



Government of the People's Republic of Bangladesh

United Nations Development Programme



# National Execution Manual

for UNDP-funded Projects in Bangladesh

## PART-I

Economic Relations Division  
Ministry of Finance

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## List of Acronyms and Abbreviations

|          |  |
|----------|--|
| ADP      | Annual Development Programme                       |
| AFR      | Annual Financial Report                            |
| AOS      | Administrative and Operations Services             |
| APR      | Annual Progress Report                             |
| AR       | Annual Review                                      |
| ARR      | Assistant Resident Representative                  |
| ASL      | Authorised Spending Limit                          |
| ATLAS    | UNDP Corporate Business Software                   |
| BL       | Budget Line  |
| C&AG     | Comptroller and Auditor General                    |
| C&F      | Clearing and Forwarding                            |
| CCA      | Common Country Assessment                          |
| CCF      | Country Cooperation Framework                      |
| CDR      | Combined Delivery Report                           |
| CDVAT    | Custom Duty and Value Added Taxes                  |
| CO       | Country Office                                     |
| CSO      | Civil Society Organisation                         |
| CTA      | Chief Technical Advisor                            |
| CV       | Curriculum Vitae                                   |
| DC       | Deputy Commissioner                                |
| DCOS     | Direct Country Office Supports                     |
| DEX      | Direct Execution                                   |
| DPD      | Deputy Project Director                            |
| DRR      | Deputy Resident Representative                     |
| DSA      | Daily Subsistence Allowance                        |
| DSPEC    | Departmental Special Project Evaluation Committee  |
| ERD      | Economic Relations Division                        |
| FAO      | Food and Agricultural Organisation                 |
| FAPAD    | Foreign Aided Projects Audit Directorate           |
| FIM      | Financial Information Management                   |
| GEF      | Global Environment Facility                        |
| GoB      | Government of Bangladesh                           |
| HQ       | Headquarters                                       |
| IAPSO    | Inter-Agency Procurement Services Office           |
| ICAO     | International Civil Aviation Organisation          |
| ICB      | International Competitive Bidding                  |
| ILO      | International Labour Organisation                  |
| IMED     | Implementation, Monitoring and Evaluation Division |
| JD       | Job Description                                    |
| LCB      | Local Competitive Bidding                          |
| LCC      | Local Contract Committee                           |
| LCD      | Liquid Crystal Display                             |
| LCG      | Local Consultative Group                           |
| LIC      | Limited International Competition                  |
| LOA      | Letter of Agreement                                |
| LOGFRAME | Logical Framework                                  |
| LPAC     | Local Project Appraisal Committee                  |
| MCG      | Micro Capital Grants                               |
| MOU      | Memorandum of Understanding                        |
| MSU      | Management Support Unit                            |
| NBR      | National Board of Revenue                          |
| NEA      | National Executing Agency                          |

|         |  |
|---------|--|
| NEX     | National Execution   |
| NGO     | Non-Governmental Organisation                              |
| NIA     | National Implementing Agency                               |
| NPC     | National Project Coordinator                               |
| NPD     | National Project Director                                  |
| NPME    | National Programme Management Expert                       |
| NPPP    | National Professional Project Personnel                    |
| O&M     | Operation and Maintenance                                  |
| OARP    | Office of Audit and Performance Review                     |
| OIC     | Open International Competition                             |
| PA      | Preparatory Assistance                                     |
| PDR     | Project Delivery Report                                    |
| PMT     | Project Management Team                                    |
| PO      | Programme Officer  |
| PRODOC  | Project Document   |
| PSC     | Project Steering Committee                                 |
| QFR     | Quarterly Financial Report                                 |
| QPR     | Quarterly Progress Report                                  |
| QRM     | Quarterly Review Meeting                                   |
| RBM     | Results Based Management                                   |
| ROAR    | Results Oriented Annual Report                             |
| RR      | Resident Representative                                    |
| SAS     | Strategic Areas of Support                                 |
| SBAA    | Standard Basic Assistance Agreement                        |
| SC      | Steering Committee   |
| SOE     | Statement of Expenditure                                   |
| SPEC    | Special Project Evaluation Committee                       |
| SRF     | Strategic Results Framework                                |
| SSA     | Special Service Agreement                                  |
| SUM     | Special Unit for Microfinance                              |
| SURF    | Sub-Regional Resources Facility                            |
| TAPP    | Technical Assistance Project Proforma                      |
| TCDC    | Technical Cooperation among Developing Country             |
| TOKTEN  | Transfer of Knowledge through Expatriate Nationals         |
| TOR     | Terms of Reference   |
| TPR     | Tripartite Review  |
| TRAC    | Target of Resource Assignment from the Core                |
| UNCDF   | United Nations Capital Development Fund                    |
| UNCHS   | United Nations Centre for Human Settlement                 |
| UNDAF   | United Nations Development Assistance Framework            |
| UNDP    | United Nations Development Programme                       |
| UNFPA   | United Nations Fund for Population Activities              |
| UNICEF  | United Nations Children's Fund                             |
| UNIDO   | United Nations Industrial Development Organisation         |
| UNIFEM  | United Nations Development Fund for Women                  |
| UNISTAR | United Nations International Short-Term Advisory Resources |
| UNV     | United Nations Volunteer Programme                         |
| VAT     | Value Added Tax  |
| WHO     | World Health Organisation                                  |
| WIPO    | World Intellectual Property Organisation                   |
| YP      | Young Professional   |



## Preface

UNDP, as one of our trusted partners in development since independence, provides funding for technical assistance to develop and enhance the national capacities in the initiation, implementation and conclusion of the developmental undertakings. On our part, we are assuming the overall responsibility for the execution of the UNDP-supported initiatives. The responsibilities are to be performed with greater trust and co-operation, with full transparency and accountability. Most of the UNDP assisted projects in Bangladesh, currently, are within the framework of National Execution (NEX) modality. Although first technical assistance project under NEX modality was implemented in early 80s, NEX processes and procedures were not codified properly until serious efforts were given jointly by the Government of Bangladesh and UNDP in recent years. As a result the rules and procedures were simplified, updated and consolidated in line with the Global NEX Guidelines applicable for UNDP assisted projects.

The present NEX Manual accounts for the latest modifications in NEX procedures. It defines and clarifies UNDP's overall policies and procedures and provides practical steps on how to best apply national execution in the country. I am happy to see that a useful instrument in making that process smoother has been developed through active participation of a wide range of stakeholders, from Executing Ministries, Implementing Agencies, National Project Directors, Professionals and the Development Partner. As I understood, the NEX Manual will be a living document and will be updated from time to time, as and when required. It needs no mention that sustainability in capacity enhancement requires continued practice and training, and I am hopeful that appropriate arrangements would be also in place for continuous training and exposures to NEX rules and procedures to the implementing and executing agencies.

Finally, I hope, National Project Directors and all others who are involved in the implementation and oversight of UNDP assisted projects, will follow the NEX guidelines and be immensely benefited from this manual. It will help us all to plan and implement projects more efficiently and effectively for the benefit of Bangladesh and its people.

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## Introduction

National Execution (NEX) is an operational arrangement whereby the recipient government or a national entity assumes full responsibilities for execution, implementation, and management of a development programme/project financed by UNDP. Since its introduction in Bangladesh in 1990, it has evolved as the principal modality for execution of UNDP-supported projects. It has advanced the concept of national ownership, contributed to national capacity building, brought greater efficiency in technology transfer, strengthened accountability and thus facilitated judicious use of resources in development projects. The publication of the NEX Manual is indeed an important milestone in the history of National Execution in Bangladesh.

The NEX arrangement has proved to be a challenging and complicated process in Bangladesh, like in many other developing countries. The GoB-UNDP joint effort to update the operational procedures of NEX has resulted in the current edition of the Manual. The purpose of the NEX Manual is to increase the effectiveness of UNDP technical assistance in Bangladesh, and to make the National Executing/Implementing Agencies more accountable.

The NEX Manual helps to align project management principles with good practices on a broad range of project implementation matters and make them available to a wide spectrum of stakeholders. Part-I of the Manual deals with the principles, rules, and procedures. Part-II includes relevant explanatory notes, policy details, templates, and forms as annexes to the Part-I. For ease of reference, Part-II is delivered in the form of CD ROM inside the cover jacket of Part-I.

The NEX Manual is the collaborative venture of the UN Wing of the Economic Relations Division and United Nations Development Programme. We would like to express our thanks and gratitude to the Core Group including Ministry of Finance, Prime Minister's Secretariat, Ministry of Establishment, Foreign Aided Projects Audit Directorate, Economic Relations Division, UNDP, and others (the names of Core Group members are given overleaf) for their untiring efforts to undertake the task of review, consolidation and valuable suggestions during the process. The Manual would not have been possible without the strong impetus both from the Government of Bangladesh and UNDP and a desire to strive for qualitative improvements in project implementation.

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## Chapter I

### CONCEPTS AND FRAMEWORK

#### 1. UNDP as a Development Partner

##### 1.1 Mandate of UNDP

1. UNDP is a multilateral development partner of Bangladesh. It opened its first office in the country in 1973. UNDP possesses neutrality and has no commercial interest tied to its assistance that is given entirely in the form of grants. UNDP is uniquely placed in a global setting, with over 135 offices in developing and developed countries. Its central position in the UN System as a coordinator and provider of technical cooperation offers Bangladesh and other programme countries access to knowledge and expertise at competitive prices. In addition, UNDP offers Bangladesh access to the lessons learnt and relevant experience in other countries, an opportunity to participate in international conferences and meetings where global development agendas are set, and support for the translation of the global agenda at the country level.
2. In response to the international development agenda and changes in development situations and capacity requirements of programme countries, there has been a paradigm shift in the way UNDP resources are allocated and programmed. As articulated in the UNDP Administrator's Business Plan (2000-2003) in 1999, UNDP support is now primarily directed at "policy driven projects"; while in the past the support was extended to "project driven policy". Interventions are therefore focused at an upstream level to assist policy and institutional reforms so as to bring greater and sustainable benefits to project target groups. UNDP's support to downstream intervention, which is to deliver direct services to project beneficiaries, is provided on a pilot basis to validate concepts or development models that can be brought to the country by drawing on worldwide experiences.
3. At the Headquarters level, the UNDP Administrator reports to the Executive Board, known as the UNDP/UNFPA Executive Board, which decides on policies and the programme direction of both UNDP and UNFPA. The Board has 36 members.
4. At the country level, UNDP cooperation and operational activities are guided by the Standard Basic Assistance Agreement (SBAA) between the Government of Bangladesh and UNDP which was signed on 25 November 1986. The SBAA and its Annexure embody the basic conditions under which UNDP and its Executing Agencies will assist the Government in carrying out its development projects, and under which such UNDP assisted projects will be executed. All UNDP operational activities in Bangladesh should be undertaken in accordance with the provisions made in the SBAA.



## 1.2 UNDP Country Programme

1. Programming of UNDP technical cooperation and resource allocation is provided through a five-year country programme called as Country Cooperation Framework (CCF). The current CCF covers the period 2001-2005. The Country Programme formulation is based on the experiences gained and lessons learnt during the previous Country Programme period. The following documentation, among others, guides the formulation of the Country Programme:
  - Recommendations of the Annual Reviews during the ongoing Country Programme (i.e. 2001-2005 CCF) (See Chapter VI for Annual Reviews).
  - Review of the country's medium term development strategies and programmes as documented in the five-year plan, Annual Development Programme<sup>1</sup>, Budgets, and other relevant documents.
  - UNDP's global priorities and strategic programme initiatives in Least Developed Countries.
  - UN Development Assistance Framework (UNDAF) that defines strategic support of UNDP in the context of a coordinated support of UN Agencies.
2. The Country Programme formulation process is managed jointly by Government and UNDP. A Joint ERD and UNDP Task Force is normally formed. External consultants may be recruited to assist the Task Force in conducting technical work including consultation with various stakeholders. The stakeholders include Government bodies at central and local levels, UN Agencies, International Financial Institutions, bilateral development partners, NGOs, CSOs, private sector firms, community organisations, and professional staff of current UNDP funded projects. The draft Country Programme prepared by the Task Force is discussed in a national workshop where selected stakeholders are invited to contribute to the appraisal of the document. The Task Force then finalises the draft for review and comments by the UNDP Headquarters. Subsequently UNDP CO and ERD finalise the Country Programme reflecting any comments from the UNDP Headquarters.

## 1.3 The National Planning and Budgeting System

1. Since the Country Programme concentration areas are consistent with nationally determined priorities as reflected in the Government plans and budgets, it is important to briefly outline the national planning and budgeting system.
2. The development objectives, strategies and programme interventions at the national level are articulated in two sets of national planning and budgeting instruments, namely: the Five Year Plan; and the Annual Development Programme (ADP). The Five Year Plan provides a medium term framework for the country's development. The Plan contains a macro-economic framework, sectoral and cross-sectoral strategies and programmes, and budget

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<sup>1</sup> ADP is an annual budget of the Government for investment and development related activities. It is synonymous with the Development Budget, which, together with the Revenue Budget, constitutes the budget of the Government of Bangladesh. Projects and Technical Assistance funded from external resources are reflected in the ADP.

requirements<sup>2</sup>. Budgets indicated in the Five Year Plan are presented in the Parliament for review and endorsement. The Five Year Plan budget does not require appropriation by the Parliament. The ADP instrument provides for such budget appropriation.

