1 NOTIFICATION OF PROJECT APPROVAL

The UNDP CO advises the Government Coordination Authority of the approval of each NEX project. At the same time, the UNDP CO sends the following to the Designated Institution:

- an original of the signed project document
- a copy of this National Execution Manual
- a request for information on the status of (a) the fulfilment of any prior Government obligations, (b) the availability of the Government counterpart contribution to the project and (c) the appointment of an NPD

4.2 MOBILIZATION OF GOVERNMENT INPUTS

Upon signature of the project, the Designated Institution, if they have not yet done so, should fulfil any prior obligations and mobilize the Government inputs it has committed to the project. Such inputs are described in the project document and may include government management and other counterpart project staff, premises and facilities, equipment, etc.

4.2.1 Appointment of NPD and NPM

The Designated Institution appoints the NPD. The NPD should normally be a senior government officer within the Designated Institution. The NPD should be senior enough to be given the financial authority and accountability for the use of the project budget. S/he must receive a Letter of Delegation from the head of the Designated Institution, which gives her/him the authority to approve project expenditures up to the value of the each year's project budget. The NPD should also be senior enough to effectively coordinate project implementation with relevant government officials as may be required.

In cases where the Designated Institution has opted to second the NPM from among its staff, the applicable RLA arrangements should also be made if necessary. Otherwise an NPM from outside of Government should be recruited.

4.2.2 Setting up the Project Office

The Designated Institution is normally responsible for providing or setting up the project office. "Office" is defined as the premises where the NPM and project personnel sit, and where project documents, records, files and office equipment are kept. All office premises shall be provided in accordance with all applicable occupational health, security and safety norms.

4.3 PROJECT START-UP**4.3.1 Recruitment of Project Personnel**

Following the appointment or recruitment of the NPM, s/he shall organise the recruitment of project personnel in consultation with the UNDP CO. Among these, the Administrative and Finance Assistant (AFA) is one of the most important positions, and the designated candidate must be cleared by the UNDP CO. Detailed recruitment procedures are provided in Chapter 5, “Personnel Management.”

4.3.2 NEX Training Workshop

Following the appointment of the NPM and AFA, the UNDP CO will organise a NEX training workshop for these project personnel together with the NPD. The purpose of this workshop is to provide training and orientation to these key project personnel on the NEX guidelines provided primarily in this Manual. Topics to be covered will include managing the project, recruiting personnel, arranging training, procuring equipment as well as monitoring and evaluation. The expected project achievements and outcomes should be highlighted at this workshop together with the performance indicators on which the project will be judged.

The NPM bears responsibility for full knowledge of the NEX requirements as set out in this Manual and for ensuring knowledge by the other project personnel.

4.3.3 Project Workplans

After the NEX training workshop, the NPD and NPM should study the project document and prepare the three types of project workplans described in Section 3.2.

4.3.4 Recruitment of Other Project Personnel

At this point the NPM should organise the recruitment of other project personnel in consultation with the UNDP CO. These personnel may include both short-term and long-term national and international consultants.

4.3.5 Inception Workshop

Finally, once all of the above steps have been completed, the Designated Institution should organise a project inception workshop for all concerned stakeholders. The main purpose of the inception workshop is to raise awareness about the project to ensure the active participation of all stakeholders in all relevant project activities. Key elements of the inception workshop shall include the following:

- a) a review of the national context and/or national programmes which the project aims to support;
 - b) a review of the project objectives, outputs and activities together with key indicators of success;
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- c) a review of prerequisites or prior obligations fulfilled by the Government and actual or planned Government contributions to support the project;
- d) a presentation of a project inception report that describes any required adjustments to the project design in light of the prevailing operating environment;
- e) a presentation of a revised overall workplan together with the first annual and first quarterly workplans as described in Section 3.2;
- f) any recommendations for action by the Government implementing agencies or other stakeholders to ensure the successful implementation of the project; and
- g) any proposals for revisions to the project budget in light of the project inception report and/or project workplans.

4.4 DELAYED PROJECTS

If the Designated Institution fails to activate a project within eight weeks after signature of the project document, the Designated Institution should write to MFE and UNDP describing the reasons for failure to start and suggest actions that will lead to activation of the project. Where compelling reasons exist, the UNDP CO and MFE may agree to cancel the project in order to free the financial resources committed to it and apply them to other potential projects.

5.0 PERSONNEL MANAGEMENT**5.1 GENERAL POLICIES**

Because UNDP-supported projects represent technical rather than capital assistance, project personnel inputs, together with those for training, often constitute a significant proportion of project budgets. Consequently, the recruitment of various types of project personnel is a major task of the Designated Institution and UNDP CO. The Designated Institution and UNDP CO are responsible for recruiting and issuing various types of contracts.

The NPD and/or NPM must undertake, on behalf of the Designated Institution, the preparation or finalization of Job Descriptions (JD) for all project personnel. Normally, draft JDs and terms of reference (TOR) for most project personnel are included as annexes to the project document. A Staffing Table should be drawn up by the NPM in the beginning of the project and updated on a monthly basis to ensure optimal utilisation of the personnel component in the project (Annex 5A).

All project personnel shall be recruited based on the following principles:

- a) Transparency. The recruitment process must be transparent and open, giving full and equal information to all candidates, with clear criteria for selection. Recruitment shall be based on the recommendations of a Recruitment Panel in accordance with a process that establishes accountability for decisions made;
- b) Competitiveness. The recruitment process shall make the job opportunity open to as many applicants as possible within the timetable set for submission of applications;
- c) Consistency. All decisions shall be based on compliance with the requirements of the prescribed recruitment procedures, an established selection criteria and the most suitable match between applicant's qualifications and the requirements stated in the JD or TOR.

Employment contracts cannot be awarded to core civil servants (government officials working at ministries and its agencies, political appointees and elected officials) who have left government service during the last six months. If, in the judgment of the Designated Institution, a need exists for the employment of a civil servant, these services can only be provided under a Reimbursement Loan Agreement with the government department concerned.

Conflict of interests. Close relatives of any project management personnel may not be recruited for that project. Project management staff shall include the NPM, NPD and responsible UNDP CO personnel. Close relatives shall include parents, siblings, children, spouses, grandchildren and grandparents, or any of their spouses or siblings.

Contracting. In general, all national project personnel shall be contracted by the Designated Institution in accordance with the sample contract contained in Annexes 5D-5F.

However, because of the critical role of the NPM and AFA, these personnel cannot be contracted without prior approval of the UNDP CO. In general, international project personnel shall be contracted by the UNDP CO or another UN agency in close consultation with the government and other relevant national counterparts.

Contract duration. For all national professional personnel, all contracts longer than two weeks and all support staff contracts longer than one month in duration, the selection procedures described in this chapter shall be applied in full. Otherwise, candidates may be selected from a roster of candidates assuming that the principles of transparency, competitiveness and consistency are applied.

5.2 PROJECT PERSONNEL PROVISIONS IN THE PROJECT DOCUMENT

Provisions for project personnel are described in the inputs section of the project document and their costs reflected in the personnel components of the Government and the UNDP project budgets.

The following types of personnel are provided under UNDP-supported projects:

- International consultants, under budget line 11
- National consultants, under budget line 17
- Administrative personnel, under budget line 13
- UN Volunteers (UNVs), under budget line 14

5.3 RECRUITMENT PROCESS

The Designated Institution shall be responsible for advertising existing vacancies in relevant media stating the following:

- The post to be filled;
- The requisite academic/professional qualifications and experience;
- The duties and responsibilities; and
- The deadline and place for submitting applications.

The Designated Institution shall establish a Recruitment Panel to evaluate the applications according to the procedures set out in the following sections.

5.4 RECRUITMENT PANEL

The Recruitment Panel will serve as the mechanism to ensure (a) that the most qualified candidates are recruited and (b) that the UN Pro-forma Salary Scale for National Project Personnel (Annex 5B) is consistently applied.

The Recruitment Panel will be composed of the following:

- a) For the NPM, the Recruitment Panel shall consist of the NPD as chair, UNDP CO Programme Officer and UNDP CO Human Resources Manager (HRM). The HRM shall serve as a (voting) secretary. The recommendation of this panel shall be forwarded to the UNDP CO Operations Manager and Programme Director for approval. Contracting can then be completed by the Designated Institution;
- b) For the AFA, the Recruitment Panel shall consist of the representative of the Designated Institution delegated by the NPD as chair, UNDP CO Human Resources Manager, DST staff and Programme Assistant. NPM shall serve as a (voting) secretary. The recommendation of this panel shall be forwarded to the UNDP CO Operations Manager for approval. Contracting can then be completed by the Designated Institution;
- c) For consultants, the Recruitment Panel shall consist of the NPM as chair, UNDP CO Programme Officer, UNDP CO Human Resources Manager, and subject matter specialists as needed. The AFA shall serve as a (non-voting) secretary. The recommendation of this panel shall be forwarded to the NPD for approval;
- d) For national support staff, the Recruitment Panel shall consist of the NPM as chair, UNDP CO Programme Assistant and AFA as a (voting) secretary. The recommendation of this panel shall be forwarded to the NPD for approval.

Functions of Recruitment Panel. The Recruitment Panel reviews and recommends the proposed recruitment of consultants. Reviews carried out by the Panel aim to ascertain the following:

- a) That the Job Descriptions or Terms of Reference for project posts faithfully reflect the type of personnel required by the project as indicated in the project document, and that the JD and TOR are clear and complete;
- b) That post vacancies are publicized as widely as possible so that the greatest number of qualified candidates can apply and be considered. The Panel may also use rosters maintained by the UNDP CO;
- c) That the candidate recommended to be recruited is eligible for project recruitment;
- d) That the candidate recommended is, in fact, the most suitable among those who applied in terms of her/his academic qualifications, work experience, availability, performance appraisals, references, etc; and

- e) That the salary recommended for the candidate is appropriate to her/his qualifications and experience and falls within the appropriate level of the UN Pro-forma Salary Scale for National Project Personnel.

5.5 INITIAL CONTRACTING AND PROBATION

Based on the recommendations of the Recruitment Panel, the Designated Institution shall contract the recommended candidate. All full-time national project personnel are subject to an initial period of assessment lasting three (3) months on a Special Service Agreement (SSA). A longer-term contract may be offered in case her/his performance is satisfactory during this probationary period. However, for those staff who have already worked on other UNDP-supported projects, the need for a probationary period will be reviewed and may be waived by the Recruitment Panel.

Part-time and short-term (less than three months) national project personnel shall not be subject to a probationary period.

At the end of the probationary period, the NPM shall submit a completed Performance Evaluation and Certification for Payment Form (Annex 5C) to the NPD with a copy to the UNDP CO. On the basis of the recommendations of the NPM, the NPD may either (a) terminate the service in the case of unsatisfactory performance or (b) issue a new contract based on one of forms described in the following section.

For the probationary period of the NPM or AFA, the Performance Evaluation Form shall be prepared by the NPD and submitted to the UNDP CO for review and approval before the NPM or AFA's contract can be extended.

5.6 CONTRACT AGREEMENT

Contracts with project personnel shall stipulate the general terms and conditions of service and shall include a detailed Job Descriptions or Terms of Reference. Contracting may be undertaken by the Designated Institution or, at the request of the Designated Institution, the UNDP CO.

Any contracting undertaken by the Designated Institution shall be done in full compliance with applicable labour laws, regulations and guidelines in Mongolia. To do so, the Designated Institution may use one of the following three contract forms:

- a) Service Agreements (SA) are used to contract individuals for long-term professional (budget line 17) and support (budget line 13) services. SAs are issued only for contracts with a duration more than 11 months (Annex 5D);
- b) Special Service Agreements (SSA) are used to facilitate the expeditious and flexible recruitment of individuals for professional and support services for a period less than 11 months (Annex 5E);

- c) Contract for Services (CFS) are used to hire individuals for short-term assignments, e.g., translators/interpreters, drivers, etc (Annex 5F).

The selection of the most appropriate contract form is based on the duration of service and applicability of personal benefits and entitlements.