#### 1.4 Resources allocation under the Country Programme

1. From 1994, resource allocation is based on a mechanism called as **Target of Resource Assignment from the Core (TRAC)**. The term **core** refers to core budget of UNDP. It is the budget that is supported by regular resources of UNDP, supported by formal pledges by Member States. TRAC resources are allocated to programme countries via a two-pronged strategy. Firstly, a fixed amount of resources is available to programme countries on an “entitlement” basis. Secondly, a portion of resources is centrally controlled and allocated to programme countries according to performance in making demonstrated progress toward results outlined in a Country Programme.
2. **Non-core** resources of UNDP comprise three sources: (a) those which take the form of cost-sharing, trust funds, or government cash counterpart contributions; (b) the additional resources that are pledged to UNDP administered funds such as UNV, UNCDF and UNIFEM; and (c) other non-core resources such as the Global Environment Facility (GEF), Montreal Protocol. Annex-2 and Annex-3 provide, respectively, the structure of UNDP core resource allocation and resource mobilisation target table (budget framework) of the CCF for Bangladesh (2001-2005).
3. The UNDP country programme strategy also reflects the shift that has occurred in the pattern of UNDP global resource availability to programme countries as depicted below:

|          |                    |                         |
|----------|--------------------|-------------------------|
| In 1991: | <b>Total</b>       | <b>US\$ 1.5 billion</b> |
|          | Core resources     | US\$ 1.1 billion (73%)  |
|          | Non-core resources | US\$ 0.4 billion (27%)  |
| In 2001: | <b>Total</b>       | <b>US\$ 2.0 billion</b> |
|          | Core resources     | US\$ 0.6 billion (30%)  |
|          | Non-core resources | US\$ 1.4 billion (70%)  |

The implication of the above pattern of resource availability is clear: programme countries must compete to access UNDP resources, as non-core resources are allocated only to quality programmes and projects. To assist programme countries to institute quality programmes, UNDP has adopted a **results-based management (RBM)** of country programmes and their constituent projects. The RBM approach requires programmes and projects to plan outcomes, outputs and targets, and to monitor, measure and evaluate performance and progress against them.

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<sup>2</sup> The sectoral plans take account of project priorities at the Upazilla (sub-national) level. Programmes of municipalities and city corporations are also inducted in the Five Year Plan as well as the ADP.

Outcomes and outputs to be achieved through projects/programmes are consolidated into a Strategic Results Framework (SRF), the key instrument for UNDP's results-based management system. Under the SRF, outcomes and outputs set at the country level are aligned with Goals, Sub-goals and Strategic Areas of Support (SAS) that are set at the global level, enabling UNDP to report on its corporate-wide impact to its Executive Board. Further information on UNDP's results-based management system is provided in Annex 54.

## 1.5 Elements of a support programme/project

1. UNDP support is embodied in a document called a Project Document (**Prodoc**). A relatively larger and more complex and often cross-sectoral initiative is called a programme and the document prepared is Programme Document, also referred to as Prodoc (see Annex 4 for format). The Prodoc represents a **legally binding agreement** between Government and UNDP to a development intervention financed by UNDP. Without an approved Prodoc, UNDP resources cannot be disbursed.
2. The design of a UNDP assisted project follows the Logical Framework Analysis (or Logframe) concept. Accordingly, the **Prodoc** must have the following elements:

**Development Objective** which defines the higher level development goal which a project intends to address. A project in itself cannot achieve the development goal; it can only contribute to achieving the goal in partnership with other development agencies, including government, donors and other national institutions.

**Immediate Objective** is defined as a set of targeted results to be achieved within the specified time period of a project. It is stated in terms of a specific change in status or condition, which the project is intended to achieve. Generally, more than one immediate objective is articulated in order to realise a project's contribution towards a development objective. An example of an immediate objective may be: "Capacities of Union Parishad representatives and officials in Sirajganj District will be enhanced to enable them to plan, prepare budgets for, implement and monitor development activities effectively".

**Outputs** are concrete, measurable and tangible products of a project. Examples of outputs are: "100 Union Parishad representatives trained in participatory planning."

**Activities** are actions and measures needed to produce one or more outputs. They are specific milestones of a project e.g. "Organize a ten day training of Union facilitators on communication skills and participatory planning."

**Inputs** are the resources, e.g. experts, equipment, training, etc. that are needed to support implementation of activities.

**Budget** is a planned allocation of financial resources for mobilisation, procurement and meeting the cost of inputs. Budget may include in-kind contributions from the Government. In-kind inputs are specified in the Prodoc but are not reflected in the project budget.

**Outcomes and Indicators** must be articulated in explicit terms in a Prodoc<sup>3</sup>. Their inclusion helps to measure the *results* of UNDP support, where results involve realisation of outputs and outcomes. Output and outcome indicators are established in the Results Based Management (RBM) that now forms a core methodology for measuring performance of UNDP assistance to programme countries.

## 2. Types of Execution Modalities of UNDP Funded Projects

UNDP is a funding agency and does not engage itself in executing and managing projects. UNDP-supported projects can be executed through four institutional modalities. These are:

- National Execution (NEX), which refers to execution by a national institution, typically but not exclusively a government institution (ref. Chapters II-IX);
- Execution by a Non-Governmental Organisation (NGO Execution). Execution by national NGOs is a sub-set of national execution (ref. Chapter X);
- Execution by a United Nations Agency (UN Agency Execution);
- Direct Execution (DEX), which refers to execution by UNDP.

### 2.1 National Execution (NEX)

1. UN General Assembly Resolution 3045 of 28 November 1975 stated that Governments of programme countries should be increasingly entrusted with the responsibility for executing UNDP funded projects. The Resolution also states that NEX should be introduced only when there is a clear willingness on the part of programme country government to assume management responsibility of UNDP supported programmes.
2. The policy thrust of NEX is to empower Government and national institutions with the capacity and opportunity to exercise ownership and management of UNDP funded programmes and projects. This will generate commitment and responsibility in Government; national institutions and any externally supported development intervention to UNDP. Sustainability of UNDP support is therefore better ensured, since the assistance is integrated into a nationally driven effort.
3. UNDP and the Government decided to introduce NEX in 1992 as one of the four execution modalities. The transformation of responsibility from UN execution to national execution was done in a comprehensive form during the First CCF covering the period 1996-2000.

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<sup>3</sup> For detailed explanations on elements of a Prodoc, see the Prodoc format found in Annex 4.

4. NEX is a cooperative operational arrangement whereby governments and designated national institutions assume responsibility for the management of UNDP financed technical cooperation programmes and projects. The objective of NEX is to ensure that UNDP financed projects are managed and implemented by government and national institutions as an integral part of their development programmes, whilst ensuring that UNDP policies and procedures underlying development cooperation and programme management are adhered to. NEX promotes ownership, accountability, national capacity development, and sustainability of UNDP supported interventions. The choice of NEX modality is based on the government's expression of interest and willingness to assume management responsibilities for the programme or project. Existing national capacities are also a factor. Further information on NEX is given in Section 2.5 and 2.6 (Page-7).

## 2.2 NGO Execution

1. Since September 1997, NGOs have been eligible to assume execution responsibility in UNDP funded projects. The decision to involve NGOs as executing agencies is based on an appreciation of their strategic role and expertise in local level socio-economic development, advocacy, community development programmes and other functions, which require closer interaction with local communities. NGOs can be international or national.
2. Rules and procedures of NGO execution are provided in detail in Chapter IX of this Manual.

## 2.3 UN Agency Execution

1. UN Agency execution refers to the delegation of responsibility to a UN specialized agency for the execution and management of a UNDP funded project. UN agencies represent decades of international development experience and expertise and, therefore, may be brought in to manage programmes or projects where:
  - a. The activities require unique technical, sector expertise or specific management capacity and access to international networks;
  - b. The government lacks the required management or substantive capacity; or
  - c. Agency execution is considered to be suitable for other reasons.
2. UN Agency execution is identified at the project formulation stage. In selecting an agency, the UNDP Resident Representative is guided by the agency's technical and management expertise. A Letter of Agreement signed between UNDP and the designated UN Execution Agency is required and signifies the agreement.
3. While a UN Agency assuming executing responsibility manages the entire range of inputs, the responsibility for production of outputs and achievement of project objectives is delegated to national institutions, who act as implementing agencies. Therefore, the UN Agency must carry out the project in close collaboration with

the national institution and must ensure that the management capacities of national institutions are adequately developed during the project period.

## 2.4 Direct Execution (DEX)

1. Direct Execution defines the involvement of UNDP as an executing agent. UNDP direct execution (DEX) is most frequently undertaken in countries in special development situations, but can also be adopted in cases where UNDP is called upon to support speedily and independently complex development initiatives. UNDP Headquarters approves DEX on a case-by-case basis and considers the following factors:
  - a. There is a situation which calls for delivery speed and decision-making and UNDP management is necessary to mobilise resources.
  - b. National authorities lack the capacity to carry out the project and/or request UNDP to undertake execution responsibilities.
  - c. The project cannot be carried out by another UN Agency.
  - d. The UNDP country office has adequate capacity to manage, report and achieve the expected results of the projects.

## 2.5 Selection of National Execution Modality

1. The basis of NEX is the expression of the interest and willingness of the government to assume management responsibilities of the programme or project, as well as existing national capacities. Final approval with regard to NEX rests with the UNDP Administrator, who has delegated this responsibility to the UNDP Resident Representative at the country level<sup>4</sup>.
2. During the project/programme formulation process, technical, managerial, administrative and financial capacities of candidate national executing agencies are critically reviewed and assessed based on a certain set of criteria (see Annex 5, which lists key considerations for capacity assessment). Explanations about capacity assessment during the project formulation are found in Chapter II. A final selection of the NEX modality and the national executing agency is subject to the results of this capacity assessment.
3. Where NEX modality is found to be appropriate but some specific executing capacities need to be strengthened to ensure optimal project execution, technical and managerial expertise of UN organisations and development partners may be brought into the executing arrangement to supplement and support the development of national capacities. In a typical arrangement, the UN Agency works as an implementing agency in partnership with the national executing agency. Where NEX is found to be inappropriate, other execution modalities will be applied, such as NGO Execution, UN Agency Execution, or DEX as described above.

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<sup>4</sup> "UNDP Procedures for National Execution" effective 1 April 1998 (the document is also referred to as "Global NEX Manual").



## 2.6 National Execution and Ownership by Programme Country

1. Under NEX, a programme or project cannot be owned by UNDP; hence, it is improper to refer to a “UNDP project”. When the term “UNDP project” is used, it should therefore be clear that UNDP only supports national efforts; and, that such support is provided through UNDP assisted or financed programmes and projects.
2. However, UNDP cooperation is extended in the context of “trust”. Through NEX, UNDP entrusts to Government the responsibility for coordinating and mobilising UNDP financed inputs and their effective application, in combination with the Government’s own and other available resources towards the attainment of programme or project objectives.
3. UNDP resources programmed under the Country Programme do not automatically become Government funds. Both UNDP and Government have responsibility and accountability for the prudent and judicious use of the programme resources. Government is responsible and accountable to the UNDP Executive Board through the UNDP Resident Representative (at the country level) and the Administrator (at the Headquarters level). Such provisions are reflected in the above-mentioned Standard Basic Assistance Agreement (1986) between the Government of Bangladesh and UNDP.
4. If the “trust” inherent in the cooperation agreement between UNDP and Executing Agency is breached in respect of a particular project, the SBAA confers upon the Resident Representative the authority to exercise any of the following three options:
  - Call for an in-depth evaluation and/or a financial audit of the project to identify problems and determine future courses of action.
  - Suspend the disbursement of quarterly advances to the project pending further clarification and resolution of problems.
  - Invoke Article XI of the SBAA which authorises UNDP to suspend its assistance to any project “if in the judgement of the UNDP, after consultations with the Government, any circumstance arises which interferes with or threatens to interfere with the successful completion of the project or the accomplishment of its purposes. The UNDP may indicate the conditions under which it is prepared to resume its assistance to the project. Any such suspension shall continue until such time as such conditions are accepted by the Government and as the UNDP shall give written notice to the Executing Agency that it is prepared to resume its assistance”. In cases where the suspension continues for a period of 30 days without any remedial action being taken, “UNDP may by written notice to the Government and the Executing Agency terminate its assistance to the project”<sup>5</sup>.

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<sup>5</sup> Provisions on suspension and termination are in Article 11 of the SBAA.