In cases where the UNDP CO is requested by the Designated Institution to enter into contractual arrangements on its behalf, the following types of contracts may be issued by the UNDP CO:

- a) Service Contracts (SC) are used to hire individuals for central functions of the project, such as the NPM and AFA. SCs are issued only for contracts with a duration more than 11 months (Annex 5G);
- b) Assignments of Limited Duration (ALD) are used for services of a professional nature and intended for contract durations greater than 6 months but less than 4 years;
- c) Special Service Agreements (SSA) for national and international consultants are used for engaging outside advisory services or assistance requiring expertise for which there is no continuing need in the project. SSA contracts should not be renewed for more than 11 months without a break in service (Annex 5H). For activities that are expected to be completed in less than 11 months, the SSA is to be used.
- d) Reimbursable Loan Agreements (RLA) are used when the Government provides the services of a designated individual to the project for a specified period. The Government is responsible for the actual payment of salaries, taxes and other administrative charges related to those services. UNDP “reimburses” the Government for payments made to the designated individual. RLAs may be used in exceptional cases where the required expertise cannot be found outside of Government (Annex 5I);
- e) United Nations Volunteers (UNV) are recruited and contracted by the UNV office in Geneva on the basis of a request from the Designated Institution.

Only the NPD and Alternate NPD have authority to approve the employment of project personnel under any given project. Under no circumstances can anyone except the NPD or Alternate NPD sign any type of employment contract on behalf of the Designated Institution except the UNDP CO if authorised to do so.

The recruitment of project personnel on a retroactive basis is not permitted under any circumstances. Strict compliance with this regulation must be enforced to safeguard both the interests of UNDP-supported projects and the individuals hired. Neither commencement of work nor payments of remuneration are permitted before contracts are signed.

5.7 MEDICAL CLEARANCE

Medical clearance is required for certain types of UNDP contracts as follows:

- a) For SSAs, the individual shall provide a “Health Statement” (Annex 5J);
- b) For SCs and ALDs, the individual shall provide a “Certificate of Medical Examination” (Annex 5K) issued by a qualified physician or a doctor. Special attention should be given to medical clearances of international consultants expected to travel. Medical clearance is essential before any assignment begins to ensure that applicable insurance coverage is in full effect in case of service-related injury, illness or death;
- c) For RLAs, no medical clearance is required as all health/medical benefits are provided by the individual’s employer and not UNDP;
- d) For UNVs, medical clearance shall be provided in accordance with the UNV rules and procedures.

5.8 BENEFITS**5.8.1 General Policies on Leave**

Annual Leave. A leave record shall be maintained by the AFA and monitored by the NPM (Annex 5L).

All annual leave days accrued under a contract must be taken during the contract period and may not be (a) commuted to cash or (b) transferred to an unrelated UNDP contract. However, up to 24 days may be carried over in the case of a contract extension.

Full-time contract holders shall have their Leave Application (Annex 5M) approved at least 10 working days in advance by their respective NPM/NPD. NPM shall have her/his leave approved by their NPD in consultation with the UNDP CO.

Maternity Leave. Maternity leave and maternity benefits are to be established in accordance with national legislation. However, at the staff member’s request and upon production of a certificate from a duly qualified medical practitioner indicating that she is fit to continue to work, the maternity leave may be permitted to commence not less than two weeks before the anticipated date of birth.

Sick Leave. Any absence of more than two consecutive working days or any total of three working days within a six-month period must be supported by a medical certificate. If an individual surpasses the sick leave limit in a year, the period in excess of the limit shall be charged against the individual’s salary.

5.8.2 Benefits for Various Types of Contracts

For personnel contracts issued by the Designated Institution, benefits regarding leave, holidays, insurance coverage, social security, etc. shall be included in accordance with prevailing national labour laws and standards.

For personnel contracts issued by the UNDP CO, applicable UNDP rules and regulations shall apply. A summary of benefits provided under the various types of UNDP contracts is provided below:

- a) SSA holders normally are not eligible for any benefits. However, contracts longer than six months may include annual leave and sick leave to be accrued at the rate of 1 day per month. In such circumstances, this must be explicitly stipulated in the SSA. Paid holidays, maternity leave, insurance coverage, social security and pension benefits are not provided;
- b) SC holders accrue annual leave and sick leave at the rate of 2 days per month upon commencement of their contract. Paid holidays and maternity leave are provided as per national legislation. Insurance, social security and pension benefits are provided as part of the monthly salary payment as described in Section 9.6;
- c) National ALD holders accrue annual leave at the rate of 1½ days per month and international ALDs at the rate of 2½ days per month. All ALD holders accrue sick leave at the rate of 2 days per month. Female ALD holders are also eligible for up to 16 weeks of paid maternity leave in the case of pregnancy. National ALD holders may participate in the UNDP Medical Insurance Plan (MIP) while international ALD holders may participate in the UN (Van Breda) plan. All ALD holders are eligible to enrol in the Joint UN Staff Pension Fund;
- d) RLA holders are eligible for benefits in accordance with prevailing national laws and standards;
- e) UNVs:
 - International UNVs accrue annual leave at the rate of 2½ days per month. Sick leave will be limited to 12 weeks for a 24-month assignment and 6 weeks for a 12-month assignment. Sick leave will be limited to 3 weeks for assignment of less than 12 months. Female UNVs are also eligible for up to 16 weeks of maternity leave. International UNVs are covered under the provision of a group insurance scheme taken out with J. Van Breda & Co.
 - National UNVs accrue annual leave at the rate of 2½ days per month. Sick leave will be limited to 7 days within a 12-month period, without requiring a medical certificate. The maximum period of sick leave allowed during a 24-month service is limited to 12 weeks, and 6 weeks sick leave for a 12-month service contract. Female UNVs are entitled to 6 weeks of paid maternity leave before the expected date of delivery and 6 weeks after the actual delivery date. National UNVs are covered by national insurance policy according to Mongolian legislation. National UNVs are provided with a cash allowance to secure their own insurance coverage.

5.9 SALARY ADMINISTRATION

Salaries shall be paid monthly through bank transfers. All project personnel except those on temporary contracts are required to open bank accounts where their salaries shall be remitted. All project personnel shall provide the project management with details about the bank account where the salary shall be transferred.

Salary adjustments may be granted once a year effective from the first day of the month the service initially commenced. Such adjustments however are not automatic but are dependent on performance. In order to effect a salary adjustment, a Performance Evaluation and Certification for Payment form (refer to Annex 5C) shall be submitted by NPM/NPD to the UNDP CO with a recommendation for the salary adjustment. Salary adjustments are subject to UNDP CO clearance.

5.10 TAXATION ON CONTRACTS

Individuals are not exempt from paying taxes due on their earnings from a contract issued by UNDP or the Designated Institution. Project personnel are responsible themselves for paying any income taxes due on the income earned from UNDP-supported projects.

The Designated Institution may make the necessary arrangements for withholding taxes on contracts. The UNDP CO cannot make any payroll deductions for the purpose of transferring funds to the income tax authorities, nor is it required to report the income of its employees to the tax authorities.

All salaries/consultancy fees shall be subject to taxation at rates as established by national legislation.

5.11 TRAVEL

5.11.1 General Provisions

All travel shall be undertaken in accordance with a quarterly travel plan prepared by the NPM, approved by the NPD and cleared by the UNDP CO (Annex 5N). In-country and international travel may only be undertaken on the basis of a signed Travel Authorisation (TA). Samples of Travel Authorisations are shown in Annexes 5O-5P. The authority to certify and approve Travel Authorisations is as follows:

TRAVELLER	CERTIFY/APPROVE
NPD NPM Project Personnel UNDP CO Staff Non-project Personnel	NPM/UNDP RR or DRR UNDP PO/NPD NPM/NPD NPM/NPD NPM/NPD

UNDP CO staff travel must also be cleared by his/her supervisor.

Ad hoc DSA Rates: Projects may establish ad-hoc DSA rates that are lower than the standard rates depending on their budgetary situation and frequency of travel.

5.11.2 International Travel

Arrangements. The NPM shall be responsible for arranging all international travel including securing bookings, tickets, visas, etc. The project may make these arrangements directly through authorised travel agents or may request assistance from the UNDP CO.

Air Travel. International consultants travelling to Mongolia shall be reimbursed the cost of international air travel by the most direct route based on the submission of air tickets and other documents. Tickets for project staff or other personnel travelling from Mongolia will normally be purchased by the project or the UNDP CO based on a signed TA.

Daily Subsistence Allowance (DSA). DSA for international travel shall be paid according to prevailing UN rates. Eighty percent of the full DSA may be paid to international travellers in advance. The remaining 20 percent shall be paid upon submission of the UN F-10 form: International Travel Expenses Claim (Annex 5Q). Based on this form and supporting documents, the traveller may be reimbursed costs for visas, airport taxes, terminal expenses, air tickets, etc. not previously paid by the project. Upon the completion of all international travel, the traveller shall submit a completed International Travel Expenses Claim.

5.11.3 In-Country Travel

Arrangements. The NPM shall be responsible for arranging all in-country travel.

Air Travel. The UN has placed a ban on all domestic air travel in Mongolia. Therefore, no UNDP project funds may be used to fund any domestic air travel in Mongolia without prior written permission from the UN Designated Official.

In-Country Travel Rates. The costs for in-country travel for those people travelling on official project business but not provided with transportation by the project shall be reimbursed based on standard rates provided in Transportation Rates for Local Participants (Annex 5R). These rates shall be periodically reviewed and updated by the UN.

Daily Subsistence Allowance (DSA). DSA for domestic travel shall be paid according to the prevailing UN rates for in-country travel. These rates shall be periodically reviewed and updated by the UN.

Travel Claims. Eighty percent of the full DSA may be paid to in-country travellers in advance based on an approved local TA. The remaining 20 percent shall be paid upon submission of a Claim for Reimbursement of Travel Expenses (see the backside of Annex 5P) with a field trip report.

Vehicle Use. NEX projects may be provided with a vehicle(s) in order to undertake required local travel and project field trips. Like all project equipment, vehicles are the property of UNDP and may be used only for official duties related specifically to that project. Regulations covering the use of vehicles are provided in Chapter 8.9.

5.12 CONDUCT AND DISCIPLINE

All project personnel shall be conversant with NEX regulations. Breach of these regulations shall be subject to appropriate disciplinary action. NEX project personnel shall be honest and observe a high standard of integrity at all times.

Working Hours. Official working hours shall be established in accordance with the rules and regulations of the Implementing Agency.

Punctuality. Punctuality in the office shall be observed and an appropriate monitoring system put in place. The AFA shall maintain an attendance record for all project personnel. The AFA shall ensure that entries are made for all absences. The attendance record shall be reviewed, approved and submitted by the NPM to the UNDP CO on a monthly basis. Please see Annex 5S for a sample.

Absence from Work. No project personnel shall be absent during working hours without permission from her/his immediate supervisor. Any absence shall be reported in writing to the immediate supervisor with an explanation. Disciplinary action shall be taken in cases where the reasons given are deemed unsatisfactory.

Responsibility. All project personnel shall be responsible through her/his immediate supervisor to the Designated Institution for the proper discharge and accountability for duties entrusted to her/him. It shall be the duty of the supervisors to enforce discipline and accountability in their areas of responsibility.

Abandonment. Project personnel who absent themselves from work for more than five consecutive days shall be regarded as having abandoned their office and resigned accordingly and therefore shall forfeit all rights and privileges.

Supplementary Employment. No project personnel shall accept supplementary employment.

Unsatisfactory Performance. Project personnel whose work is not up to the required standard as reflected through periodic performance appraisal reports may be given a notice of terminating her/his contract in accordance with the terms and conditions of the contract. The NPM shall initiate such action, which shall be approved by the NPD and, in the case of UNDP contracts, the UNDP CO.

Disciplinary Action. In case disciplinary action is required against any project personnel, either the Designated Institution or UNDP CO shall abide by the relevant guidelines governing the management of their respective personnel contracts. In cases involving the NPM, a recommendation for action shall be submitted by the Designated Institution to the UNDP CO for review and approval.

6.0 TRAINING**6.1 GENERAL POLICIES**

Training inputs normally represent a significant portion of the budget in technical assistance-oriented projects funded by UNDP. The sustainability of UNDP-supported projects largely depends on the success with which individuals learn skills and organizations gain institutional capabilities so that they continue, long after the project ends, to produce outputs similar to those generated during the life of the project. This process of learning skills and other capabilities occurs through training, whether structured through courses, seminars or workshops, or unstructured through learning on the job or working as the counterpart of a consultant.

For these reasons, the Designated Institution must ensure that project training activities are not only carried out as scheduled but, more importantly, that training participants actually learn new skills and capabilities from these activities.

6.2 TYPES OF TRAINING

There are three categories of training that may be provided in a UNDP-supported project:

- a) Fellowships (budget line 31) - These are for selected individuals who attend international or in-country courses;
- b) Study Tours (budget line 32) - This category covers educational visits by groups of participants to one or more countries, or one or more places in Mongolia;
- c) In-country Training (budget line 33) - This category covers any project-related training that takes place in Mongolia, e.g., a one-day seminar, a one-week workshop, or a two-week short course.

Knowing the differences between these types of training inputs is important to project management primarily for preparing appropriate training plans to guide trainers, training institutions, or external implementing agencies that may be assigned to organize the training.

6.3 TRAINING PLANS

While training inputs are mentioned in the project document, they are often only broadly described in terms of the subject of training, the intended participants and the location and duration of the training. These specifications are inadequate for systematic training and should only be considered as a starting point for the Designated Institution's responsibility for planning and arranging for all project training activities.

Whether the conduct of a project training activity is entrusted to a local or international institution, national or international experts, or project staff, the Designated Institution

should prepare a Training Plan for each training activity. This plan may be viewed as being analogous to the Terms of Reference when recruiting project personnel and subcontracting, or to the technical specifications when procuring equipment. The Training Plan should contain the following information (Annex 6A):

- a) Training Activity and Venue. Indicate the type of training activity as specified in the project document (e.g., local workshop, study tour, fellowship) and where it is to be held;
- b) Date and Duration of Training. Provide the intended starting date and duration of the training activity in the quarterly workplan. Later the NPM/NPD should indicate the exact timing of the training, making sure to allow enough lead time for preparations;
- c) Number and Type of Participants. Describe the positions/titles or required qualifications of training participants, with special specifications for women, and the number of participants broken down by categories and gender, if possible;
- d) Training Objectives. State the objectives of the training activity in terms of specific and measurable changes in knowledge, attitudes or skills among trainees, expected as a result of the training activity;
- e) Required Training Facilities. Indicate the physical and logistical facilities required for successful training. These include the kinds of trainers and facilitators, training rooms, equipment and aids, and facilities for field trips;
- f) Evaluation of Training. Specify how the training activity is to be evaluated, at least in terms of immediate gains in knowledge, attitudes or skills among the trainees and their own assessment of various aspects of the training activity. Describe who should undertake the evaluation and how it should be completed (e.g., use of a pre- and post-course evaluation questionnaire by the trainer);
- g) Required Reports. Indicate what reports on the training activity are required to be submitted to the Designated Institution by the trainees and by the trainer or training institution that conducts the activity;
- h) Cost of Training. Indicate the cost of trainers, course fees, participants' travel and allowances, any rentals of premises or equipment, training materials, etc. State the total cost and the budget line(s) to be charged.

6.4 STEPS IN ORGANISING LOCAL TRAINING

While international training under NEX projects is usually implemented by or subcontracted to an external institution, the Implementing Agency is held responsible for organizing all training activities within the country. Described below are the actions that the Designated Institution takes to ensure that in-country training activities are undertaken in an effective and timely manner.

- a) The NPM/NPD reviews the project document and Annual workplan to determine what in-country training activities need to be organized during the year and what the budget allocation is for each. Local training usually takes the form of group training activities such as workshops, seminars, short courses and more rarely local study tours and fellowships to national training institutions;
 - b) The NPM prepares a Training Plan (see the preceding section) for each local training activity. When scheduling the starting date of a training activity, enough lead time should be allowed for preparations;
 - c) At the appropriate time, the NPM makes preparations for the training activity. Such preparations include:
 - (i) Identifying and mobilizing national consultants or training institutions qualified to conduct or organize the training. The trainer or training institution should be given a copy of the Training Plan. If the trainer is one of the project's own personnel, s/he should be asked to prepare the training.
 - (ii) Selecting and notifying training participants, and arranging for their travel to and associated costs at the training venue. The notification should be accompanied by a copy of the Training Plan so the participants understand the goals at the training and can adequately prepare.
 - (iii) Designing and planning of the training activity by the trainer or training institution. If the training is not a regular course in an institution, the design and planning of a customized course or workshop usually takes considerable time. The training should be systematically planned so the training objectives can be achieved. This requires putting together the appropriate content material, selecting training methods, preparing training aids, and developing a plan and the instruments for evaluating the effectiveness of the course or workshop.
 - (iv) Preparing the training venue. The NPM should ensure that the training site provides as good a learning environment as possible, particularly if the training lasts more than one day. There should be adequate facilities not only for training, but also participants' accommodations and meals.
 - d) Participants undergo training. If the training activity has been well planned and preparations adequate, the course or workshop should proceed smoothly and succeed in achieving its training objectives. The NPD and/or NPM should participate in the training since this is a good opportunity to let the participants know about the project and how their training can contribute to achieving the project's objectives;
 - e) The NPM should obtain from the trainer or institution a report on the course/workshop. The report should include the results of the course evaluation, indicating how much the participants learned. Evaluation results will also be useful for planning other training activities;
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- f) The NPM should also obtain and/or arrange for the production of any other substantive reports that result from the course/workshop. Such substantive reports could include conference proceedings, policy recommendations, best practices, lessons learned, etc.

6.5 RESPONSIBILITIES OF THE DESIGNATED INSTITUTION IN INTERNATIONAL TRAINING

External institutions are normally used to mobilize international training inputs, usually in the form of fellowships or study tours abroad. Nonetheless, such institutions will be unable to do so unless the Designated Institution performs certain related tasks. The actions required from the Designated Institution in this regard are described below.

- a) The first and often most difficult task is to identify a suitable external institution to host the proposed training activity. This may be done by the NPM in consultation with the UNDP CO, other UN agencies or other institutions or individuals. In any case, the host institution should be selected based on the principles of transparency, competitiveness and consistency between the qualifications of the institute and the needs of the project;
- b) As early as possible, the NPM should send a copy of the Training Plan to the selected institution so it will have the information needed to make the training activity effective. The UNDP CO should also be sent a copy of the Training Plan, as it often will be called upon to help arrange international training even when another external institution is designated to conduct the training;
- c) After the selected institution and UNDP CO have received the Training Plan, the Designated Institution identifies and nominates candidates for the international training. Candidates should complete and sign a UN Nomination Form (Annex 6B). If they are expected to be out of Mongolia for more than three weeks, they should also obtain a medical certificate of good health. If language testing for attendance in courses is required, arrangements should also be made for nominees to take the tests. The candidates nominated for the study tour should be associated with the project activities and should continue to provide support and substantively contribute to the project upon their return;
- d) The Designated Institution forwards the nominations and medical certificates to the UNDP CO, together with the Training Plan, for approval. The UNDP CO shall then inform the Designated Institution of its approval or its rejection of the nominated candidates. In case of rejection, the UNDP CO shall provide reasons. Approved nomination forms should then be sent to the selected training institution;
- e) The training institution informs the Designated Institution and UNDP CO when the training participants are to leave the country to start the training;
- f) The NPM arranges for participants to obtain necessary visas to the destination country or countries;

- g) The NPM may request the UNDP CO to make travel bookings, purchase airtickets, and issue DSA or stipends for participants. This is done by submitting a Travel Authorisation to the UNDP CO by the NPD;
- h) The NPM should then advise the training institution of the participants' travel itinerary;
- i) Prior to departure, participants should be given a briefing by the NPM on the training they are about to undertake, how it relates to the project and what reports they are required to submit after the training. The report should describe the knowledge and skills they gained, and their applicability to their work situation;
- j) Participants undertake the training;
- k) Upon the participants' return, their reports should be collected and, if possible, project management should hold a debriefing session with them or ask them to discuss their experience at an internal seminar. A copy of the Training Report format is attached as Annex 6C.

6.6 TRAINING FEES, STIPENDS/ALLOWANCES AND INSURANCE

International Training In general, the standards and procedures of the training institution or UNDP apply to international training. Costs of training such as course fees, fellowship stipends or travel allowances should have been included in and will be charged against the appropriate budget lines of the project budget.

Participants' life and medical insurance may be covered through an agreement between UNDP and J. Van Breda & Co. in Antwerp, Belgium. To benefit from this coverage, the NPD should send to the UNDP CO a written request and authorization to pay premium costs, indicating the budget line for charging these expenditures. The request should be accompanied by an Enrolment Application form (Annex 6D) and a medical report for each participant from a registered medical practitioner. This application should be submitted at least 15 days prior to departure of the participants.

In-country Training Fees charged by trainers or institutions for organizing and conducting in-country fellowships, courses or workshops are negotiated by the Designated Institution. The stipends or DSA due to participants will be in accordance with standard UN rates (refer to Annex 9F). These and other training costs should have been included in the allocation to the specific budget line, and the Designated Institution should ensure that these budgeted amounts are not exceeded.

If needed, the Designated Institution may request the UNDP CO to make an advance payment of up to 80% of local costs associated with an in-country training activity (column 1 of Annex 6E). This may be done by the Designated Institution either through a quarterly request for advance of funds, or RDP. For advances paid through an RDP, settlement of actual expenditures (column 2 of Annex 6E) will be made after the submission of a final financial report with supporting documentation within 14 days after the completion of the training.

7.0 PROCUREMENT OF GOODS, SERVICES AND WORKS

7.1 GENERAL POLICIES

General Principles. Procurement functions include all actions necessary for the acquisition, by purchase or lease, of goods, works or services. The following general principles shall be given due consideration when exercising the procurement functions under UNDP-supported project:

- a) Best value for money;
- b) Fairness, integrity and transparency; and
- c) Effective competition.

Equipment and services of the requisite type and quality shall be procured within the time prescribed, and at the lowest possible cost, other factors being equal. Equal access to procurement opportunities shall be provided to all qualified and interested parties. Competitive bidding may be undertaken both locally and internationally, although local procurement should be encouraged where possible. Payment of all local contracts/purchase orders shall be made in local currency.

Procedural and Approval Limits. In procuring goods, works or services, the Designated Institution must follow all relevant procurement guidelines and procedures based on the following:

- a) For goods, works or services valued less than USD 30,000, the Designated Institution may follow either the “Public Procurement Law of Mongolia” (14 April 2000) or the UNDP guidelines detailed in this chapter¹. The Designated Institution should specify its preference at the outset of the project and remain consistent throughout the project life unless it notifies UNDP to the contrary;
- b) For goods, works or services valued USD 30,000 or more, the Designated Institution must follow the UNDP guidelines detailed in this chapter.

Any contract amendment, or series of amendments, which would increase the amount of an already approved contract to USD 30,000 or more must be referred to the Contracts, Asset and Procurement Committee (CAP) for review and approval. Likewise, any contract or series of related contracts with a single supplier or contractor valued USD 30,000 or more must also be referred to the CAP.

Any proposed contract exceeding USD 100,000 must be referred to the Advisory Committee on Procurement (ACP) in UNDP Headquarters for approval based on the recommendation of the CAP and UNDP RR.

Planning and Reporting. Procurement planning is essential for the effective and timely solicitation of bids or proposals, award of contracts and delivery of the goods and

¹ These arrangements will be reviewed by UNDP 6 months after the launch of this revised NEX Manual and may be subject to change based on the outcome of that review.

services required. A Procurement Plan (Annex 7A) shall be prepared based on the Annual/Quarterly workplans and submitted to the UNDP CO on a quarterly basis. The UNDP CO may consider combining purchases from different projects.