### 3. Coordination of UNDP Supported Programmes and Projects

#### 3.1 Aid Coordination and Development Cooperation

1. Both Government and the international development partners agree that Government should coordinate external assistance. The Economic Relations Division (ERD) of the Ministry of Finance is the focal institution in the Government and is responsible for coordination of all forms of external assistance. The authority of the ERD vis-à-vis the various line ministries of the Government is embodied in **(Rules of Business 1996, Schedule II -- Allocation of Business)**. ERD coordinates and facilitates aid; it does not control and regulate project activities that are managed and implemented by other national institutions. ERD may however intervene in a project, if warranted, to resolve execution and implementation problems.
2. ERD's main functions are:
  - Mobilisation of external resources - both grant, loan and supplier credit.
  - Harmonisation of policies, procedures and priorities of external development partners with those of the country's national policies, priorities and programmes.
  - Consultation and dialogue with international development partners for aid programming.
  - Coordination of external aid through various mechanisms and instruments, including in-country aid coordination meeting and dialogue with the development partners through the Bangladesh Development Forum mechanism.
  - Reviewing, monitoring, evaluation and reporting of performance of aid programmes and projects, with specific reference to higher, macro level management decision-making and policy consideration.

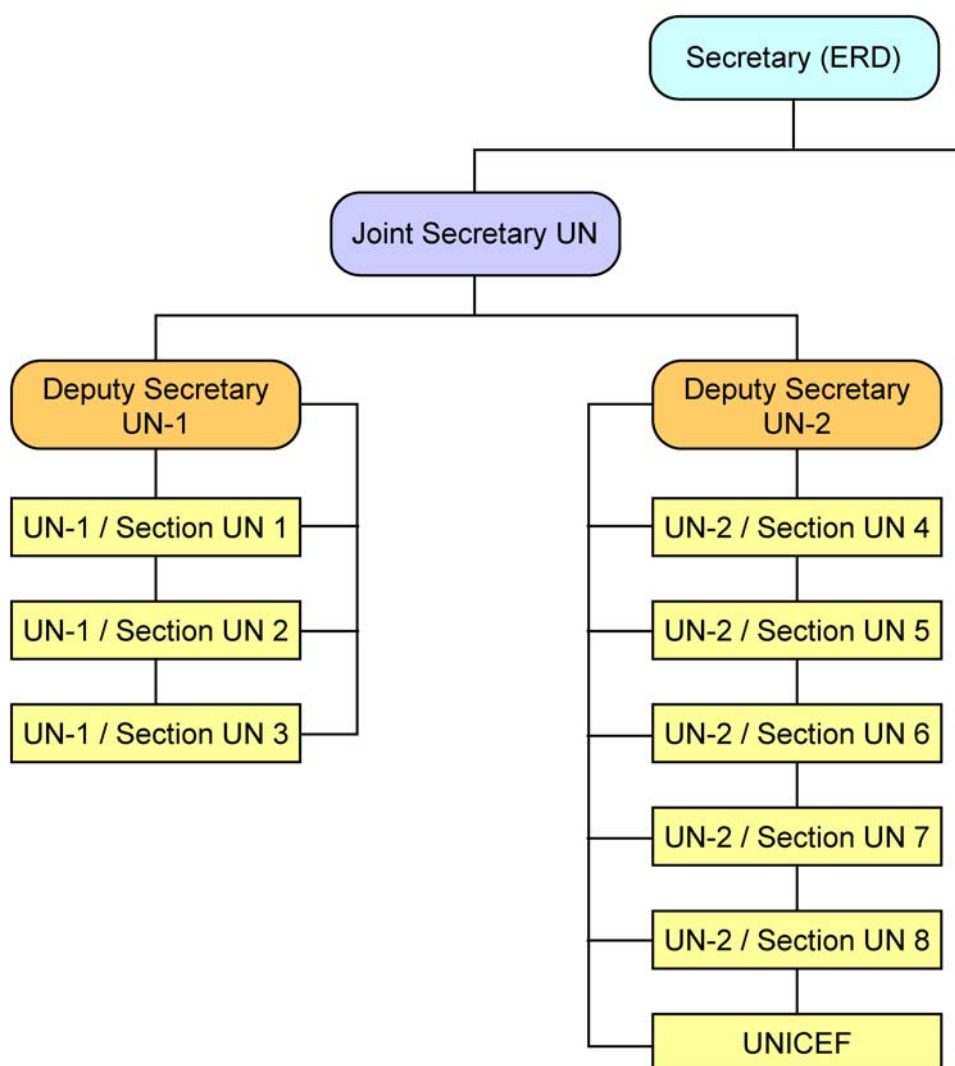
#### 3.2 Institutional Arrangement for Coordination of UNDP Support

##### 3.2.1 ERD - the Government's aid coordinating authority

1. UNDP assistance is coordinated by ERD's UN Wing which is one of the six functional units of the Division. The UN Wing is headed by a Joint Secretary who reports directly to the Secretary of ERD. Under the Joint Secretary, two Deputy Secretaries supervise the work relating to the various UN Agencies. The work in the UN Wing is distributed Agency-wide among nine Sections. Among them, three Sections share work concerning UNDP under Deputy Secretary (UN-1), while the UN programme responsibility of other Sections is placed under Deputy Secretary (UN-2).

2. The organisation of the **UN Wing of ERD**, which was under review at the time of writing this manual, is schematically presented below.

### UN Wing of Economic Relations Division, Ministry of Finance



3. The distribution of work responsibility of the various Sections is enumerated below:

Section UN-1:

- Policy issues such as CCF.
- General coordination with/concerning UN system.
- Overall monitoring of progress of UNDP funded projects.

Section UN-2:

- Coordination of UNFPA and UNCDF programmes as well as UNDP projects in health sector.

Section UN-3:

- Policy matters like CCA, NEX, and co-financing arrangements.
- Coordination of UNDP projects in women advancement and environment.

Section UN-4:

- Coordination of programmes of UNIDO, UNV, UNCHS, WIPO, ICAO.

Section UN-5:

- Coordination of TCDC and UNESCO programmes.

Section UN-6:

- Coordination of programmes of FAO, WHO, ILO.

Section UN-7 and UN-8:

- Project appraisal and monitoring.

Section UNICEF:

- Deals exclusively with UNICEF programme.

### **3.2.2 Coordination among Development Partners and UN Agencies**

1. UNDP technical cooperation is also responsive to coordination mechanisms operating with the international development partners. Within the UN system, UNDP assistance is responsive to the United Nations Development Assistance Framework (UNDAF) process that aims to articulate a common assistance framework of all UN agencies having programmes in Bangladesh. The UNDAF instrument is derived from the Common Country Assessment (CCA) which provides an analysis of development issues as identified by all UN Agencies. The issues and priorities identified in the UNDAF are in line with national priorities; they reflect a matching of priorities of the UN system, based on the global development agenda, and those of the Government.
2. UNDP technical cooperation policy and programme priorities are also subject to coordination and review of the international development partners through the mechanism of the Local Consultative Group (LCG). The LCG provides a forum for dialogue amongst multilateral and bilateral development agencies for sharing information, coordinating programme priorities, analysing development policy issues, and identifying and resolving project implementation problems experienced by these agencies. Further, the LCG mechanism is used by the development partners to reach common understanding and agreement on issues that must be addressed in their dialogues with the Government at various meetings and forum, including the Bangladesh Development Forum organised jointly by Government and the World Bank.

## 4. Role and Responsibility of Executing and Implementing Agencies

### 4.1 Executing and Implementing Functions

1. Throughout this Manual the terms executing and implementing are specifically used in relation to the definitions used for the management of UNDP assisted projects. **Execution** refers to the overall management of a project and assumption of responsibility for achieving substantive outcome of the project. The responsibility includes production of outputs, coordinating implementation of activities, and achievement of project objectives. By assuming responsibility for execution, the executing agency is held accountable for use of UNDP provided resources as well as the substantive outcome of the project. There can be only one executing agency of a project. Generally, a **National Executing Agency (NEA)** is identified by their functional role and mandate regarding the concerned project.
2. **Implementation** refers to the mobilisation, procurement and supply of project inputs, undertaking and delivery of project activities, and conversion of activities into measurable outputs. NEX rules provide for the participation of multiple national and international institutions as implementing partners in UNDP supported projects.
3. An executing agency can assign implementation responsibility to any national institution in Government, NGO, civil society organisation (CSO), public and private sectors as well as international organisations including multilateral and bilateral development agencies, international NGOs, international CSOs, private foundations, and the private sector. Identification of an implementing agency is done jointly by Government and UNDP during the project formulation and appraisal process. If the implementing agency is outside the supervision line of the executing agency, a LOA is entered into between the two parties. It details the roles and responsibilities of the implementing agency. Any special arrangements/considerations regarding UNDP assistance must be agreed and recorded.
4. The capacity of candidate national institutions for the role of **National Executing Agency (NEA)** and **National Implementing Agency (NIA)** will be assessed based on a certain set of criteria and appraised in the Local Project Appraisal Committee (LPAC) organized by UNDP (see Chapter II for capacity assessment and LPAC).
5. In large programme, **sub-implementing agencies (SIAs)** are identified during the formulation process and approved in LPAC after capacity assessment of the identified agencies. NEA signs a letter of agreement with the designated SIA for the implementation of the component. A component manager is subsequently nominated by the SIA to undertake the responsibilities similar to that of a project director in a small project. However, the component manager should have dual accountability to the National Programme Director (NPD) and her/his own Ministry/Division or Agency.

6. An implementing agency is distinctly different from a **contractor/sub-contractor**. As mentioned above, an implementing agency is identified and selected jointly by Government and UNDP during the project formulation stage and is confirmed at the LPAC. An implementing agency which is involved in planning and mobilising inputs and other project resources, may engage a contractor/sub-contractor to provide services or goods to conduct specific activities in return for payment. The engagement of sub-contractors must be specified in the Prodoc (see Chapter V for selection of sub-contractors).

## 4.2 Institutional Accountability

1. Assumption of execution and implementation responsibility carries specific accountability. While the UNDP Administrator is directly responsible to the UNDP Executive Board, the agencies managing and implementing UNDP cooperation projects are responsible to the Administrator or the Resident Representative at the country level. The accountability structure is summarized as follows:
  - a. At the country level, the Government aid coordination authority, i.e. ERD, is accountable to UNDP Executive Board through UNDP Administrator who is represented at the country level by the Resident Representative;
  - b. National Executing Agencies are accountable to ERD and UNDP;
  - c. National Implementing Agencies are accountable to the respective Executing Agencies, as well as to ERD and UNDP;
  - d. UN Implementing Agencies are accountable to the respective Executing Agencies, as well as to ERD and UNDP on programme issues. They are also financially accountable to UNDP as per UN Rules and Procedures.
2. Various mechanisms, instruments and reports are used for meeting the accountability requirements, as explained in this Manual.

## 4.3 UN Agencies as Implementing Partner

1. In recognition of the accumulated expertise, international experience and the mandates assigned to UN Agencies by the UN General Assembly, UN Agencies have a special responsibility to build capacity of programme countries. UN Agencies assume a special role as partners of both UNDP and Government. Prior to the introduction of NEX, UN Agencies such as ILO, FAO, WHO, UNOPS and similar specialised agencies in the UN system carried out the responsibility for executing all UNDP funded projects. Under the NEX modality, UN Agencies assume a different role. Their specialised expertise is invoked to provide managerial and technical support to implementation of UNDP supported projects.

2. As **UN Implementing Agencies (UNIA)**, they extend technical assistance services such as: mobilization of external expertise, organisation and delivery of training abroad as well as within programme country; arranging study tours; implementing micro-capital grants; providing technical support for programme and project design, monitoring and evaluation; technical guidance in assessing, identifying and procuring suitable equipment and technology at internally competitive prices; and advisory services for policy and institutional reforms. Under the UNIA Modality, the rules of that UN Agency will be applicable to the provision of their services to the project. A mix of professionals including a Team Leader/Chief Technical Advisor (CTA), consultants and experts is identified to provide the necessary technical assistance. Once the professional and support staff are on board they will follow NEX procedures. However, their entitlements are to be guided by their respective contracts.
3. Engagement of a UN Agency as implementing partner under NEX is established through a Letter of Agreement (LOA) signed between the designated NEA and the concerned UN Agency. UN Agencies recover costs for providing the technical and implementation services they render as UNIA. The cost of such services is provided from respective TRAC budget lines. This will be reflected in the LOA. UNIA has to negotiate the Administrative Cost (AOS rate) with UNDP prior to signing the LOA.
4. UNIA will implement, manage and administer the relevant budget lines (and inputs) in accordance with the Agency rules and procedures. However UNIA consults with NEA and UNDP for major decisions regarding mobilisation and delivery of inputs. As an implementing partner in NEX projects, UNIA has double programme accountability vis-à-vis UNDP and vis-à-vis the Executing Agency in accordance with the LOA.

#### 4.4 UNDP Direct Country Support

1. UNDP Direct Country Office Supports (DCOS) objective is to meet specific capacity gaps of national executing and implementing agencies. Thus, UNDP support also includes capacity building measures to assist national institutions to develop their management capacities during the life cycle of the project. Identification of UNDP support is usually undertaken during the project formulation stage through a capacity assessment of the executing and implementing agencies. Particular regard is paid to administrative and operational management capacity in order to ensure full accountability of funds provided by UNDP.
2. A generic Letter of Agreement was signed between Government and UNDP for the provision of DCOS in 1999 (Annex 58), which is attached to the Prodoc. The Agreement specifies the range of services to be provided by UNDP, the legal coverage to protect UNDP through privileges and immunities and any other legal provisions that are not covered in the Standard Basic Assistance Agreement (SBAA) of November 1986.