A Procurement Report shall be provided by projects on quarterly basis together with Quarterly Progress Report.

Suppliers. The UNDP CO shall maintain a list of suppliers for the procurement of goods and conduct a performance assessment of suppliers on an annual basis. This list shall be circulated to the projects. Executing Agencies should invite companies from this list to submit bids, although other reputable and reliable suppliers should not be excluded.

Contracting. Normally, contracts and purchase orders for procurement should not include advance payments. In exceptional cases, advance payments may be made if (a) there is strong justification for doing so, (b) the advance payment does not exceed 15% of the value of the contract or purchase order, and (c) the contractor or supplier provides a bank guarantee or performance bond to the Designated Institution or UNDP.

Normally for contracts for works, the Contractor shall provide a performance bond. In the absence of a performance bond, a 10% progressive retention sum scheme shall be applied. The duration of the retention period shall be specified in the contract.

No contract can be drawn up to take effect retroactively.

7.2 TYPES OF PROCUREMENT

7.2.1 Definitions

Procurement covers the purchase of goods, works or services. *Goods* generally include equipment, supplies, materials, etc. that do not require significant efforts to install, construct or maintain. *Works* include the construction or renovation of equipment, buildings, infrastructure, etc. *Services* include consulting work that cannot easily be quantitatively or qualitatively expressed.

Generally, procurement contracts are only made with legal entities such as companies, institutions, etc. These contracts can include purchase orders, contracts for professional services or contracts for civil works. Agreements with individuals to provide professional or support services should be made in accordance with the provisions in Chapter 5, "Personnel Management." Procurement contracts with individuals may be made in exceptional cases but are generally discouraged.

Goods purchased on any NEX project shall be classified under the following categories:

- a) Expendable Equipment (budget line 45-01) is property with a normal life expectancy less than 5 years and valued less than USD 400, such as supplies and small items used for day-to-day operations. Formal inventory records for expendable equipment are not required. However, the AFA shall maintain a record of expendable equipment items to ensure proper use, planning and reporting.

b) Non-expendable Equipment (budget line 45-02) is property with a normal life expectancy of 5 years or more or valued at USD 400 or more. Non-expendable equipment must be listed on a non-expendable property ledger and physically checked periodically. Other items, such as those listed below should also be recorded:

- office furniture and filing cabinets
- office equipment such as computers, printers, copiers, telephones, fax machines, televisions, audio and video equipment, etc.
- commercial computer software packages
- attractive items such as cameras, projectors, electric clocks, or similar items

The above categorization has great significance for the project because the project is required to maintain, periodically report on, and account for its inventory of non-expandable equipment.

7.2.2 Methods of Procurement

The methods used by UNDP for the procurement of goods, works and/or services are as follows:

- a) Request for Quotation (RFQ). This method is the most flexible and least formal to use. RFQs are typically used to procure goods. An RFQ calls for a written quotation from a pre-selected list of suppliers. The most important factor in selecting a supplier is price. However, reliability, terms of delivery, warranty, after sales service and other factors may also be considered;
- b) Invitation to Bid (ITB). This method is typically used to procure goods or works that can be quantitatively and qualitatively expressed. ITBs are usually based on open advertising and sealed bids. However, bids may be invited from a short-list of pre-qualified companies in special situations. Again, the most important factor in selecting a supplier or contractor is price, but other factors may be considered;
- c) Request for Proposal (RFP). This method is used to procure services that cannot be quantitatively or qualitatively expressed. RFPs are usually based on open advertising and sealed proposals. Technical and financial proposals are provided in separate sealed envelopes. Technical proposals are reviewed and ranked according to a detailed list of evaluation criteria. An RFP leads to the selection of the proposal that is most responsive to the criteria, considering price as well.

In all cases, the project should endeavour to secure a minimum of three responsive quotations, bids or proposals.

7.2.3 Requirements for Various Procurement Values

- a) Up to USD 30,000, the Designated Institution may use RFQ, ITB or RFP depending on the nature of the procurement;

- b) From USD 30,000 up to USD 100,000, the Designated Institution may use the same methods of procurement as above. However, the recommendation for procurement must be reviewed and cleared by the CAP and approved by the UNDP RR. The procurement contract or purchase order will then be prepared and signed by the UNDP CO;
- c) For USD 100,000 or more, the Designated Institution must use ITB or RFP. The procurement must then be cleared by the CAP and UNDP RR and submitted to the ACP for final approval. Based on this approval, the UNDP Chief Procurement Officer will authorize the UNDP CO to prepare and sign the procurement contract or purchase order;
- d) Evaluation Panels. Regardless of the method or value of the procurement, most quotations, bids and proposals should be reviewed by an evaluation panel. Exceptions could include the routine procurement of equipment, furniture, office supplies, etc. The evaluation panel should be comprised of the NPM, the UNDP CO Procurement Officer and/or Programme Officer and technical specialists as required and relevant for the nature of the procurement under consideration. These technical specialists may be taken from the Designated Institution, UNDP CO or other relevant institutions. The Designated Institution shall organize and chair the evaluation panel. The AFA shall serve as secretary.

7.2.4 Steps in Procurement

For each type of procurement, the Designated Institution and/or the UNDP CO shall take the following actions, which should be verified by the specified documentation.

Table 7.1 Procurement Steps

Type	Action	Responsible Party	Documentation/Reference
1. <u>RFQ</u>	<input type="checkbox"/> Prepare technical specification <input type="checkbox"/> Shortlist potential suppliers <input type="checkbox"/> Issue request for quotations <input type="checkbox"/> Assess quotations <input type="checkbox"/> Organise evaluation panel (if necessary) <input type="checkbox"/> Submit recommendation to CAP (if >USD 30,000) <input type="checkbox"/> Issue Purchase Order (if >USD 200) <input type="checkbox"/> Notify unsuccessful bidders <input type="checkbox"/> Receive goods <input type="checkbox"/> Pay supplier	NPM NPM AFA AFA/NPM Executing Agency NPM and Programme Officer Designated Institution or UNDP CO Designated Institution or UNDP CO NPM Designated Institution or UNDP CO	Technical specification UNDP Vendor/Supplier Roster RFQ (Annex 7B) Comparative table Evaluation panel minutes CAP Submission Form (Annex 7C) Purchase Order (not required for the purchases <USD 200) (Annex 7D) Letters or e-mails Receiving Inspection Report (Annex 7E) Invoice (should specify VAT separately)

Type	Action	Responsible Party	Documentation/Reference
2. <u>ITB</u>	<input type="checkbox"/> Prepare technical specifications or scope of work <input type="checkbox"/> Prepare Invitation to Bid <input type="checkbox"/> Prepare and place public announcement or Short-list potential suppliers/contractors <input type="checkbox"/> Collect bids <input type="checkbox"/> Open bids <input type="checkbox"/> Assess bids <input type="checkbox"/> Organise evaluation panel <input type="checkbox"/> Submit recommendation to CAP (if >USD 30,000) <input type="checkbox"/> Issue Purchase Order or Contract <input type="checkbox"/> Monitor implementation <input type="checkbox"/> Receive goods or Accept work <input type="checkbox"/> Pay supplier or contractor	NPM NPM NPM NPM/ Programme Officer UNDP CO NPM, Programme Officer, Procurement Officer, ARR(O) AFA/NPM Designated Institution NPM and Programme Officer Designated Institution or UNDP CO NPM NPM/NPD Designated Institution or UNDP CO	Specifications or scope of work ITB letter (Annex 7F) Copies of public announcements, advertisements, etc. Criteria for short-list UNDP Vendor/Supplier Roster Bid Receiving Record (Annex 7G) Bid Opening Record (Annex 7H), Bid Qualification Checklist Comparative table Evaluation panel minutes CAP Submission Form (Annex 7C) Purchase Order or Contract (Annex 7D and Annex 7L) Receiving Inspection Report (Annex 7E) Evaluation Form (Annex 7I) Invoice (should specify VAT separately)

Type	Action	Responsible Party	Documentation/Reference
3. <u>RFP</u>	<input type="checkbox"/> Prepare Terms of Reference	NPM	Terms of Reference (Annex 7J)
	<input type="checkbox"/> Prepare Request for Proposal	NPM	RFP letter (Annex 7K)
	<input type="checkbox"/> Prepare and place public announcement or	NPM	Copies of public announcements, advertisements, etc.
	<input type="checkbox"/> Short-list potential suppliers/contractors	NPM/ Programme Officer	Criteria for short-list
	<input type="checkbox"/> Collect proposals	UNDP CO	Bid Receiving Record (Annex 7G)
	<input type="checkbox"/> Open technical proposals	NPM, Programme Officer, Procurement Officer, ARR(O)	Bid Opening Record (Annex 7H) Bid Qualification Checklist
	<input type="checkbox"/> Prepare comparative table	AFA/NPM	Comparative table
	<input type="checkbox"/> Organise evaluation panel	Designated Institution	
	<input type="checkbox"/> Assess technical proposals	Evaluation Panel	Evaluation Panel minutes
	<input type="checkbox"/> Open financial proposals of responsive contractors	Evaluation Panel	Evaluation Panel minutes
	<input type="checkbox"/> Submit recommendation to CAP (if >USD 30,000)	NPM/ Programme Officer	CAP Submission Form (Annex 7C)
	<input type="checkbox"/> Issue Contract	Designated Institution or UNDP CO	Contract (Annex 7L)
	<input type="checkbox"/> Monitor implementation	NPM	Progress reports
	<input type="checkbox"/> Accept services	NPD	Evaluation Form (Annex 7I)
<input type="checkbox"/> Pay contractor	Designated Institution or UNDP CO	Invoices (should specify VAT separately)	

7.3 TAXES, DUTIES AND LEVIES

In principle, UNDP is exempt from paying taxes, duties and other levies in connection with its work in Mongolia. With regard to procurement, the following practices shall be followed:

- a) Customs Duties. As per the SBAA, equipment procured from abroad using UNDP funds is exempt from customs duties, excise taxes and value-added tax only if the equipment is consigned to the UNDP RR;

- b) Value Added Tax (VAT). Projects can be reimbursed the VAT paid on their transactions. In order to do so, (i) all VAT-registered suppliers and contractors should disaggregate VAT and other charges on their invoices and (ii) the project should submit these invoices, together with copies of the companies' VAT registration forms, to the UNDP CO as described in Chapter 9.

7.4 SHIPMENT AND INSURANCE

7.4.1 Transportation

General. Freight, or the cost of transportation services, is a substantial element in the delivered price of most imported goods, particularly for land-locked countries. For Mongolia, this cost may range from 10-15% of the cost of goods.

Modes of Transport. Five different methods may be used, either singly or in some combination, to transport goods internationally. These are: by sea, by rail, by road, by air and by parcel post. It is important to note that in selecting the mode or modes of transportation the project should endeavour to minimize the sum of tangible and intangible transportation costs.

Marking. To facilitate the identification of goods and handling while in transit, suppliers should be instructed to provide the following "shipping marks" on all packages:

- Consignee
- Destination
- Port of unloading
- Project identification
- Order number
- Case number

7.4.2 Receipt of Equipment/Consignments

When a consignment is delivered to the consignee, the following procedures shall then apply:

- a) The external condition of packages must be verified;
- b) If the external condition is apparently in good order, the delivery receipt of the carrier shall be signed with an endorsement along the following lines: "received in good external condition – contents unchecked";
- c) If there are signs of tampering or damage to the packages, the delivery receipt should be given with reservations, such as: "cases broken", "contents lacking" or "cartons opened with signs of pilferage";
- d) In cases of loss or damage, the project should contact the underwriter (i.e., the insurance company contracted for the shipment) immediately.

7.4.3 Insurance

During transportation and storage, shipments may be exposed to various risks such as accidental damage, pilferage or theft, breakage, partial receipt or non-receipt of the entire consignment. Cargo insurance provides protection against financial losses resulting from these risks. To protect the interests of UNDP, the project should ensure the following:

- a) Goods are covered for all risks, including war, strikes, riots and civil commotions (SRCC);
- b) Duration of the insurance coverage should be sufficient to cover the period of transportation from “warehouse to warehouse”;
- c) Goods should be insured for the cost, insurance and freight (CIF) value plus an agreed percentage (normally 10%) to reflect the indirect cost to the buyer incidental to waiting for replacement.

7.4.4 INCOTERMS 2000

The International Commerce Terms (INCOTERMS) define the obligations of buyers and sellers relating to the shipment of goods. The latest version of INCOTERMS 2000 is in use.

7.5 CONTRACTS, ASSET AND PROCUREMENT COMMITTEE**7.5.1 Scope**

A Contracts, Asset and Procurement Committee (CAP) should be established by the UNDP RR at every UNDP CO to render written advice to the UNDP RR on the following procurement actions:

- a) Any contract or series of related contracts from a single supplier worth USD 30,000 or more;
- b) Any contract amendment, or series of amendments, which in aggregate either has a value USD 30,000 or more or which would increase the amount of an already approved contract, as previously recommended by the CAP;
- c) All requests seeking a waiver of competitive bidding (see Exceptions to Competition in Section 7.5.5)

7.5.2 Terms of Reference (TOR)

The TOR of the CAP is as follows:

- a) Ensure that the proposed procurement action is in accordance with UNDP financial regulations and rules, procedures and instructions;

- b) Review the procurement process to ensure that it is fair, competitive, transparent and provides the best value for money;
- c) Examine the financial and legal implications of the proposed contract;
- d) Review the evaluation process including the environmental impact;
- e) Ensure that appropriate funds are available to cover the cost of the proposed contract.

7.5.3 Composition of the CAP

The CAP should preferably be composed of a Chairman, at least two regular members with an equal number of alternates, and a Secretary.

No member or alternate member may participate in the deliberations of the CAP regarding any of her/his requests or submissions, unless specifically asked to do so by the Chairman for clarification or presentation purposes. If so requested, the minutes should reflect the reasons. No such member or alternate may, under any circumstances, be considered part of the membership whose recommendations are reflected in the minutes.

The members of the CAP are appointed to serve in their individual capacities, providing to the RR objective independent advice on all matters referred to the CAP in accordance with the terms thereof, with due regard to the financial rules and regulations.

7.5.4 Submission to the CAP

The submitting official shall prepare all documentation related to the procurement of goods, works or services. In order to facilitate the work of the CAP and to allow sufficient time for review, the submission must be received by the Secretary *five working days prior* to the date of the next scheduled meeting.

The CAP will require, as a minimum, the following documentation:

- a) A completed submission form containing the information/justification necessary for a reasonable assessment to be made;
- b) Supporting documents such as:
 - Copies of the RFQ, ITB or RFP
 - Copies of public announcements
 - Short-lists and selection criteria
 - Bid receiving/opening records
 - Comparative tables
 - Minutes of evaluation panel
 - Copies of quotations, bids or proposals
 - Selection/recommendations
- c) Technical specifications, scope of work or terms of reference.

7.5.5 Exceptions to Competition (Waiver of Competitive Bidding)

Competition is a general principle of UNDP procurement policy. Strict review and approval processes have been established to ensure that the waiver process is not abused.

All requests for a waiver of competitive bidding (Annex 7M) must be submitted to the CAP for review and clearance. For contracts less than USD 30,000 the UNDP RR is authorised to approve waivers of competitive bidding, recording the justification for doing so. Waivers valued at USD 30,000 or more must be submitted to and approved by the Chief Procurement Officer following clearance by the CAP and UNDP RR.

Submissions to CAP and ACP for waivers shall be reviewed against the following list of permissible reasons and the justification for its use:

- a) Established prices/rates. Indicate name of regulatory body or law that controls rates or establishes prices. Attach a current printed rate schedule, if available;
- b) Proprietary product or service. Explain why other sources do not have the capacity to perform adequately;
- c) Standardization. Provide plain, simple, direct information based upon facts so that a person without technical expertise can follow the rationale;
- d) Cooperation with other UN organizations. This may be used consolidate agreements entered into by other UN organizations. Provide a copy of their agreement;
- e) Competitive bidding conducted for the same item during the last year. Provide detailed information on prices and delivery. There should be no increase in prices;
- f) Competitive bidding conducted during the last year has not produced satisfactory results. Provide a detailed summary of the previous competitive bidding process and its outcome;
- g) Procure or lease real property. Provide the prevalent market rates in that area;
- h) Urgency. Include the following in the justification:
 - A description of the urgency (the urgency cannot be the result of slow administrative processing or a general lack of planning)
 - An explanation of how the non-competitive purchase will meet the schedule
 - A discussion of the adverse impact that the UNDP would suffer if the delivery schedule were modified to permit competition
- i) Professional services that cannot be objectively evaluated. This relates to research and development services;
- j) Formal solicitation will not give satisfactory results. Provide detailed cost estimates

When seeking waiver, the project should focus the discussion on why obtaining other bids or proposals is impractical, rather than on side issues such as the reputation or experience of the proposed supplier. In addition the project should also demonstrate why the price is fair, reasonable and competitive.

8.0 MANAGEMENT OF PROJECT EQUIPMENT**8.1 DEFINITIONS**

Equipment purchased on any NEX project shall be classified as expendable or non-expendable as described in Section 7.2.1

8.2 OWNERSHIP OF EQUIPMENT

UNDP-funded equipment remains UNDP property until formally transferred or disposed of. This applies irrespective of who undertakes the procurement of the equipment. Equipment may be transferred or disposed at the end of the project, or at any time during the life of the project. The Designated Institution shall be accountable to UNDP CO for proper use and maintenance of all project equipment. All equipment shall be clearly and visibly marked. Decals and stickers for this purpose are available from the UNDP CO. All equipment shall be used for official purposes related to the project only.

Decisions concerning the disposition of project equipment during or after completion of the project shall be made by the UNDP RR based on the recommendations of the Contracts, Asset and Procurement Committee (CAP).

Equipment may be temporarily placed in the custody of the UNDP CO, pending transfer or sale. The custody period must not exceed 9 (nine) months.

8.3 INVENTORY CONTROL

At the commencement of the project, the NPM should establish a Non-expendable Property Ledger (Annex 8A), which should be updated regularly. The purpose of this ledger is inventory control. The Designated Institution shall provide a certified copy of the Non-expendable Property Ledger to the UNDP CO by the end of February each year. The ledger shall list all UNDP-funded non-expendable equipment previously procured by the project. The ledger shall describe each item in detail: type, mark, model and serial number, the quantity, date of purchase, value and its location. For vehicles, the ledger should also include the chassis/engine number, year of manufacture and registration plate number. Equipment procured by all implementing agencies should be listed as well.

Any property from the project issued on loan to project personnel should be recorded and placed in the relevant personnel file. A final Clearance form must be certified by the NPM before separation of any project personnel indicating that all equipment has been returned to the project (Annex 8B).

8.4 REPLACEMENT OF DAMAGED/SHORT-SHIPPED EQUIPMENT

The NPM shall request the supplier or insurance company, as the case may be, to replace damaged or short-shipped equipment within the stipulated period. The request shall state

the precise nature of the damage. If the damage is only partial, the name and likely cost of the part to be replaced shall also be provided to the supplier or insurance company.

In case the amount involved in an insurance claim is substantial, the case shall be submitted to CAP, which may recommend that the project procure new equipment in order not to delay project activities.

8.5 INSTALLATION AND COMMISSIONING

If necessary, the UNDP CO shall make advance arrangements with local agents/representatives of the suppliers for installation and commissioning of the equipment by the suppliers' engineers and technicians. The communications concerning these arrangements shall be well documented to ensure that warranty and insurance claims are not jeopardized.

Final payment for the equipment shall not be made until after satisfactory commissioning and completion of the final acceptance test.

8.6 OPERATIONS AND MAINTENANCE

The NPM shall liaise with the UNDP CO in identifying suitable service centres for equipment. Where there exists a local agent or representative, service contracts may be entered into. The NPM shall liaise with UNDP CO before entering into any service contract. The cost of any service contract shall be charged to budget line 45-00 Operations and Maintenance.

8.7 INSURANCE OF EQUIPMENT

Third-party liability insurance for all project vehicles is mandatory, although comprehensive insurance of vehicles is desirable. Insurance coverage for other non-expendable equipment is optional and may be secured depending on perceived risks, costs and potential damages.

The Designated Institution shall be responsible for securing insurance for non-expendable equipment as described above. The costs of insurance premiums may be charged to budget line 45-00.

8.8 DISPOSITION OF EQUIPMENT

The UNDP RR is responsible for deciding on the disposition of all project equipment based on the recommendations of the CAP. From time to time, certain project equipment may no longer be needed by or useful to the project. Such equipment may have become obsolete, damaged or unusable. In rare cases equipment may even have been stolen. The obligations of the Designated Institution regarding the disposition of project equipment are as follows:

- a) In all cases, the NPM shall prepare and the NPD sign and submit a Case Report (Annex 8C) to the UNDP CO. As part of this Case Report, the NPM should recommend whether the equipment should be repaired or disposed, and if disposed whether it should be transferred, sold or discarded. The Case Report may also note if the equipment was stolen and, if so, the Case Report should be accompanied by a police report;
- b) Based on the Case Report, the CAP then makes a recommendation to the UNDP RR concerning the final disposition of the equipment;
- c) If the equipment is to be transferred to the Government or to another UNDP project, the NPM shall prepare a Transfer of Title of Equipment Ownership Form (Annexes 8D.I-8D.II). The NPD should then sign and submit this form to the UNDP CO;
- d) In all cases, the NPM shall ensure timely action with regard to the disposition of equipment based on the final decision of the UNDP RR.

8.9 PROJECT VEHICLES

8.9.1 General Policies

UNDP-supported projects may be provided with a vehicle or vehicles to facilitate project implementation. Like all project equipment, vehicles remain the property of UNDP until disposed of and may only be used for official project business.

All vehicles shall be licensed and registered in the name of UNDP and shall bear a UNDP decal.

All vehicles shall be insured against third-party liability and may be driven only by designated project drivers holding valid driving licenses.

In no cases shall any passengers be allowed to carry firearms in UNDP vehicles.

8.9.2 Operations

Before any project vehicle may be operated, the Designated Institution shall:

- Register and license the vehicle in the name of UNDP
- Secure third-party liability insurance for the vehicle, and preferably comprehensive vehicle insurance

Project drivers shall operate project vehicles in accordance with all relevant traffic laws and safety rules. S/he is required to wear a seat belt at all times and should ensure that passengers wear seat belts as well.

Project drivers are responsible for keeping a Daily Log of vehicle operations (Annex 8E) and a record of all vehicle repairs and maintenance.

Project drivers may not drink while on duty and may never operate a project vehicle while intoxicated. Doing so may be grounds for summary dismissal.

Vehicles may not be driven at night or in other dangerous situations.

8.9.3 Maintenance

Project drivers shall be responsible for ensuring that preventative maintenance is conducted on a regular basis. An indicative Schedule of Maintenance is provided in Annex 8F. However, the manufacturer's specifications should govern the actual maintenance schedule.

Regular maintenance and repair work should be done only by licensed and reputable shops. All lubricants and oils should be new and spare parts should be new and unused whenever possible. Payment for the work may only be made based on the driver's certification of satisfactory performance. Replaced parts should be disposed in accordance with the above guidelines concerning the disposition of equipment.

8.9.4 Accidents

All accidents, damage or loss to vehicles must be promptly reported to the UNDP CO. In case of serious accidents or any accidents involving third parties, the relevant police authorities and insurance companies must be promptly notified as well.

Afterwards, the NPM shall complete and submit a Report of Accident form (Annex 8G) and Driver's Statement of the accident to the UNDP CO together with all relevant supporting documents including, if applicable, any police and/or insurance company reports.

Within the UNDP CO, the CAP shall review the Accident Fact Sheet (Annex 8H) and supporting documents to determine what actions, if any, should be taken against any liable parties.