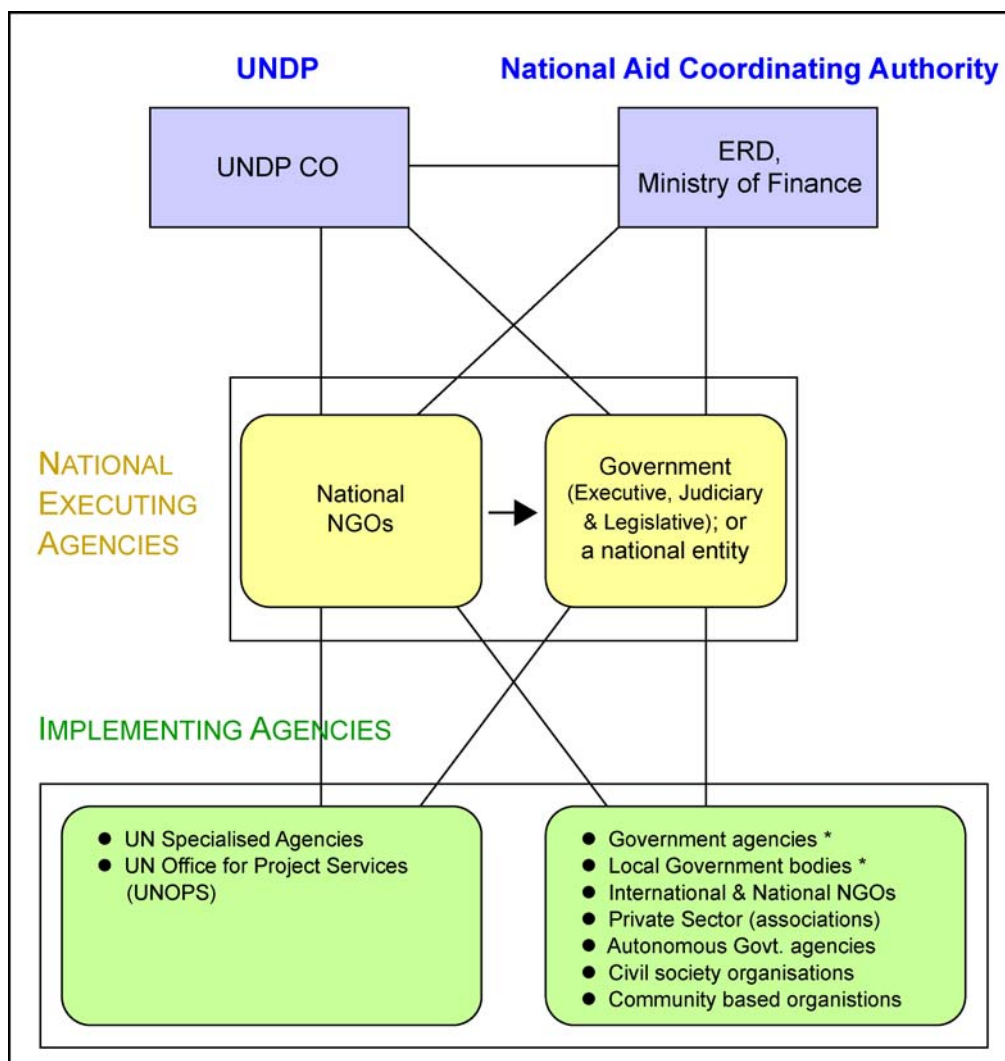
3. During project formulation or in the course of the project's implementation, the NEA can make a request to UNDP Country Office for support services that are not covered in this generic Letter of Agreement, if such needs arise. In such a case, a document showing an agreement between NEA and UNDP with regard to provision of additional DCOS services must be attached as an addendum to the generic Letter of Agreement.
4. Types of support services available from the UNDP Country Office in Bangladesh are as follows:
  - (a) *Support Services* include: (i) identification and assistance with recruitment of project personnel; (ii) procurement of goods and services; (iii) identification and facilitation of training activities, including fellowships, short-term training abroad, study tours; and (iv) access to UNDP global information systems, the network of UNDP country offices and specialised systems containing operations information, including rosters of consultants and providers of development services<sup>6</sup>.
  - (b) *Reporting Support* includes: assistance for preparation of financial reports, project workplans, project progress reports and other reports required during the project.
5. UNDP support is delivered in accordance with the rules and procedures of UNDP. UNDP DCOS may entail management and administrative costs that are not covered under the normal administrative budget of UNDP Country Office for support to country programme activities. In such a case, UNDP may seek agreement from Government for reimbursement of costs from the project budget for additional administrative costs it may incur to provide support services to NEA/NIA. The amount and rate of such reimbursements are agreed through negotiation between UNDP and ERD prior to approval of the Prodoc.
6. UNDP may provide country office support to a UN Implementing or Executing Agency if the Agency does not have a representative office in Bangladesh. UNDP may, then, recover the administrative and management costs from the Administrative and Operational Services (AOS) budget allocated to the UN Agency.

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<sup>6</sup> UNDP CO provides Direct Payment services as well, by which UNDP CO directly pays, on behalf of the NEA or NIA, a particular person, firm or organisation that delivered services or goods to the project. This is not part of Direct Country Support but is under a separate arrangement (see Section 4.2 of Chapter VII details).



#### 4.5 Overview of the National Execution System in Bangladesh



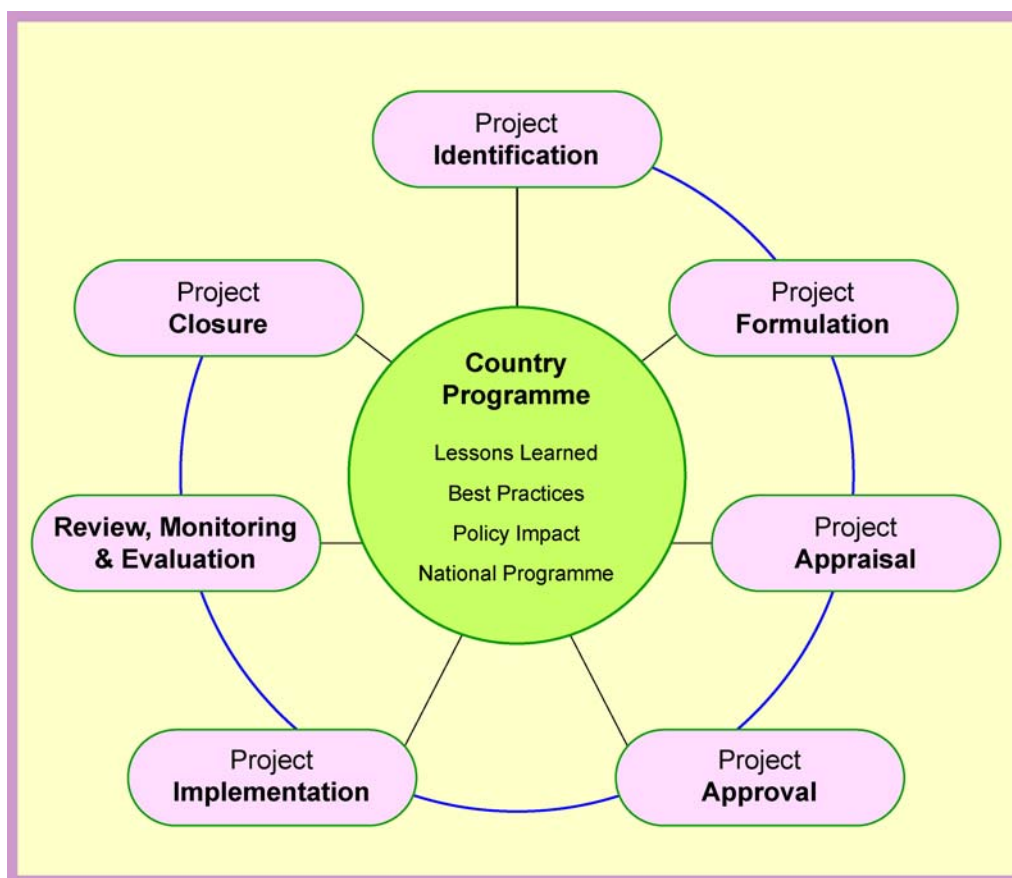
\* Note: Government agencies and local government bodies are the implementing agencies only for projects executed by the Government. This overview is applicable for NEX and NGO execution modalities.

## Chapter II

### **MANAGEMENT OF NATIONALLY EXECUTED PROJECTS**

#### **1. Project Cycle Management**

1. National execution is by no means limited to just management of projects at implementation stage. NEX applies to the entire project cycle, requiring national executing and implementing agencies to exercise management responsibility, accountability, and building ownership and sustainability of a development intervention supported by UNDP.
2. The **project cycle** refers to the steps or stages that a project undergoes from the time it is only an *idea* until the time it is completed. The cycle is applicable to NEX and also for the formulation of the CCF and Country Programme. The stages in the project cycle are:
  - Project identification
  - Project formulation
  - Project appraisal
  - Project approval
  - Project implementation
  - Project monitoring
  - Project evaluation
  - Project completion and follow-up.
3. Throughout the entire project cycle lessons learnt and best practices are assimilated to refine and enrich the project designs and implementation strategies. Successful experiences are scaled up, to inform policy debate and enable replication for wider coverage and scale.
4. This Chapter provides detailed guidelines on identification, formulation, appraisal, approval and implementation of NEX projects. The remaining stages of the project cycle, monitoring, evaluation and completion are explained in Chapters VIII and IX.



## 1.1 Project identification

1. The process of project identification follows a dual approach: i. emanates from the national planning and programming process, and ii. is derived from programme priorities indicated in the Country Programme.
2. The Country Programme reflects the global development agenda and its translation to programme implementation at the national level. The Country Programme also incorporates the overall objectives and programme priorities reflected in the country medium-term plan and the annual development programme (ADP). UNDP undertakes extensive consultation with Government, national institutions, NGOs, CSOs, and international development partners for the identification of projects based on the Country Programme. All projects supported by UNDP thus address both global development issues and national priorities.

## 1.2 Project formulation

1. Prior to undertaking a project formulation exercise, UNDP, ERD and relevant national institutions hold consultations to decide on modalities of the project formulation, i.e. who will be asked to formulate the project, when and how long the formulation exercise should be, and how it will be funded and managed. The national institution involved in the process is likely to be the executing agency of the project, subject to results of capacity assessment during the formulation and appraisal stages. In case such an institution cannot be identified early in the formulation stage, the ERD may then assume responsibility for coordinating and managing the formulation exercise on the part of Government. Usually, international and national consultants are invited to launch a project formulation mission. It is important to select consultants who are not only experts in the relevant field but also skilled in creating and designing a new project.
2. The parties concerned with formulation must critically review the capacity of candidate executing and implementing agencies. If capacities are found to be insufficient, needs for capacity development must be identified and measures for capacity support must be determined. Capacity assessment is done with respect to:
  - technical capacity: ability to monitor technical aspects of the project
  - managerial capacity: ability to plan, monitor and coordinate project activities
  - administrative capacity: ability to procure goods, services and works on a transparent and competitive basis; to manage and maintain equipment
  - financial capacity: ability to produce project budgets; to ensure physical security of advances, cash and records; to disburse funds in a timely and effective manner; and to ensure financial recording and reporting.

Measures for capacity support must be clearly reflected in the Prodoc in terms of activities and inputs. At the same time, mechanisms to monitor and verify progress in capacity building may be appended to the Prodoc.

The Preparatory Assistance (PA) modality is often used to fund the costs of project design and formulation and begin certain activities of the project itself. The PA document needs the signature of UNDP only, once the parties have agreed through consultation on the broad lines of the proposed intervention. The duration of PA may not exceed one year and if the full Prodoc is not ready 12 months after the signature of the PA document, the PA budget must be closed. A PA does not require the preparation of a TAPP, unless government counterpart funding is required during the preparatory assistance phase.

3. **Project documentation requirement.** A Project Document (**Prodoc**) is drafted, usually by a formulation team in UNDP in consultation with stakeholders, during the project formulation. Required elements of a Prodoc are explained in Section 1.2, Chapter I and the format is in Annex 4. At the same time, the Government develops a corresponding document called Technical Assistance Project Proforma (**TAPP**). The preparation of the TAPP is the responsibility of the concerned Ministry or Division and is processed for approval as per procedures set out by the Government (see below).

### 1.3 Project appraisal and approval

1. Project appraisal in respect of a UNDP supported project is undertaken following completion of a draft Prodoc. Appraisal is conducted to judge if a project would qualify for the funding support of UNDP. Therefore, the appraisal exercise involves a substantive review of a Prodoc against a set of criteria which govern optimal utilisation of UNDP support.
2. **Appraisal of a Prodoc** is carried out through the mechanism of Local Project Appraisal Committee (LPAC). LPAC is chaired by UNDP. Representatives of UNDP, ERD and NEA are mandatory members of LPAC. Other participants vary depending on the nature and scope of a project. For instance, prospective cost-sharing partners would participate in the appraisal. Generally, representatives of agencies that have been identified as NIAs and/or UNIAs for the project are invited to the LPAC. Consultants involved in providing technical support to the project's formulation may also be invited. In addition, selected representatives from relevant CSOs, NGOs, private sector firms and international development partners may be invited as resource persons.
3. Upon appraisal of a Prodoc, LPAC's comments are incorporated into the document. ERD, NEA, and UNDP sign the final approved Prodoc. UNDP is the last to sign the Prodoc, after receiving copies signed by the ERD and the NEA. Original signed copies of the Prodoc are made available to all concerned partners.
4. **In respect of TAPP**, the concerned Ministry/Division is responsible for ensuring its approval in accordance with the procedures set out by Government. The following is an outline of the TAPP appraisal and approval procedure currently being practiced. However, a GoB-DP Joint Working Group was assigned to streamline the approval process of the DP (development partners) funded projects, including the Technical Assistance. The new arrangements including the format, as and when approved by the appropriate authority, would be applicable for processing the Government contributions of Technical Assistance projects:
5. A draft TAPP prepared by Ministry or its Division/Department is reviewed and appraised by the Planning Commission. TAPPs with a budget of less than Taka 10 Million, and TAPPs with a budget of more than Taka 10 Million will be treated differently in the following manner:
  - a) A draft TAPP with a budget of *less* than Taka 10 million is reviewed by the Departmental Special Project Evaluation Committee (DSPEC), and approved by the Minister of the concerned Ministry/Division.
  - b) A TAPP with a project budget of Taka 10 million or *more* must be reviewed and recommended by the Special Project Evaluation Committee (SPEC). Projects that must go to the SPEC need not be considered by the DSPEC. These two Committees ensure that the TA scope of activities outlined in the project are consistent with national development objectives, sectoral programme priorities, and optimal utilisation of public budget.

6. The preparation of Prodoc and TAPP should be done simultaneously. The Prodoc should be signed before approving the TAPP, so that the terms and conditions and budget of Prodoc can be reflected in the TAPP. It is important that the TAPP and Prodoc provisions for technical assistance are fully consistent with each other. In case of discrepancies between a Prodoc and a TAPP, the wording of the Prodoc shall prevail.
7. Once the TAPP and Prodoc are approved, project implementation can commence. Project implementation is carried out with reference to the Prodoc, which becomes the legally binding reference document for GoB and UNDP for the full duration of the project.

## 2. Project Management

1. A project can be a complex undertaking for an executing agency. UNDP, therefore, places emphasis on NEA to ensure development of its coordinating and management capacity to execute a project successfully. A key requirement for effective implementation is having a strong management system in place.

### 2.1 Overview of project management system

1. UNDP supported projects primarily aim at building and strengthening national institutions and formulating relevant policies for achieving development goals. Hence, projects are situated in the context of existing organisations and institutions at national, sub-national and local level. For example, if a project initiative is to develop a national environmental policy, UNDP assistance is delivered through relevant national institutions that are mandated to coordinate and formulate such policy. Hence, a project management system is **not insulated** from the existing institution or organisation that receives institution building support.
2. A project management system enables NEA to organise planning, budgeting, mobilisation of inputs, implementing activities, monitoring, and reporting in a systematic and efficient manner. Various mechanisms, instruments and tools are introduced during the project implementation to achieve this. The mechanisms, instruments and tools usually become inoperative upon completion of the project, while in some cases they may be integrated into the mainstream institutional set-up and business processes of the national institution or organisation.

## 2.2 Project Steering Committee

1. **Function.** It is often advisable to have a Project Steering Committee (PSC) to ensure upstream policy direction of a UNDP supported project and to coordinate inter-ministerial issues. The functions of a PSC are to:
  - review progress of the project and discuss policy implications;
  - recommends actions to reflect new policy directions in national planning documents (GoB Periodic Plans, ADP allocation, PRSP etc.);
  - coordinate and resolve any inter-ministerial or cross-sectoral matters;
  - provide proper policy guidelines to overcome the problems of the project and approve the Annual Workplan; and
  - review of capacity of NIAs.
2. **Composition.** Members of the PSC generally have significant decision-making authority about policies and regulations. PSC members will normally include, among others, representatives from NEA, NIA, ERD, Planning Commission, Implementation Monitoring and Evaluation Division (IMED) of the Planning Commission, other relevant Government institutions, UNDP, relevant UN Agencies, other co-financiers and development partners. If a project is supported by the Chief Technical Advisor (CTA), the CTA provides advisory functions to the PSC. In addition, civil society organisations including media, academia and centres of excellence may be included in the deliberations of the PSC for specific policy reviews and analyses. The PSC is normally chaired by the Head of the Ministry/NEA or her/his nominated representative.
3. The PSC structure and membership composition should be included in the Prodoc and TAPP.

## 2.3 Management Support Unit

1. Management Support Unit (MSU) may be established for a large scale programme to ensure high quality coordination of different components and actors including personnel. Usually, an MSU is established within the existing structure of the national executing agency with the regular NEX project personnel staff including the NPD, NPC, CTA and other professional staff. The difference between the regular NEX project management team (PMT) structure and the MSU is that the latter is equipped with more professional staff recruited from outside the Government in order to ensure intensive and extensive coordination for implementing the programme including both technical and management aspects.
2. When introducing an MSU, its structure and functions must be carefully designed and a clear exit strategy must be developed and agreed upon by the project parties, so that the coordination capacity of the concerned Government agency will be adequately developed through implementation of the programme.



## 2.4 Project management staff

1. A **Project Management Team (PMT)** is constituted within a project framework and is located within the organisational structure of NEA. A key person in the PMT is the **National Project Director (NPD)**, who is, usually, a Government civil servant and assumes responsibility of project implementation on behalf of the NEA. The key responsibility of the NPD is to ensure mechanisms to translate outputs of project interventions into articulation of policy implications and recommendations and to feed into government policy decision-making through the mechanism of Project Steering Committee as well as other relevant institutional arrangements in Government.
2. Other managerial and professional personnel will support the NPD. The NPD is expected to be appointed on a full-time basis. In exceptional cases where the NPD can only be part-time because of his seniority, the NPD is usually supported by a full time **Deputy Project Director (DPD)**, who is, usually, also a Government civil servant. Depending on the nature, complexity and scope of the project, a full time **National Project Coordinator (NPC)/National Project Management Expert (NPME)** is usually recruited to assist and support the NPD (and DPD) about managerial and technical aspects of the project. The NPC/NPME can also be appointed regardless of whether the NPD is full-time or part-time. Where special technical expertise is provided by UNIA, a **Chief Technical Advisor (CTA)** appointed by the UNIA, assumes the primary responsibility to guide and coordinate the technical work of the project.
3. The PMT is supported by other professional staff including technical experts, (short-term) consultants and administrative staff (see Chapter IV for recruitment of these staff). The identification of project personnel requirements is done during the project formulation and their specific responsibilities are reflected in their respective Terms of Reference appended to the Prodoc. Careful needs assessment must be carried out in identifying requirements for professional staff.
4. The basic responsibility and functions of the above key staff, NPD, CTA, NPC/NPME and Experts are described in the table below.

### Responsibility of Key Project Staff

| Title    | Policy formulation | Project management | Provide technical advice |
|----------|--------------------|--------------------|--------------------------|
| NPD      | Yes                | Yes (primary)      | No                       |
| CTA      | Yes (advisory)     | Yes                | Yes (primary)            |
| NPC/NPME | No                 | Yes                | Yes                      |
| Experts  | No                 | No                 | Yes                      |

Note: "(primary)" indicates where the primary responsibility lies.

## 2.5 The National Project Director

1. **Background and professional status.** The NEA of each project should appoint an NPD who is responsible for overall management of the project who assumes responsibility for day-to-day management of project activities, including substantive, financial and administrative matters. The success or failure of a project depends largely on how effectively the National Project Director (NPD) performs her/his duties and responsibilities.
2. An NPD is a senior Government officer with policy decision-making authority. This designation of NPD position allows for the presence of decision-making authority at the project level. In the executive branch of the Government, the NPD is usually a senior official in a Ministry. In the legislative branch, the NPD could be a senior officer designated by and reporting to the Speaker of Parliament or another designated (senior) official reporting to the Speaker. Similar designation will apply to an NPD in a project located in the judiciary. For relatively large and complex programmes requiring inter-ministerial cooperation, the NPD is usually the Secretary/Additional Secretary from the NEA.
3. Government stresses the importance of selecting the most suitable person as NPD in view of the objectives of the project. The responsibility of identifying a suitable candidate is vested in the Selection Committee of the concerned Ministry. Details about the candidate are forwarded to ERD and UNDP for review and comment, prior to final selection of the candidate for the NPD's position. UNDP funds cannot be used for payment of remuneration to a NPD who is a full-time Government civil servant.
4. **Duties and responsibility.** An NPD is normally required to undertake the following responsibilities and functions:
  - Assume overall responsibility for the successful execution and implementation of the project, and accountability to Government and UNDP for the proper and effective use of project resources.
  - Ensure mechanisms of translating outputs of project interventions into articulation of policy implications and recommendations and feeding into government policy decision-making.
  - Open and operate project bank account, and petty cash account as per approval of the Principal Accounting Officer of the designated Ministry (or other approving authority in other two organs of the State).
  - Ensure that prior obligations and prerequisites of the Government to the project are met.
  - Prepare, regularly update, and ensure the implementation of project Workplans consistent with the provisions of the Prodoc.
  - Exercise overall technical, financial and administrative oversight of the project.
  - Ensure that the project outputs are produced as stipulated in the Prodoc, and the immediate objectives of the project are realised
  - Ensure timely recruitment and supervision of project personnel.
  - Ensure timely mobilisation of project inputs including subcontracts, equipment, training

- Ensure the project budget is regularly updated so that it reflects the current status of financial delivery and estimated requirements for the future quarters and years as accurately as possible.
- Ensure timely submission of required reports, including Inception Reports, Workplans, Progress Reports, Financial Reports, Annual Project Report (APR), and technical reports of consultants, study tour/training reports.
- Participate in monitoring, review and evaluation of the project and all other policy related meetings.
- Establish effective working relationships with UNDP, the relevant UN and other implementing agencies, and with other officials and entities with which the project must interact.
- Coordinate and maintain liaison with other development partners whose support is critical to achieving outcomes of the project intervention.

## **2.6 Other key project management staff**

### **(a) Chief Technical Adviser**

The Chief Technical Adviser (CTA) is a key full-time senior project technical and managerial expert on a project. The CTA is recruited by a UN Agency, in consultation with the UNDP and ERD, and is an international professional input to the project. He/she provides overall project management support to the NPD and in coordinating technical activities. Because of the high profile role of the CTA, the position is identified after a rigorous assessment of NEX capacity of the designated NEA and NIA. The tasks of the CTA include the following:

- Ensure, in cooperation with NPD, technical soundness of project activities and achievement of project outputs and outcomes.
- Advise the Project Steering Committee on policy related issues.
- Participation in the meetings on policy related issues.
- CTA should attend policy related meetings on accountability and transparency of financial management, recruitment and procurement activities of the project.
- Act as a joint-signatory of the project accounts and the cheques, whenever required, as per UNDP guidelines/NEX Manual.
- Advise NPD and train staff in documentation of best/good practices, lessons learned and in ensuring the mechanisms for upstreaming project achievements from downstream pilot interventions.
- Prepare and submit periodic reports, as required, to NEA/UNIA and UNDP.
- Coordinates support of development partners to achieve the project outcomes.
- Maintain excellent working relationships with the executing agency and the funding agencies. Provide active support to the relevant desk/programme unit of UNDP in recording the programme results/outcomes for corporate reporting tools.
- Any other substantive advisory inputs, as requested by the NPD, in relation to achievement of project objectives, outputs and outcomes.

**(b) National Project Coordinator (NPC)/National Programme Management Expert (NPME)**

An NPC/NPME is assigned to carry out project activities that are upstream in nature and at the same time is responsible for downstream project operation as well. He/she is generally a national expert and act as the leader of the project/programme management team, in absence of the CTA. The position is sometimes referred to as Project (or Programme) Manager when the tasks to be performed are more downstream in nature (in such case the incumbent may not lead the PMT).

Below is a list of the main responsibilities of an NPC/NPME:

- Act as Deputy Team Leader, and take the leadership of PMT in absence of the CTA;
- Assist NPD in coordinating, planning and implementing project activities, including development, design, and strategic planning of programme/project components;
- Responsible for effective liaison with concerned GoB agencies and counterparts;
- Assist NPD and the CTA (if available) in day to day management of the project/programme, including administrative, financial affairs;
- Undertake and arrange for recruitment of project personnel, as per the NEX guidelines;
- Represent NPD, when assigned, at meetings at both policy and operational level.
- Assist NPD/CTA to formulate, operationalize and maintain monitoring and evaluation process of the project/programme;
- Assist NPD/CTA in the preparation of various required reports including Progress Reports, Financial Reports, Annual Progress Report (APR), etc. and organise timely completion of technical reports;
- Organise tripartite review meetings and evaluation, and prepare documentation, as needed, for the above events.