9.0 FINANCIAL MANAGEMENT**9.1 GENERAL POLICIES**

The Designated Institution is accountable to the Government and UNDP for the utilisation and management of project funds for achieving project objectives. The Designated Institution is also responsible for keeping an accounting system to allow cost-effective management of resources and ensure accountable reporting.

The UNDP CO shall establish internal monitoring mechanisms to include periodic project visits by the UNDP CO staff and annual audits by authorised audit firms. For the purpose of accountability, project funds shall be disbursed under two signatures: certifying and approving.

The Designated Institution shall provide the UNDP CO with the names and specimen signatures of NPD and alternate NPD designated by the Designated Institution. The NPD and, in her/his absence, the alternate NPD shall act as approving officer for the project. The NPM shall assume the responsibilities of certifying officer.

The function of the certifying officer is to ensure that:

- The activities to be financed are within the framework of approved workplans
- The level of commitment is within the approved project budget
- The commitment decision provides the best value for money
- No duplicate payments for the goods or services have been made

In the exercise of their authority, certifying officers are expected to show the highest level of professional ethics and integrity. They are responsible for ensuring that the commitments of funds are properly documented in accordance with the procedures established in this Manual.

The function of the approving officer is to:

- Ensure that the payment is made against a recorded commitment entered into by the certifying officer
- Ascertain that all the goods or services for which payment is claimed have been delivered, according to the terms outlined in the commitment documents
- Defer or stop the payment if there are reasons to do so

However, for the disbursement of funds for activities specified and approved by the NPD in quarterly workplans, the NPM may act as approving officer and the AFA as certifying officer for commitments or disbursements more than USD 500 must be approved by the NPD or Alternate NPD and certified by the NPM.

9.2 PROJECT BUDGET

The project budget shall be operational when the project document has been signed by the Designated Institution and UNDP CO. The budget shall be broken down into budget components and budget lines against which the project funds shall be allocated.

In the interest of sound financial management, budgets must be kept up to date, whether or not any changes need to be made in the objectives, expected results, outputs, activities, indicators, and inputs, or in the budget total.

The project shall maintain on a monthly basis an updated record of expenditures, commitments and available balance by budget lines. The UNDP CO shall advise projects of the UN Operational Exchange Rates on a monthly basis.

9.2.1 Budget Revisions

An annual or mandatory budget revision must be prepared and approved by 10 June each year, to reflect the final expenditures for the preceding year and enable the preparation of a realistic plan for the provision of inputs for the current year.

A revision may also be prepared during October-November each year, to update the estimate of expenditures for the current year.

The Designated Institution and UNDP CO may initiate budget revisions at any time to ensure more efficient utilisation of project funds or in light of emerging needs of the project.

9.2.2 Procedures

Revisions may be initiated either by the Designated Institution or UNDP CO.

The RR may also sign budget revisions under certain conditions provided the other signatories have no objections.

9.3 PROJECT WORKPLANS

Workplans are an essential tool for the financial planning and management of project resources.

A quarterly workplan together with a Quarterly Financial Report (QFR) shall be submitted to the UNDP CO within 15 calendar days of the first month of the quarter for which the advance is requested. Submission deadlines are therefore 15 January, 15 April, 15 July and 15 October each year.

The NPM shall prepare quarterly workplans in close consultation with PO for the UNDP approval by the NPD and DRR (P).

Quarterly workplans shall serve as the main basis for the quarterly forecast of funds and shall be based on the annual workplan. Therefore, it shall contain information on anticipated planned activities, expenditures and chargeable budget lines.

9.4 BANKING ARRANGEMENTS

Projects shall maintain and operate separate bank accounts for the utilization of UNDP funds.

Project bank accounts shall be in local currency only and may only be used for transactions related to project activities.

As soon as project activities commence, the NPD shall submit to the UNDP CO a request to open a bank account, with specimen signatures of the NPD, alternate NPD, NPM and AFA, and copies of their respective National ID cards. A sample letter is attached as Annex 9A. The UNDP CO shall request the bank to open a bank account. The UNDP CO letter to the bank shall include the bank account name, preferably the same name as the project title and number.

The operation of the project bank account shall require two signatories. Bank transfers and cheques shall bear signatures of the certifying officer and the approving officer. Normally the NPD will have authorised the NPM to conduct day-to-day management of financial transactions based on an approved quarterly workplan. Thus the certifying officer shall be the AFA and the approving officer the NPM for all commitments or expenditures less than USD 500. Otherwise, the certifying officer shall be the NPM or AFA and the approving officer shall be the NPD or alternate NPD. Any changes to the signatory panel of the project shall be communicated to the bank through the UNDP CO.

Bank transfers must be sequentially numbered.

The stock of chequebooks received from the bank must be registered in a special journal reflecting the date of receipt, starting and ending numbers of all cheques received and the date of the last payment. Only one chequebook may be used at any one time, and spare chequebooks must be kept in the project's safe custody.

From time to time, cheques may be cancelled before they are issued. In such cases, the cheque and Disbursement Voucher shall be stamped "void," the AFA shall note the reason, and the cancelled cheque and Disbursement Voucher shall be kept on file.

In case a signed cheque is lost, the project shall issue a letter to the bank requesting the bank to stop the payment. Also, a letter of indemnity must be sent to the payee of the lost cheque. Upon receipt of the bank's confirmation that they have stopped payment on the cheque and of the signed letter of indemnity from the payee, the Disbursement Voucher, against which the lost cheque was originally issued, shall be cancelled. A replacement cheque for the same amount shall be issued by preparing a new Disbursement Voucher.

9.5 OPERATING FUNDS AND DISBURSEMENTS

9.5.1 General Policies

Projects shall facilitate their activities set forth in approved quarterly workplans either (a) by means of Requests for Direct Payment whereby the UNDP CO directly settles payments on behalf of projects or (b) using funds from quarterly advances received from the UNDP CO in local currency.

Projects may operate petty cash funds for the purpose of cash payments for miscellaneous expenses as described in Section 9.7.

Payments related to one Disbursement Voucher shall be processed using one bank transfer or one cheque made out only to the payee who provided the goods, works or services, or to another person designated by that provider as evidenced by supporting documentation.

In exceptional cases, lump sum cash payments may be made to a responsible party for later distribution to third parties. Such cases might include workshops, seminars or other training activities organised by the project where payments are limited to the disbursement of per diems, reimbursement of transportation costs, etc. to the participants only. Normally, the responsible party would be the NPM or AFA. Payments to third parties may then only be made based on (a) the approved budget along with the list of participants, (b) agreed activities successfully completed and (c) signature of the recipients. In such cases, the responsible party must ensure that all necessary measures are taken with regard to safeguarding the funds.

9.5.2 Direct Payments on behalf of Projects

The UNDP CO may directly effect payments on behalf of projects in cases when (a) payments should be made in a foreign currency, (b) procurement has been arranged through the UNDP CO or (c) the initial quarterly advance has not yet been made. In such cases payments shall be made on the basis of a Request for Direct Payment (RDP) submitted by the project to the UNDP CO. A sample of the RDP format is attached as Annex 9B.

RDPs shall be supported by the following documents:

- a) *For goods:*
 - Local Purchase Order (for goods more than USD 200)
 - Comparative table of quotations (for goods less than USD 200)
 - Invoice (with VAT shown separately)
 - Receiving and Inspection Report
- b) *For services and works:*
 - Contract (copy) (for services and works more than USD 200)
 - Comparative table (for services and works less than USD 200)
 - Performance evaluation
 - Invoice (with VAT shown separately)

RDPs shall be sequentially numbered and signed by the certifying officer and approving officer.

The UNDP CO shall continue to furnish projects with copies of Disbursement Vouchers with an original copy of the invoice and forward a statement of direct payments to the projects on a monthly basis so that the expenditures can be recorded in the projects' accounting records. This will facilitate the approval of Combined Delivery Report (CDR) by the NPD.

9.5.3 Quarterly Advance of Funds

A quarterly advance of funds shall be transferred to the project's bank account on the basis of a Quarterly Financial Report (QFR). The QFR is supported by a quarterly workplan stating estimated expenditures and a quarterly progress report. The QFR shall be certified by the NPM, approved by the NPD and cleared by the UNDP PO.

Funds are normally advanced on a quarterly basis, but monthly advances may be provided if more appropriate. A sample QFR and instructions for preparing the QFR are attached as Annex 9C. A table of Cash Requirements (Annex 9D) for the advance of funds indicating budget lines should be attached to QFR.

The QFR shall be submitted to the UNDP CO within 15 calendar days of the first month of the quarter for which the advance is being requested. However, an advance request for the first quarter of the project may be submitted within 15 calendar days after approval of the annual workplan.

The UNDP CO shall, upon receipt of the QFR, check and verify to ensure that:

- a) The QFR is mathematically correct;
- b) Funds are available in the budget and on the individual budget lines as per the latest budget revision;
- c) The amount requested on the QFR does not exceed the amount of funds reasonably required to cover disbursements for the next three months according to the quarterly workplan;
- d) The QFRs have been received by the UNDP CO for all prior-reporting periods.

Any unutilised advance of funds, plus any accrued interest, at the end of a project shall be credited to the UNDP CO bank account.

9.5.4 Disbursements from the Quarterly Advances

Normally, project funds should be disbursed via bank transfers. Payments may be made via cheques only in cases where individual payees do not have a bank account. Payments may also be made in cash for (a) petty cash payments as discussed in Section 9.7 and (b) certain training payments as described in Section 9.5.1.

All disbursements must be supported by an official Disbursement Voucher and the following original documents:

- a) *For goods:*
 - Local Purchase Order (for goods more than USD 200)
 - Comparative table of quotations (for goods less than USD 200)
 - Invoice (with VAT shown separately)
 - Receiving and Inspection Report

- b) *For services and works:*
 - Contract (copy) (for services and works more than USD 200)
 - Comparative table (for services and works less than USD 200)
 - Performance evaluation
 - Invoice (with VAT shown separately)

Disbursement Vouchers must be sequentially numbered and signed by the certifying officer and approving officer. A sample of Disbursement Voucher is shown in Annex 9E.

Invoices should be stamped “paid”, once payments are made. Payments shall never be made to non-defined payees, e.g., bearer, cash, etc.

For the purposes of funding workshops and seminars outlined in their workplans, projects shall use the pro-forma costs (Annex 9F) authorized by UN Agencies in Mongolia.

9.5.5 Financial Reporting on Quarterly Advances

Projects shall submit timely and accurate QFRs to account for the use of UNDP funds, to monitor project delivery rates and to facilitate processing of further advances. The QFR presents expenditures on a quarterly basis and reflects the financial transactions on a cash basis. Thus, unliquidated obligations or commitments shall not be included in the report as expenditures. For example, outstanding commitments for an order to procure equipment shall not be included in the report as an expenditure until the supplier is paid.

The QFR shall be produced in the local currency.

Projects must submit QFRs together with quarterly progress reports to the UNDP CO no later than 15 calendar days after the end of the quarter. Timely submission of the QFR is a prerequisite to the continued funding of the project, and unless financial reports are received by the UNDP CO by the due date, requests for advances of funds shall not be processed.

QFRs shall be certified by the NPM and approved by the NPD or Alternate NPD in her/his absence. Upon receipt of the QFR, the UNDP CO shall review it and verify it against the Monthly Disbursement Ledger.

The project shall maintain a Monthly Disbursement Ledger. This is a cumulative record of all disbursements made by the Designated Institution, entered by budget line. The ledger facilitates the preparation of the QFR. A sample of ledger format is shown in Annex 9G. The ledger consists of the following reports:

Bank Disbursement List. The purpose of the bank disbursement list is to provide a chronological record of all funds that are deposited into and disbursed from the project bank account. The Bank Disbursement List shall be updated, “closed” and reconciled with the bank statement on a monthly basis. A sample format of a Bank Disbursement List is attached as Annex 9H.

Petty Cash Statement. Petty cash transactions shall be recorded in a separate Petty Cash Statement, which shall be reconciled with the bank disbursement list on a regular basis. An imprest system whereby the replenishment of petty cash is equal to the amount previously disbursed is recommended. A detailed description of petty cash is provided in Section 9.7. A sample format of a Petty Cash Statement is attached as Annex 9I.