**(c) Project Accountant**

A Project Accountant must be assigned to carry out the project financial management activities as spelt out in Chapter VII. S/he must have relevant national qualifications as an Accountant (or equivalent) and be thoroughly familiar with automated accounting systems.

### 3. Workplan and Progress Report

1. A Workplan is a binding requirement for approval of Prodoc. A Workplan sets out a schedule of activities against project outputs. The following Workplans are prepared in the course of the project cycle:
  - An Workplan developed during the project formulation and constitute part of Prodoc;
  - **A detailed Workplan** developed during the inception phase (in line with the Inception Report);
  - **Annual Workplan**; and
  - **Quarterly Workplan**.
2. Workplans indicate what activities must be undertaken by whom and at what time to produce each and every required project output to achieve project outcomes. Workplans must be regularly updated for the following reasons:
  - The Workplan is an instrument to facilitate mobilisation of project staff and participants toward achievement of project objectives within the specified period.
  - It is the only sound basis for determining the quantity and timing of project inputs and estimating budget requirements.
  - It is the only way to systematically and objectively monitor the substantive and financial progress of a project.
  - The workplan is a useful communication tool for explaining the progress and planned activities to project staff, higher authorities and the public.

#### 3.1 Workplan at project formulation stage

1. As part of project formulation and preparation of Prodoc, an indicative Workplan is prepared to delineate planned activities against identified outputs. This Workplan provides an approximate schedule of activities to be implemented during the course of the project period.

#### 3.2 Workplan in line with Inception Report

1. The indicative Workplan is reviewed and refined during the inception stage of project implementation, based on consultation meetings and reviews of project activities. A revised, detailed **Workplan** is thus developed, covering the entire duration of the project and indicating the month and year in which each of the projects are expected to be produced. The detailed Workplan constitutes part of the Inception Report (Ref: Chapter III: Starting a Project).

#### 3.3 Annual Workplan

1. The Annual Workplan is a more detailed workplan than the Workplans appended to the Prodoc and the Inception Report and is specified in quarterly terms for the current year. In addition to outputs, significant activities are indicated for corresponding outputs. The Annual Workplan is prepared at the beginning of each calendar year and covers the entire 12-month period. If a project

commences after January, the Annual Workplan period covers the number of remaining months available for implementation in the 12-month calendar period. The Annual Workplan is approved by the PSC and acts as a rolling plan and within its framework Quarterly plans are updated as per progress in project implementation. This will facilitate the preparation of ATLAS workplan.

2. The process of preparing the Annual Workplan helps the project management in reviewing and clarifying project activities, inputs and budget requirements. The preparation of the Annual Workplan, leads to a **review of the project budget**. If the expenditure estimates to implement the Annual Workplan differ from the original budget provided in the Prodoc the budget would need to be revised (see Section 5.2 of this Chapter for budget revisions).

### 3.4 Quarterly Workplan and Expenditure Plan

1. A Quarterly Workplan is the most detailed of the three. Based on the Annual Workplan, all important activities and steps to be taken to mobilize corresponding inputs are listed chronologically. Simultaneously, a Quarterly Expenditure Plan, specifying inputs and estimated budget requirements, is prepared (see Annex 11 for the format).
2. Quarterly Workplan and Expenditure Plan are mandatory documents to obtain release of funds from the relevant section of UNDP. Request for quarterly advance of funds is made on the basis of the Quarterly Workplan, the Expenditure Plan, and the Quarterly Progress Report of the previous quarter (see Chapter VII for details on request for funds).

### 3.5 Quarterly Progress Report

1. A Quarterly Progress Report describes the actual progress made in relation to each Quarterly Workplan. The Quarterly Progress Report is generally brief and is prepared toward the end of the current quarter. Problems encountered in project implementation, budget issues and project management issues must be highlighted in the report. In addition, variances between the activity/expenditure schedule indicated in the Quarterly Workplan and Expenditure Plan and actual activities/expenditures must be explained and an action plan for corrective measures during the following quarter must be provided in the same report.
2. The NPD ensures preparation of the Quarterly Progress Report and sends it to UNDP and ERD. The report is appended to the Quarterly Workplan and Expenditure Plan for requesting release of funds to UNDP (as noted above in 3.4), which has to be done no later than 15<sup>th</sup> of the first month of each quarter. The report also serves as a basis for the quarterly meeting of ERD and UNDP to review the overall direction of various initiatives under the Country Programme and issues relating to specific projects.
3. Annual progress reports of project activities are also prepared as part of project monitoring. The requirements of **Annual Progress Report (APR)** are discussed in Chapter VIII: Monitoring and Evaluation.



## 4. Mobilising Project Inputs

1. Mobilising project inputs is the joint responsibility of the designated National Executing Agency (NEA) and National Implementing Agency (NIA). The primary responsibility lies with the National Project Director (NPD) and the NEA.
2. Where UN Agency is involved in the project as UN Implementing Agency (UNIA), the primary responsibility for inputs mobilisation lies with the UNIA. The UNIA, however, must closely consult the NPD during the mobilisation process and make sure that necessary requirements of the project are properly met by the inputs to be mobilised. The NPD, in turn, is responsible for ensuring that inputs mobilisation by the UNIA is timely and in accordance with the Prodoc, Workplans and agreed specifications or the TOR.
3. The specific duties of the NPD in mobilising project inputs vary depending on the implementation arrangements adopted. As indicated above, the NPD's responsibility is considerably greater under NEX projects implemented by NIA than those implemented by UNIA.

### *Inputs: Definitions and key principles*

4. Inputs are the personnel, goods and services defined according to the following budget categories:
  - Personnel (BL-010)
  - Contracts (BL-020)
  - Training (BL-030)
  - Equipment (BL-040)
  - Miscellaneous (BL-050)
  - Miscellaneous (BL-050)
  - Micro-capital grants (BL-070)
5. Inputs are mobilised in accordance with the Prodoc, Workplan and Budget. Where inputs are insufficient and additional inputs are considered to be indispensable, a project budget revision is done, after consultation between NEA/ERD and UNDP, to provide for the required resources.
6. The following key principles must be followed in mobilising and procuring inputs:
  - i. **Competitiveness.** NEA or the designated agency (i.e. NIA or UNIA) is required to follow internationally recognised **competitive selection processes** in mobilising inputs. Hence, the designated agency must make a wide search for identifying the most qualified national and international candidates or suppliers. The designated agency recruits the most qualified and best-suited individual for the task described in a job description. Similarly, a supplier who offers the best equipment or service in terms of both cost and quality (as described in the specification) is selected.
  - ii. **Transparency.** The selection process must be transparent, giving full and equal amount of the relevant information to all candidates or suppliers, with clear selection criteria established prior to initiation of the selection process and with



several persons participating in the decision-making process in accordance with the NEX rules and procedures. Proper records of decisions must be produced and maintained.

- iii. **Multilateralism.** The selection of inputs must be made based on quality and price, without regard to the country of origin of the product or the nationality of the individuals/firms.
- iv. At the same time, procurement within the country is encouraged to provide the benefits to the national economy. However, the quality of the input must be equal to or greater than those available in the international market. Also, the local market price must be equal to or below the “landed cost” (CIF price plus other delivery and logistical costs) of those available in the international market.
- v. Decisions on procurement must also take into account the speed of delivery and the availability of after-sales service, training, maintenance, repairs and/or spare parts.
- vi. **Modalities of personnel recruitment, equipment procurement and sub-contracting:** Recruitment, procurement and sub-contracting are carried out in accordance with rules and procedure of Government, UNDP or UN Agencies as specified in Chapters IV, V and VI. Under UNDP and UN Agency selection procedures, such modalities as invitation to selected bidders (for equipment procurement and sub-contracts), selection from rosters (for consultants) and direct contracting are possible depending on the nature and availability of goods or services to be mobilised.

## 5. Budget and Budget Revision

### 5.1 Project budget

1. This section deals with two budgets – one included in the UNDP Prodoc and the other included as part of the Government's TAPP budget.
2. The TAPP budget may include allocations that are not provided for in the UNDP Prodoc. For example, it must adequately provide for operation and maintenance for equipment and vehicles to be procured by the project. Furthermore, if purchase of equipment from abroad is expected, allocations for payment of CD VAT must be made in the TAPP budget. If NEA or NIA plan to hire project staff from its own fund, appropriate budget allocations to cover the salaries of the staff are necessary in the TAPP budget. For the resource planning and allocations for UNDP funded activities, the UNDP Prodoc budget is the sole reference document both for Government (NEA/NIA) and UNDP, once the project is approved.

### 5.2 UNDP project budget

1. A UNDP project budget describes the cost of inputs specified in the Prodoc. The budget includes a standard set of structured items in terms of personnel, travel and mission, training and study tour, equipment, and miscellaneous, etc. Estimates used for project budgeting must be accurate and realistic. Annex 10 presents the structure of the UNDP project budget.
2. Budget line number is an important reference of the UNDP budget. The budget column items are equally important and they reflect policy parameters as enumerated below:
3. The Implementing Agency budget columns specify agencies which are delegated with the responsibility of managing certain budget lines as Implementing Agency.
  - The Administrative and Operations Services (AOS)<sup>1</sup> or implementation fee (for non-governmental institutions) are an integral part of budgeting, although these items are not shown separately in the project budget. AOS or execution fee rates are negotiated with each implementing agency as per UNDP and NEX policies.
  - AOS for UN Agencies is budgeted at 10% of the estimated cost and are included in the cost of input.
  - AOS for UNOPS for management support is generally negotiated but cannot be more than 10%.
  - Government agencies are not entitled to AOS or implementation fee.

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<sup>1</sup> Administrative and Operations Services (AOS) is an arrangement that partially reimburses certain UN agencies for the costs associated with the mobilisation and delivery of inputs for UNDP supported projects/programmes. The arrangement is made at the Headquarters level between UNDP and the UN agencies.

4. The budget estimates are provided in terms of the total amount allocated for each year of the project. The annual budget estimates take into account expected inflation cost. Costs of local inputs are adjusted for exchange rate changes.
5. The person-months for expert and service personnel are specified against the allocation of each set of personnel inputs. Total and yearly person-months are presented in the budget. The cost structure of international personnel (expert/consultant) is derived from the cost of personnel provided by the UN Agencies. The UN Agencies periodically publish the cost estimates and copies are given to UNDP. The cost estimates are given in terms of "proforma costs" to cover the cost of salary/remuneration, pension, reallocation, education and health allowances, and other costs that are expected to be incurred with each international expert/consultant. The proforma cost of national project personnel and national consultant/s is based on periodic surveys conducted by UNDP. The remuneration of national project personnel and consultant is budgeted to reflect the consolidated remuneration and all allowances are included in the remuneration package.
6. As noted above, upon signature of the Prodoc, the budget provided in the Prodoc becomes a single common reference document for implementation of the project. Any revision of UNDP Prodoc budget can be done independently of the TAPP, although the latter budget is revised in accordance with the changes in the UNDP budget.

### **5.3 TAPP budget**

1. The TAPP budget describes the financing of the TA project. The budget shows the financial resource allocation to the project available from all sources including Government, UNDP and other sources. The budget allocation shows multi-year allocation of financial requirement of the project approved for a specified time period. All costs are given in Lakh Taka. In case a project's life is more than ten years, then the allocation for additional years is given as an enclosure. The TAPP budget enumerates the Government contribution to the project and the total amount of custom duty and value added tax (CD/VAT).
2. The TAPP budget identifies the source of financing with both local costs and the foreign exchange component, with the currency and conversion rate used for the calculation of cost.
3. The budget is categorised under four major head/lines which include:
  - Project input - personnel (government personnel, full-time staff and part-time staff, staff to be recruited including consultants and administrative support personnel.
  - Project input – equipment.
  - Project input – training.
  - Project input – others.

4. An outline of a TAPP budget is shown in the TAPP Format (Annex 8). However, the revised format and approval process of TAPP (or TPP) will be applicable as and when approved by the appropriate Government authority. Therefore, the Technical Project Proforma (TPP) along with the approval procedures would be considered as integral part of this Manual.

#### 5.4 Budget revision (of UNDP Prodoc)

1. UNDP project budget revision is undertaken in response to (a) substantive changes in project strategy and input configuration, (b) reallocation of budget among expenditure items, and (c) re-phasing of the budget to reflect actual expenditures and a revised expenditure estimate.
2. Budget re-phasing is done twice a year, in June and October/November. These two events are mandatory and are in accordance with the requirements of the UNDP HQ.

##### 5.4.1 Substantive Budget Revision

1. Generally, a Substantive Budget Revision is undertaken in response to a decision in case of a Tri-Partite Review Meeting (TPR), as described in the Chapter VI: Monitoring and Evaluation. Agreements reached at a TPR for project revision must be executed immediately and are done through revising the Budget. In such cases, a cover page of the Budget Revision describes the decision of the TPR and changes made to the Prodoc. By processing the Budget Revision in this way, the Prodoc is automatically amended, without redrafting the Prodoc itself. **This Budget Revision must be signed by the three signatories to the Prodoc: ERD, NEA and UNDP.**
2. The following are examples of cases that require Substantive Budget Revision:
  - Changes in objective and strategy of the project.
  - Changes in executing and implementing arrangements.
  - Changes in design, including outputs, activities, inputs configuration and budget.
  - Increase or decrease in the budget due to addition or deletion of inputs.
  - Advance Authorisation.

##### 5.4.2 Budget Revisions involving reallocations among budget lines or increase/decrease of less than 5% of existing budget

1. For a budget revision involving adjustments of input configuration, schedule of activities, and budget, the documentation required is relatively less elaborate. This process simply entails a reallocation of funds among different budget lines or increases/decreases of less than 5% of the total budget for the purpose of reflecting adjustments in the cost of certain items. **Such budget revisions are signed by two parties: NPD/NEA and UNDP.**

### 5.4.3 Budget revisions involving re-phasing of budgets or reallocations within individual budget components

1. Re-phasing of expenditure budgets or reallocations within individual budget components (line items) is done to reflect the actual status of project implementation and expected expenditure allocations in relation to the latest workplan. A budget rephasing involves the shift of funds from one year to another within the same budget lines without a change (increase or decrease) in the total budget. The purpose of rephasing is to reflect the most recent and accurate position of actual and anticipated expenditures. **This budget revision (re-phasing) is signed by UNDP only**; it does not require signatures of ERD and NEA.
2. As per UNDP financial reporting and budgeting procedure, rephasing is to be done at least on two occasions:
  - A mandatory budget revision (re-phasing) that must be prepared and approved by 10 June (or otherwise decided by UNDP HQ) each year, to reflect the final recorded expenditures for the preceding year and updated expenditure estimates for the current year.
  - A budget revision (re-phasing) that may be prepared every October-November to reflect a revised, year-end estimate of likely expenditures for the current year.

### 5.4.4 Policy and procedure for revision of TAPP

1. A TAPP and its associate budget may be subject to revision under the same circumstances as mentioned in 5.2.1, 4 above.
2. If budget changes involve an increase of 25% of the approved project budget, then the TAPP will have to be approved by the respective approval authorities that had earlier endorsed the project instrument. If a project is to be extended beyond the approved time frame, the information must be forwarded to ERD and Planning Commission at least three months prior to the original date of completion of the project. In this case no revision of the TAPP is needed. For details planning guidelines of the Government of Bangladesh should be conducted.
3. No revision of the TAPP is needed if the proposed increase in the project budget is less than 25% of the currently approved budget.
4. The above provisions related to TAPP are governed by the latest GoB rules applicable for the TAPP/TPP revision.

## **5.5 Partnership and UNDP project budget**

1. A UNDP supported project budget may integrate resource allocation of its partners in two forms, viz. (a) cost-sharing, and (b) parallel funding.

### **Cost-sharing**

2. A particular project intervention may include another development partner's cash contribution to the project budget under UNDP administration. In such a case, the contribution is treated as cost sharing. The partners contributing cash to the project budget under UNDP administration may include government, multilateral and bilateral agencies, private foundations, and other sources of financing.

### **Parallel funding**

3. Parallel funding is important for a project's outcome. Parallel funding occurs where other development partners are involved in a coordinated support for a project but their funds are administered separately through their respective project budget administration policy and procedure. Parallel funding is not structurally integrated in the UNDP Prodoc budget and is therefore not administered by UNDP.
4. Other development partners' parallel funding reinforces the achievement of the project/programme's objectives and attainment of the same outcomes being pursued by a UNDP supported project. The information on parallel funding and its reflection in the Prodoc is necessary for effectively monitoring progress of UNDP assistance toward achievement of the intended outcomes. NPD and the management of NEA should maintain and update necessary documentation regarding contribution of all partners involved in the programme framework.





## Chapter III

### STARTING A PROJECT

#### 1. Summary of Requirements

1. The following requirements must be met before activities under a UNDP supported project can be started:
  - Approved project documentation
  - Notification of project approval to relevant institutions
  - Mobilisation of NEA inputs
  - Appointment of NPD
  - Arranging participation of implementing partners/agencies
  - Opening of project account and initial fund disbursement
  - Setting up of project office
  - Organising the inception phase: workplans, budgets, consultation meeting, and project inception workshop
  - Procurement of equipment and recruitment of key project personnel.

#### 2. Approved Project Documentation

##### 2.1 UNDP Prodoc and Government TAPP

1. Both a UNDP project document (Prodoc) and a Government TAPP must be approved before a project can commence operation/implementation.
2. Approval of a UNDP Prodoc represents the agreement of the Government and UNDP to commit financing to the project as specified in the budget attached to the Prodoc. The process and arrangement for approval of the Prodoc and the TAPP are described in Section 1.3 of Chapter II.
3. It is important to reiterate here that the Government will ensure that the process of approval of TAPP is done simultaneously with the timing of the approval of Prodoc.
4. Upon approval of both TAPP and Prodoc, the UNDP Prodoc is the reference document for project implementation necessitating funds administered by UNDP. Any revision of the Prodoc must be done in consultation between NEA/ERD and UNDP and accordingly reflected in the TAPP.

## 2.2 Notification of project approval

1. After a Prodoc is signed by UNDP, the UNDP Country Office sends the original copies of the Prodoc to ERD and NEA, and advises ERD commitment for disbursement of UNDP funds as per budget specified in the signed Prodoc.
2. ERD in turn advises NEA to organise necessary activities to start the project according to the procedure described in the remaining part of this chapter.
3. ERD provides NEA with the NEX Manual and its Annexes. It further ensures that all NIAs involved in a project are provided with the signed Prodoc and copies of the NEX Manual and its Annexes. UNDP ensures that UNIA is provided with the NEX Manual and Annexes.

## 3. Mobilisation of NEA Inputs

Once notified about project approval, the NEA shall fulfil any prior obligations as specified in the Prodoc, and mobilise Government inputs that have been committed by the Government to the project. Such inputs are described in the Prodoc and the TAPP, and may include Government management and other counterpart staff, premises and facilities, equipment, etc.

### 3.1 Project Activation

1. Project activation constitutes actions that lead to the commencement of project implementation, including the appointment of the NPD and the mobilization of NEA inputs. If the project is not activated within 5 weeks after the project approval, the NEA will provide written explanation to UNDP and ERD, describing any constraints and the steps being taken to activate the project. A new timeframe may be provided for the project to start.

### 3.2 Appointment of NPD

1. The appointment of the NPD is the most critical requirement for initiating project implementation. Profile, terms of reference and procedure for appointment of NPD are outlined in Section 2.5 of Chapter II.
2. The NPD is briefed by the concerned Ministry/Division of her/his terms of reference, the project, and reporting and accountability arrangements. The Ministry shall invite both ERD and UNDP representatives to the briefing session.

### **3.3 Mobilisation of other essential inputs**

1. Upon assumption of duty the NPD is responsible for mobilising the entire range of inputs which have been committed by NEA. The most critical inputs for starting a project include: allocation of premises for project management; provision of equipment and facilities for the project premises; NEA/NIA project personnel; communication facilities; and logistical support for project operation.
2. The NEA informs UNDP and ERD in writing about the names and designations of appointed/assigned counterpart officials.

## **4. Organising Participation of Implementing Partners / Agencies**

1. The NEA ensures that implementing/cooperating agreements envisaged in the Prodoc are finalised immediately after project approval. Without these agreements project activities (particularly recruitment of experts and consultants and procurement of equipment, which fall under the budget lines allocated to the implementing agencies) cannot be undertaken.
2. The Head of the NEA delegates the NPD or any competent person in the NEA to sign implementing/cooperating agreements on behalf of the NEA. The services to be undertaken by the IAs are specified in the agreement along with the expected outputs and relevant budgetary allocations for the services.
3. The NPD is required to initiate recruitment of key project staff including CTA, NPC, account officer and administrative support staff as specified in the implementation arrangements of Prodoc and the TAPP as soon as possible. In particular, CTA, NPC and other professional personnel are expected to be fully on board prior to the Inception Workshop (see below). CTA and other international staff are normally recruited by the UNIA, and therefore conclusion of LOA with the UNIA must be done immediately.

## **5. Opening of Project Account**

### **5.1 Project account**

1. The NPD, with approval from the appropriate authority of the NEA, is authorised to operate the project account with a national commercial bank, under a joint signatory arrangement with CTA/senior project personnel. The NPD arranges opening of a project account before submitting a request for the first quarter disbursement, as an advance, from UNDP. The project account must be a current account, which may yield interest if provided for by the local financial system. Under no circumstance should UNDP funds be deposited into a separate bank account for interest bearing purposes. See Chapter VII: Financial Management, for policies regarding interest-bearing accounts and the use of accrued interest.

2. The NPD is not allowed to open a foreign currency account. If there is any transaction involving UNDP financing to be made in foreign currency, the transaction is to be effected by the UNDP Country Office.

## 5.2 The first advance

1. To receive the first quarter advance from UNDP, the **first quarter activity plan** must be prepared and the budget estimated along with a request for the Advance submitted to UNDP. The first quarter activity plan must be in line with the indicative Workplan provided in the Prodoc. The first quarter activity plan should include:
  - all administrative, management and technical activities expected to be undertaken in the first quarter of the project life;
  - fund advance request letter as per specified format (Annex 13);
  - details of bank account to which fund should be deposited by UNDP.
2. The first quarterly advance does not have to be accompanied by a financial report, as there will have been no expenses incurred under the project budget as at the time the request for the first advance is made.

## 6. Setting up of Project Office

1. The core management and operational activities of a NEX project should usually be located within the relevant national institutions, as the objective of the NEX modality is to build/strengthen institution and capacity of Government and national partners. Generally NEA/NIA is required to provide adequate office space and support facilities and these provisions should be specified in the Prodoc and TAPP.
2. In the event that national institutions designated to host the project office do not have adequate office premises, then the NEA/NIA is responsible for meeting the cost of separate office space for project management and operation. The cost, which should be budgeted in the TAPP, should include rental of premises, utility costs, communication costs, security, repair and maintenance of premises, and other costs related to use of the premises. Government institutions follow the guidelines of Ministry of Housing and Public Works regarding location, type and rental cost, when renting office premises.
3. In exceptional cases, UNDP may meet cost of rental of premises and other associated expenditures. UNDP funds may be used to finance the costs of providing office equipment, vehicle and other logistical support for effective operation of the project. (However the cost of operation and maintenance of this equipment must be born by Government. See Chapter V for details.) UNDP support for these inputs are discussed during the project formulation and must be spelled out in the Prodoc.

## 7. The Inception Phase

1. Three specific activities are undertaken by the NPD and her/his management personnel:
  - Developing detailed Workplans (Annex 9 for sample Annual Workplan).
  - Holding consultations with NIAs, UNDP, UN Agencies and other implementing partners (if any) to clarify and organise operating procedures and responsibilities to be carried out by NEA and IAs.
  - Reviewing and refining, in consultation with UNDP, job description/terms of reference for project staff to be recruited. In case of UNIA implemented actions the agency will discuss with NPD and UNDP and upon concurrence will finalise the job descriptions/TORs.
  - In case of any budgetary change proposed, at the component level, compared to the approved document, NPD will consult UNDP prior to the inception workshop.
  - Organising a project inception workshop.

### 7.1 Workplans and budgets

1. The NPD and her/his key project team members, in consultation with relevant implementing agencies and other stakeholders, review the indicative Workplan provided in the Prodoc and develop a **detailed Project Workplan**, which will cover the entire project period.
2. Based on the detailed Project Workplan, an **Annual Workplan** for the first year is prepared with greater precision. At the same time, **budgets** provided in the Prodoc must to be reviewed and adjusted to reflect the best possible expenditure estimates, in accordance with the detailed Project Workplan and the first year Annual Workplan. Finalisation of the Annual Workplan and the budgets are done in consultation with UNDP.
3. From the second quarter of the first year onwards, a Quarterly Workplan and a Quarterly Expenditure Plan must be prepared and sent to UNDP to secure quarterly advances (see Chapter II and Chapter V on the Workplans and Budgets).

### 7.2 Consultation meeting

1. At the inception of a project, the NPD organises consultation meetings with stakeholders, who must include concerned officials of NEA, NIAs, ERD; other relevant Government bodies; UNDP; and UN Agencies; and NGOs, CBOs and academic institutions where appropriate. The initial consultation's aim is to ensure the concerned parties and stakeholders understand the project framework, its intended outcomes, outputs, key activities and other relevant information. Consultation meetings also provide opportunities for the NPD and the key project staff to learn from these stakeholders in order to review and clarify the project design, strategies and approaches as envisaged in the Prodoc.

2. For a project whose duration is more than twelve months, a draft Inception Report is prepared within the first three months. Projects of less than twelve months duration are required to prepare an Inception Report within the first month. An Inception Report is finalised after the Inception Workshop (see below).