Petrol Statement. In case the project has a vehicle, a Petrol Statement shall be prepared and adequately supported by relevant documents, e.g. driver’s daily log. The statement shall also be properly certified by NPM. A sample format of a Petrol Statement is shown in Annex 9J.

9.5.6 Final Financial Reports

When a NEX project is financially complete, the Designated Institution shall prepare and submit a final financial report. This report is the same as described above. This report shall reflect the financial activities for the final quarter of the project and shall be clearly marked "FINAL".

9.6 PROJECT PERSONNEL SALARIES

The remuneration and other entitlements of locally-recruited project personnel must not exceed those applicable within the United Nations for comparable functions in the programme country. Civil servants (government employees who are assigned to participate in the implementation of a UNDP-supported project, including NPD) cannot receive any remuneration from the UNDP project budget.

Salaries of project personnel shall be paid directly by the UNDP CO on the basis of a Staffing Table and Certification for Payment (refer to Annex 5K). The staffing table shall be supported with copies of contracts for newly recruited personnel and any contract extensions. In the latter case, a Performance Evaluation Form shall also be attached.

The UN “Pro-forma Salary Scales for Project Personnel” takes into account and includes UNDP’s obligations to pay social security benefits for project personnel. Since project personnel receive a payment for these benefits as part of their monthly salary, it is the responsibility of all project personnel themselves to make the required personal and organisational social security contributions to their relevant Labour Regulation Office.

9.7 PETTY CASH FUNDS

Due to the nature of petty cash, petty cash transactions shall be kept to a minimum and restricted to petty expenses for operation and maintenance (budget line 45) and sundry items (budget line 53). Examples may include minor repairs, office supplies, etc.

The maximum amount of the petty cash fund is USD 200 in local currency, and the limit for any single payment is USD 50 in local currency. Payments of fees, advances, salaries, overtime, and allowances must not be paid from petty cash. Receipts of cash other than replenishments to petty cash must not be deposited in the petty cash fund.

The AFA shall serve as the petty cash custodian.

The petty cash fund shall be drawn from the project's bank account for the exact amount of the fund, and deposited in a steel cash box, which can be locked. The box together with the keys, must be given against a written receipt into the custody of the petty cash custodian. The petty cash box must be locked in the office safe after office hours. A duplicate key to the box must be kept in a sealed envelope in the office safe and the custodian of the petty cash must sign this envelope. The NPM and/or UNDP CO shall verify from time to time to ensure that these instructions are adhered to.

A separate cash book must be kept by the petty cash custodian showing all petty cash transactions. All payments shall be clearly described in the petty cash statement and recorded when effected.

The petty cash fund may be replenished as needed, bringing it back up to the approved amount. When submitting a request for replenishment, the custodian must submit the Petty Cash Statement, which must be certified by NPM. Copies of the Petty Cash Statement shall be attached to the QFR (refer to Annex 9I).

At the end of the year the petty cash fund must be closed. By 15 December each year the balance of the cash in hand must be deposited back to the project's bank account and the Petty Cash Statement must be attached to the QFR.

9.8 PROJECT ACCOUNTING FILES**9.8.1 General Policies**

Projects shall maintain an accounting system that is kept up to date and ensures the following:

- a) Availability of books and records and presence of internal controls sufficient to ensure the reliability and accuracy of financial information and reporting;
- b) Proper identification of receipt and disbursement of funds within approved budget allocations; and

- c) Tracking of receipts and disbursements from quarterly advances, and direct payments made by the UNDP CO.

Project accounting files maintained by the projects shall include the following:

a) Budgets and Workplans.

- A signed project document
- All previous budget revisions
- Current budget revision
- Annual workplans and quarterly workplans

b) Financial Reports.

- Copies of Requests for Direct Payments (RDP), supported with a copy of the UNDP CO Disbursement Voucher and original invoice stamped “paid”, and including the required certification and copies of all related documentation
- Monthly Disbursement Lists, produced monthly by the UNDP CO from FIM
- Disbursement Vouchers with original supporting documents
- Monthly Disbursement Ledger with relevant reports/statements
- Bank Disbursement List
- Petty Cash Statements with original supporting documents
- Petrol Statement with original supporting documents
- Quarterly Financial Reports (QFR), including required certification, and copies of all related documentation
- Project Delivery Reports (PDRs) from any UN Implementing Agency, if applicable
- Combined Delivery Reports (CDRs). Details on CDR are described below.

- c) Combined Delivery Reports. The CDR is a key financial report for NEX projects. It shall form the basis for financial audits.

CDRs shall be prepared in US dollars reflecting all expenditures made by the Designated Institution through advance funds, the UNDP CO through direct payments, UN implementing agencies, and UNDP HQ or other country offices.

CDRs shall be prepared by the UNDP CO four times a year. The CDR for each NEX project shall be sent to the Designated Institution for the periods ending 31 March, 30 June, 30 September and 31 December each year (Annex 9K).

CDRs must be verified and certified by the Designated Institution within 30 calendar days of receipt, and returned to the UNDP CO with a cover letter for its records. Discrepancies, if any, shall be reported to the UNDP CO immediately. The year-end CDRs must be given to auditors to facilitate the audit.

d) Other Reports.

- Audit reports

- Other instructions/evaluations from the UNDP CO on the project's financial management.

The reports discussed above form the basis for the financial and management audit of projects. The NPM and AFA shall be held responsible for the day-to-day management of project funds, the maintenance of project ledgers and the preparation and timely submission of these reports.

- e) Retention of Financial Documents. Upon financial completion of the project, financial documents shall be archived at the UNDP CO.

9.9 VALUE ADDED TAX (VAT)

Projects shall be reimbursed for VAT paid on their transactions. For the purposes of the reimbursement, projects shall submit to the UNDP CO a list of VAT paid on a monthly basis. The list should be supported by original invoices of VAT payers. Invoices must clearly indicate the VAT amount. The UNDP CO shall forward the list to the General National Department of Taxation. Upon receipt of the reimbursements from the Ministry of Finance and Economy, the relevant VAT amounts shall be credited to the corresponding budget lines of the projects. A sample of VAT list is shown in Annex 9L.

9.10 AUDIT

All NEX projects must be audited at least once in their lifetime, the frequency depending on the volume of funds and workload, among other things. NEX projects with estimated expenditures over USD100,000 for the year must be audited annually, and NEX projects with estimated expenditures less than USD100,000 must be audited at least every other year.

External audits shall be performed by audit firms licensed by MFE. Internal audits shall be performed by the UNDP CO.

9.10.1 Objective and Scope

The objective of the audit is to ensure that UNDP resources are being managed in accordance with:

- The financial regulations, rules and procedures prescribed for the project.
- The project document and workplans, including activities, management and implementation arrangements, monitoring, evaluation and reporting provisions.
- The requirements for execution in the areas of management, administration and finance.

The audit of NEX projects must cover, but may not necessarily be limited to, the following:

- Financial accounting, monitoring and reporting.

- Management systems for recording, documenting and reporting on resources utilization.
- Equipment use and management.
- Management structure, including the adequacy of appropriate internal control and record-keeping mechanisms.

The audit of NEX projects must confirm and certify that:

- Disbursements are made in accordance with the activities and budgets of the project document.
- Disbursements are supported by adequate documentation.
- Financial reports are fairly and accurately presented.
- An appropriate management structure, internal controls and record-keeping systems are maintained.
- The Designated Institution and the UNDP CO have undertaken and prepared reports for monitoring and evaluation of the substantive activities and of the management systems of the project.
- The procurement, use, control and disposal of non-expendable equipment are in accordance with applicable government and UNDP requirements.

The audit is normally carried out at the level where the original documentation is held. It shall cover the funds channelled through the Designated Institution by advances of funds. Expenditures incurred on behalf of the project by United Nations agencies acting as Implementing Agencies or by the UNDP CO providing support to NEX shall be covered by the appointed auditors of those organizations. In this case, the auditors of the project provide a scope restriction to the audit, stating that the audit opinion is limited to the funds received and expenditures incurred by the Designated Institution and that the opinion does not include expenditures covered by United Nations agencies, including UNDP.

9.10.2 Auditing Arrangements

The UNDP CO draws up an annual audit plan by November each year. The plan lists the projects scheduled to be audited for that given year, considering whether the project has previously been audited, the volume of funds, the number of projects, and workload, among other things. UNDP HQs Office of Audit and Performance Review is kept informed about the audit plan.

The UNDP CO thereafter arranges for a professional auditing firm to undertake an external audit of the projects listed in the plan.

While it is the responsibility of the UNDP CO to notify those projects to be audited, NPMs and NPDs shall be prepared at all times since audits may be carried out whenever deemed necessary. NEX audits shall be carried out during the first quarter of the year. The UNDP CO will also play a supporting role by conducting internal audits of selected projects from time to time during the year to ensure that proper records and documentation are maintained and funds are used solely for project activities.

NPMs and NPDs shall ensure that all queries raised by the auditors during and after the audit are responded to, to the satisfaction of the auditors. Similarly, NPMs/NPDs shall make available to the auditors all project-related technical and substantive reports.

The findings of the draft audit report shall be discussed in detail with the Designated Institution and UNDP CO. The UNDP CO forwards the final audit report to UNDP HQ. The audit report is to reach UNDP HQ no later than 30 April each year.

Annex 9M, Guidance on Audit, provides guidance on the audit progress, such as the audit plan, standard terms of reference and contract for the auditor, standard outline audit report, as well as issues and documentation to assist the audit.

10.0 MONITORING, REPORTING AND EVALUATION**10.1 PURPOSE**

Monitoring and evaluation are essential management functions that are interactive and mutually supportive. They help the Designated Institution, UNDP CO and other stakeholders in the following:

- To ensure accountability in the use of resources entrusted
- To provide a clear basis for decision making in project implementation
- To guide future interventions based on lessons learned

10.2 DEFINITIONS

Monitoring is a continuing function that aims to provide the project management and main stakeholders of an ongoing project with early indications of progress, or lack thereof, in the achievement of project objectives. Monitoring must be undertaken for all projects.

Evaluation is a selective exercise that attempts systematically and objectively to assess the progress towards and the achievement of outputs that lead to greater outcomes.

Reporting is a preparation of documentation that describes project implementation progress and analyzes any challenges that the project faces.

10.3 MONITORING

The Designated Institution shall be responsible for planning and organising project monitoring.

Project monitoring shall be carried out using the tools and mechanisms described below.

Table 10.1 Monitoring Mechanisms

MONITORING MECHANISM	PURPOSE	PROCEDURES
<p>1. <u>Field Visit</u> – a direct observation of a project at its site</p>	<p>To enable the person making the field visit to obtain a first hand account of the progress of a project towards achieving results outlined in the workplan.</p>	<p>The person making the field visit shall:</p> <ul style="list-style-type: none"> ▪ Obtain the views of the target groups and other stakeholders on how the project is affecting them and their recommendations for addressing relevant issues. Also, determine whether adequate mechanisms are in place for consulting with, and obtaining feedback from, the stakeholders; ▪ Inspect the project site, outputs and services, and assess their adequacy in terms of quality and quantity vis-a-vis the expected results; ▪ Prepare a field-trip report (Annex 10A) within 5 days from completion of the visit, highlighting stakeholders’ views as well as her/his own observations and recommendations on how to address any issues concerning the project; and ▪ Provide the Designated Institution with a copy of field visit report. <p>The Designated Institution reviews the assessment and recommendations of the report and takes appropriate actions. Whenever necessary, the Designated Institution refers the recommendations to concerned entities or the tripartite review for consultation and decision.</p>
<p>2. <u>Progress Review</u> – a technical working level meeting of the Project Steering Committee or representatives from the MFE, UNDP CO and Designated Institution .</p>	<ul style="list-style-type: none"> ▪ To monitor progress of a project based on the workplan and quarterly progress report. ▪ To identify problems and issues and determine appropriate courses of action. ▪ To take decisions on recommendations to improve project implementation in terms of substantive accomplishments and financial delivery rate. ▪ To plan out next quarter’s activities. 	<ul style="list-style-type: none"> ▪ The Designated Institution prepares the agenda in consultation with the UNDP CO. The agenda should include (i) follow-up to previous quarterly meeting, if any, (ii) discussion of the quarterly report, (iii) management actions required including parties responsible and timeframe for implementation and (iv) workplan for the next quarter. ▪ Inputs to the meeting should include a quarterly progress report and an updated quarterly workplan. ▪ The Designated Institution circulates the agenda and background documents one week prior to the scheduled meeting. ▪ The Designated Institution or a UNDP CO representative presides over the meeting. ▪ The Designated Institution prepares minutes of the meeting and distributes copies to participants within two weeks from the meeting. ▪ The Designated Institution ensures implementation of the decisions taken.

MONITORING MECHANISM	PURPOSE	PROCEDURES
<p>3. <u>Tripartite Review</u> – a TPR should be held at least once a year during the lifetime of a project.</p> <p>- The Designated Institution shall be responsible for organising the TPR in consultation with the UNDP CO and for ensuring that decisions are taken on important issues.</p>	<ul style="list-style-type: none"> ▪ To assess progress of a project based on the annual project report prepared by the NPM. ▪ To take decisions on recommendations to improve the design, implementation and results of that project in order to achieve the expected results. 	<ul style="list-style-type: none"> ▪ The Designated Institution prepares the agenda in consultation with the UNDP CO to include (i) follow-up to previous TPR or any evaluation of the project, (ii) discussion of the Annual Progress Report (APR) (Annex 10D), (iii) management actions required including parties responsible and timeframe for implementation, (iv) workplan for next TPR and (v) discussion for evaluation need. ▪ Inputs to the meeting should include an agenda, APR and updated workplan. Terminal TPRs should also include a sustainability plan. ▪ The Designated Institution submits the APR and other documents to the UNDP CO one month prior to the scheduled TPR. The Designated Institution circulates the agenda and background documents to participants two weeks prior to the scheduled TPR. ▪ The Designated Institution or a UNDP CO representative presides over the meeting. ▪ The Designated Institution prepares a TPR report (Annex 10B) and distributes copies to participants within two weeks from the meeting. ▪ The Designated Institution ensures implementation of the decisions taken.

Table 10.2 Progress Reports

PROGRESS REPORT	PURPOSE	PROCEDURES	ACTIONS TO BE TAKEN
<p>1. <u>Quarterly Progress Report (QPR)</u> – an assessment by the Designated Institution of progress achieved in a particular quarter in terms of substantive and financial accomplishments.</p>	<ul style="list-style-type: none"> ▪ To present project implementors’ insights on issues affecting project implementation and propose appropriate courses of action and anticipate actions needed to be done to facilitate next quarter’s workplan. ▪ To serve as an input to the quarterly review meetings and TPRs. 	<ul style="list-style-type: none"> ▪ The Designated Institution prepares the QPR; ▪ The QPR is submitted to the UNDP CO for review and comments. 	<p>The Designated Institution, through the NPD or NPM, presents the QPR in the quarterly review meeting (Annex 10C).</p>
<p>2. <u>Annual Progress Report</u> – an assessment of a particular project during a given year by target groups, Designated Institution, MFE and UNDP CO.</p> <p>(Subject to donor requirements, a bi-annual progress report may also be required)</p>	<ul style="list-style-type: none"> ▪ To provide a rating and textual assessment of the progress of project in achieving expected results. ▪ To present stakeholder’s insights on issues affecting project implementation and their proposals for addressing the issues. ▪ To serve as an input to the TPRs and any evaluations of the project. 	<ul style="list-style-type: none"> ▪ The Designated Institution shall be responsible for preparing the APR in consultation with stakeholders using the standard format available at UNDP CO. ▪ The Designated Institution must submit APR to UNDP CO and other involved parties for their comment. If a TPR meeting is scheduled, the APR shall be sent to participants two weeks prior to the scheduled meeting. 	<ul style="list-style-type: none"> ▪ Designated Institution, through the NPD or the NPM, presents the APR in the TPR, highlighting policy issues and recommendations for the decision of the participants. <p>The representative of the Designated Institution also informs the participants of any agreements reached by stakeholders on the APR (Annex 10D) preparation process on how to resolve operational issues.</p>
<p>3. <u>Exit Strategy</u> – indicates arrangements to be made by major stakeholders to institutionalise capacities developed by a project.</p>	<p>To provide Designated Institution recommendations on:</p> <ul style="list-style-type: none"> ▪ Mechanisms and courses of actions for utilising enhanced capacities; ▪ Responsibilities of parties concerned; and ▪ Timetable of implementation. 	<ul style="list-style-type: none"> ▪ Initial plan is described in the project document. ▪ Plan is gradually fleshed out through project implementation. ▪ Plan is finalized six months prior to the scheduled project completion date. 	<ul style="list-style-type: none"> ▪ The Designated Institution presents the plan at the terminal TPR. ▪ The Designated Institution submits the plan to evaluators conducting ex-post/ impact evaluation.

<p>4. <u>Terminal Report</u>-an overall assessment of a project by its stakeholders prepared near programme or project completion</p>	<p>The APR for the final year serves as the terminal report. In addition, the terminal APR also serves as a source of lessons learned and recommends follow-up activities when necessary.</p>	<p>Same as the APR.</p> <p>The Report shall be prepared and submitted to the UNDP CO and MFE one month prior to terminal TPR.</p>	<p>Similar to the APR (Annex 10D).</p>
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10.4 PROJECT EVALUATION

There are two levels of evaluation:

- a) Outcome evaluations, which ensure independent, neutral and fact-based perspectives, help in analysing problems in-depth. It is expected that during the period of UNDP Mongolia's CCF a limited number of outcome evaluations will be conducted. Such evaluations will be carried out in line with the "Handbook on Monitoring and Evaluating for Results – 2002";
- b) Project evaluations, which should be more results oriented, point out project contributions towards the progress of the corresponding outcome.

Project evaluations aim at assessing the effects and impacts of project performance, following on the analysis of the progress made towards the achievement of the project objectives. Evaluations shall act as a tool for (a) enhancing the management of on-going projects, (b) improving the preparation of new projects, and (c) providing inputs into thematic evaluation.

Project evaluations are concerned with one or more of the following aspects of project performance:

- a) Effectiveness: To what extent has the project achieved its objective(s) and reached its target group(s)?
- b) Efficiency: Do the expected project results continue to justify the costs incurred?
- c) Relevance: Does the project continue to make sense?
- d) Validity of design: Is the design logical and coherent?
- e) Unanticipated effects: Is the project having any significant (positive and/or negative) effects, which were not foreseen?
- f) Alternative strategies: Is there a more effective way to address the problem(s) and achieve the objective(s)?
- g) Sustainability: What is the likelihood that project benefits will be sustained after external support is withdrawn?

Project evaluations shall be a bipartite undertaking involving the Government and UNDP and shall act as a management tool used in the decision-making and learning process and improving the effectiveness of future projects.

10.4.1 Categories

There are two categories of evaluation as follows:

a) By Agency

- Internal or self-evaluation - conducted by those directly involved in the formulation, implementation and management of the project
- External or independent evaluation - conducted by those not directly involved in the formulation, implementation and management of the project

b) By Timing

- Mid-term evaluation - conducted at the mid-point of project implementation
- Terminal evaluation - conducted at project completion
- Ex-post evaluation - conducted two or more years after programme or project completion to render judgement on the relevance, performance and success of the project

10.4.2 Evaluation Process

Planning and Managing an Evaluation. The Designated Institution is responsible for planning and managing an evaluation. Where this capacity is inadequate, the UNDP CO or other UN agencies may assist in developing capacity to fulfil this objective. The UNDP CO is responsible for ensuring that evaluations are carried out at the appropriate time, follow a methodology (including team composition) which ensures that critical issues will be objectively examined, and produce the expected results. The following steps shall be followed in planning and managing an evaluation: advance preparation, formulating the TOR, organizing the evaluation team and managing the evaluation.

Advance Preparation. The staff designated, depending on who initiates the evaluation (UNDP CO or Government), shall ensure availability of clear information on the purpose of the evaluation, expected outputs and evaluation stakeholders.

10.4.3 Evaluation Report

An evaluation report is an objective report that contains the evaluators' assessment in fulfilment of the TOR. It is a product of an independent evaluation team. As such, an evaluation report must not be altered in substance by the Government, the Designated Institution or UNDP. An evaluation report shall have the following main sections:

- a) Findings. A finding is a factual statement about a project based on empirical evidence;
- b) Conclusions. A conclusion is a reasoned judgment based on a synthesis of empirical findings or factual statements that correspond to a specific circumstance
- c) Recommendations. A recommendation is a proposal for action to be taken in a specific circumstance, including the parties responsible for that action;
- d) Lessons Learned. A lesson learned is learning from experience that is applicable to a generic situation rather than a specific circumstance. Such lessons learned constitute the development of best practices. The Designated Institution shall disseminate the information on lessons learned and best practices from the project evaluation report to all concerned stakeholders and shall develop a system to ensure that this information is duly considered in the preparation of future projects.

11.0 PROJECT COMPLETION**11.1 OPERATIONAL COMPLETION**

A project is operationally complete when all its activities have come to an end. It is the responsibility of the Designated Institution to advise the UNDP CO and MFE in writing when the project is operationally complete. This advice should include a budget revision reflecting actual and estimated expenditures to date. The terminal tripartite review shall declare the operational completion of a project.

Conditions for Operational Completion. Before declaring the project operationally complete, the NPD should ensure that:

- a) All UNDP-funded project personnel have completed their assignments, and all required technical reports from consultants and experts have been received and distributed;
- b) All UNDP-funded subcontracts have been completed according to the terms and conditions of the contract;
- c) All Implementing Agencies have completed all services/activities for components implemented and outstanding obligations have been paid;
- d) All UNDP-funded fellows have finished their studies. If the training is not yet finished, an obligation shall be raised and charged to the project for any residual period of 12 months or less. If the period is for more than 12 months, the project must remain operational. If the fellow has not been placed or has not yet left the country to begin the fellowship by the proposed operational completion date, the fellow may be included in a new project. Otherwise the fellowship lapses;
- e) All UNDP-funded equipment has been delivered to the project site and installed, tested and functioning;
- f) All UNDP-funded equipment has been disposed or transferred to the UNDP CO for custody;
- g) The APR has incorporated all changes made in the Terminal TPR meeting, and the document has been finalized and distributed;
- h) All project reports and evaluations have been placed in the databases of the UNDP CO and the Designated Institution.

11.2 FINANCIAL COMPLETION

An operationally-complete project is considered financially complete when all financial transactions have been recorded by UNDP, the project accounts closed, and a final budget

revision approved. The financial completion of a project must occur within 12 months after it is operationally complete.

The NPD should settle all outstanding obligations, refund any outstanding balances to the UNDP CO and close the project bank account.

At the same time, any savings or deficits that result from the settlement of outstanding obligations to be paid by the UNDP CO or Headquarters, shall be credited or charged to the UNDP account.

11.3 SUSPENSION AND CANCELLATION

A project may be cancelled if circumstances arise that jeopardize the achievement of the expected results and where a redesign may not bring a permanent solution. Suspension is also possible where financial misconduct is suspected.

The UNDP RR shall take the final decision to suspend or cancel a project and shall confirm this in writing to the parties involved. The procedures for suspension or cancellation of a project are as follows:

- a) Suspension. A project may be suspended by the UNDP RR if conditions warrant. During this period, the parties consult and try to resolve the problems by corrective measures. If the problems are resolved, project activities may be resumed. The UNDP RR confirms to the parties the date for resuming the activities;
- b) Cancellation. A project may be cancelled only after a period of suspension. If the problems have not been resolved within a reasonable period of time, the project shall be cancelled. Unspent TRAC 1 and 2 funds from a cancelled project may be reprogrammed, taking into account the outstanding obligations of the cancelled project.

ANNEXES