## 8. Project Inception Workshop

1. As mentioned above, projects whose duration is more than twelve months are required to hold a Project Inception Workshop. Participants include officials/staff of NEAs, IAs, ERD and UNDP. In addition, expert individuals representing centres of excellence and civil society organisations may be invited as resource persons to contribute to the Workshop.
2. The Inception Workshop is used by project management to review the scope of the project, its design elements, log frame analysis, project strategy, end of project situation, implementation arrangements, and other issues that will bear on the project design and attainment of the project's intended outcomes.
3. The purpose of the Inception Workshop is not to redesign the project, but to clarify the project's scope and intended outputs and outcomes, and sharpen understanding of the project implementation arrangements.
4. The NPD, assisted by CTA and NPC/NPME (where relevant) organise the Inception Workshop. They organise the venue and ensure logistics needed for the Workshop.
5. The draft Inception Report forms the basis for the Workshop. The Report should indicate project management's understanding of: (a) project strategy, (b) project scope and intended outputs and outcomes, (c) inputs and budget estimates, (d) implementation strategy and institutional arrangements for carrying out project activities, (e) a detailed Project Workplan.
6. The draft Inception Report must be finalised and distributed to participants at least two weeks in advance of the Workshop. Those who are unable to participate should be encouraged to send their comments about the Report in writing.
7. The NPD ensures the proceedings of the Workshop are documented and finalises the Inception Report to reflect the comments and recommendations of the workshop participants. The NPD distributes the final Inception Report to participants within two weeks after the Workshop.
8. During the inception phase, should issues emerge that require discussion and decisions at the higher level, a TPR or Steering Committee meeting is convened as appropriate to resolve the issues, so that the project can move on to substantial activities without delay.

## **9. Procurement of Equipment**

1. Upon receipt of the first advance of funds from UNDP, the NPD organises procurement of expendable (such as stationery) and non-expendable equipment (such as computers) as per the provisions in the Prodoc.
2. Details of procurement of recruitment and equipment of project personnel are provided in Chapter IV and V.





## Chapter IV

### **RECRUITMENT AND HUMAN RESOURCES MANAGEMENT**

#### 1. Personnel

1. The personnel involved in a project include regular staff of NEA and NIA specially assigned for implementation of project activities; and those recruited under the project budget as project personnel. The former group of personnel is on the payroll of these institutions, and therefore do not receive remuneration from the project budget. Further, other regular staff members of the Government administration working in NEA and NIA are not entitled to any remuneration “top-up” from a UNDP financed project budget. Project personnel on the other hand are recruited and are paid salaries/fees under the project budget to perform specific set of activities as per terms of reference (TOR) outlined in the Prodoc and contract documents.
2. A NEX project executed by a government institution requires participation and commitment of regular government staff for a successful implementation and outcome of the project. These requirements are prerequisites for having a NEX project and are accordingly specified in the Prodoc.

#### 2. Categories of Project Personnel

##### Categories of project personnel

| Contract \ Personnel           |                  | Consultants, Experts & other professional staff |       | Administrative Staff | Interns/Young Profession |
|--------------------------------|------------------|---|-------|----------------------|--------------------------|
|                                |                  | Int'l   | NPPP* |                      |                          |
| Gov't contract                 | Gov't funded (A) |   | ●     | ●                    |                          |
|                                | UNDP funded (B)  |   | ●     | ●                    |                          |
| UN Agency contract (C)         |                  | ●   | ●     | ●                    |                          |
| UNDP contract (under DCOS) (D) |                  | ●   | ●     | ●                    | ●                        |

\* NPPP: National Professional Project Personnel

1. In addition to government staff of NEX projects who are on regular payroll of the concerned organisations, the following categories of personnel are involved in UNDP supported projects (also see the table above):

##### ***Category A (gov't contract -- gov't funded):***

2. Contracts of the project personnel under Category A are issued by the Government and funded from the Government contribution to the project budget, which is reflected in TAPP. Such contracts are usually issued to national administrative staff.

**Category B (gov't contract -- UNDP funded):**

3. Contracts of the project personnel under Category B are issued by the Government and funded from the UNDP component of the project budget. Such contracts are issued to national professional and administrative staff.

**Category C (UN Agency contract):**

4. Where UN Agency is involved in the NEX project as IA, project personnel, particularly international and national professionals, are recruited by the UNIA and the contracts are issued by the UNIA. Where the UNIA does not have an office in Bangladesh (e.g. UNOPS, UNCHS), UNDP issues the contracts on behalf of the UNIA.

**Category D (UNDP contract under DCOS):**

5. Project personnel are recruited and contracts are issued by UNDP under Direct Country Office Support (DCOS). This arrangement is usually taken when there is no involvement of UN Agency in a NEX project, but UNDP's support to the NEA/NIA is deemed helpful.
6. Project personnel may be given contracts for short-term or fixed-term appointments depending on the terms of references (TORs). The TORs and duration of the assignments are spelled out in the Prodoc and the Letter of Agreement (LoA) between the NEA and the UNIA (if UNIA is involved). As indicated above, contracts issued by UNDP are in response to the NPD's request to UNDP for provision of Direct Country Office Support (DCOS) or on behalf of UNIA which does not have an office in Bangladesh (such as UNOPS, UN Habitat, etc.).

**2.1 Consultants and experts**

1. Consultants and experts are professionals who have expertise and experiences in specific technical and/or managerial areas that are required to deliver project activities and produce outputs. The distinction between consultants and experts is made as follows: **consultants** are those with contracts of **three months or less** and **experts** are those with contracts of **more than three months**. Project consultants and experts can be national or international. International professionals (i.e. consultants and experts) are identified in the UNDP project budget under BL 011, while national professionals, who are also called as National Project Professional Personnel (NPPP), are identified under BL 017.
2. **International professionals** (consultants and experts) are not citizens of the host country and are normally recruited from abroad. International consultants are usually paid higher salaries than local consultants, partly because they compete in a global labour market, and partly because of the financial burden and family dislocation involved in taking up an assignment overseas. Foreign nationals residing in Bangladesh may be recruited as international professionals, provided that their expertise and international working experience satisfy the requirements of their ToR and provided that they have a proven competitive track record in the international labour market at international remuneration levels. However, such resident expatriates recruited locally will not qualify for relocation allowances and

other benefits tied to international mobility. A person born in Bangladesh who has established residence in another country and given up his Bangladeshi citizenship may qualify as an international consultant, provided s/he has the requisite qualifications for the job under consideration.

3. **National professionals** (consultants and experts) are citizens and permanent residents of the programme country. Their recruitment is done in Bangladesh and they are entitled to a different scale of remunerations (as outlined below). Non-resident Bangladeshis are also eligible for recruitment as NPPPs, subject to the rules under 2.1.4
4. **Non-resident Bangladeshi professionals.** A non-resident Bangladeshi is one who has established permanent residence in another country but has maintained Bangladeshi citizenship and therefore does not require a visa to enter or a residence permit to live in Bangladesh. A Bangladeshi having dual nationality may be recruited to serve in a UNDP supported project in Bangladesh, subject to the agreement of the Government or NEA. Non-resident nationals are recruited as national consultants, and are paid as such, but they receive additional benefits, which are negotiated on the basis of continuing financial commitments in their country of residence, provided that such payments do not exceed the budget amount. However, UNDP will not finance continuing commitments for more than two years. Cases in excess of two years are subject to strict audit by UNDP Headquarters.
5. Extension of contracts of national and international professionals must be adequately justified by the NPD. Repeated use of long-term experts for the same task is discouraged.

## 2.2 Other project personnel having professional expertise

1. **Associate experts** are junior consultants, normally nationals of a developed country who are provided by that country at no cost to the UNDP programme budget. A few donor countries finance associate experts from developing countries. The UNDP Headquarters recruit Associate Experts in cooperation with the donor government, and administers their contracts. Like all experts/consultants, recruitment/placement of Associate Experts on a project requires Government approval.
2. **United Nations Volunteers (UNVs)** serve the entire United Nations system. The UNV Headquarters in Bonn, Germany administers recruitment and placement of UNVs. UNDP Country Office assist UNV HQ in identifying and selecting candidates for the UNV Programme. Several types of UNVs may be considered for recruitment in a NEX project in Bangladesh. UNVs are administered by UNDP. National UN Volunteers are part of the UNV Programme's integrated response capacity, on at par with international UNV specialist, field workers, UNISTAR and TOKTEN advisors<sup>1</sup>. National UN Volunteers are assigned to support development, humanitarian and peace-building programmes, with roles

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<sup>1</sup> UNISTAR: United Nations International Short-Term Advisory Resources; and TOKTEN: Transfer of Knowledge through Expatriate Nationals programme.

ranging from providing technical skills in the areas of education, health, agriculture and income-generating activities, to strengthening local human resources and the linking of community, local government and national policy-making levels. Details on the UNV could be obtained from the UNV desk in the UNDP office at Dhaka.

The services provided by the National UN Volunteers are covered by the provisions of the Standard Basic Agreement between the Government of Bangladesh and the UN Development Programme (UNDP).

3. **TOKTEN consultants.** Transfer of Knowledge through Expatriate Nationals (TOKTEN) is a facility designed by UNDP to enable programme countries to benefit from professional expertise and experience of their nationals living abroad. Consultants recruited under TOKTEN facility return home for short periods to assist in academic and research institutions, public or industrial bodies, as well as civil society organisations. (Bangladesh does not have a TOKTEN facility at the moment.)
4. **UNISTAR consultants.** The United Nations International Short-Term Advisory Resources (UNISTAR) consultants are experienced professionals (often recently retired executives from Government or private companies in industrialised countries) who volunteer their services to private companies, state-owned enterprises, government institutions and CSOs. They promote business and technical skills in management, marketing, planning, production, design and finance. A UNISTAR consultant is normally not paid any consultancy fee; instead, the host project covers his or her travel cost to and from Bangladesh plus his DSA.

### 2.3 Administrative support staff

1. Administrative support staff are persons recruited for administrative and management support work. They include assistant accountant, secretary, computer operator, data entry personnel, driver, messenger, and other similar category personnel.

### 2.4 Interns and Young Professionals

1. **Interns:** Interns are independent volunteers who offer their unpaid services to support development activities while acquiring work experience. UNDP may, in consultation with NEA/NIA, provide limited number of Interns on NEX projects. Project interns are to be placed by UNDP through DCOS arrangement provided a budget is available for such services. Budget provision for Interns could be allocated from a consolidated budget line for support personnel/temporary assistance budget line. Interns may receive compensation to cover their transport and other incidentals as per UNDP rules and procedures applicable for Interns. UNDP/Dhaka's policy on interns will be applicable for administering the placements. An Intern may be a Bangladeshi only.

2. **Young Professionals:** UNDP may, in consultation with NEA/NIA, fund a limited number of Young Professionals (YPs) within NEX projects. A YP is a Bangladeshi university graduate (with a Bachelor's or Master's degree) who at an early stage in her/his career seeks additional work experience of relevance to her/his academic discipline within a UNDP funded project. UNDP/Dhaka's policy on YPs will be applicable for YPs working within NEX projects. YPs are recruited by UNDP through DCOS arrangement, usually on a Special Service Agreement or a Service Contract. The duration of their assignment cannot be less than 6 months and not more than 11 months. Budget provision for a project YP could be allocated from a consolidated budget line for national professionals.

### 3. Recruitment of Personnel

#### 3.1 Policy

1. The recruiting authority is responsible for ensuring that three requirements are followed, viz.: competitiveness, transparency and multilateralism. Brief explanation on these terms in the context of recruitment of personnel is given below:

**Competitiveness** implies that all applicants for long-term positions must be evaluated on the basis of their professional competence.

**Transparency** means that all project positions of more than 3 months' duration must be advertised in the mass media or through other means in the public domain (e.g. a relevant website).

**Multilateralism** is the opposite of unilateralism. This term implies that all important decisions are taken through a consultative process.

2. A recruiting authority depends on the execution/implementation arrangement. If the budget line for recruiting the concerned personnel falls under UN Agency, the UNIA is the recruiting authority. If the budget line falls under NEX, the NEA or NIA, where the NPD is located, is the recruiting authority. If the request to UNDP CO for Direct Country Office Support (DCOS) has been made, the UNDP is the recruiting authority on behalf of the NEA/NIA.
3. Rules and procedures governing recruitment of international and national consultants and experts are to be strictly followed. In particular, the eligibility criteria for international and national consultants (as noted above) shall be strictly applied.
4. All international consultants and experts recruited overseas must be cleared by Ministry of Foreign Affairs and Ministry of Home Affairs, as per policy of the Government, in the shortest possible time. The same procedure must be followed for recruitment of international consultants and experts who are already residing in Bangladesh.

5. Internationally recruited personnel are required to obtain entry visas in their home country or place of recruitment before travelling to Bangladesh. UN Agency or UNDP Country Office, as relevant, assists the international personnel with information on visa requirements. For the extension of visas to internationally recruited personnel, the ERD assists in obtaining the clearance and endorsement of the relevant Government offices/Ministries.
6. At present, only UN Agencies through the agreement with NEA and UNDP through the modality of Direct Country Office Support (DCOS) undertake responsibility for recruitment of international consultants and experts. NEA and NIA may identify and provide recommendation on a candidate, but the national institutions delegate responsibility to UN Agencies and UNDP for selection and recruitment of international consultants and experts.

### **3.2 Job descriptions (JDs) and terms of references (TORs)**

1. Job description (JD) and terms of reference (TOR) are used to describe the specific responsibilities and tasks of consultants, experts and other project personnel. In NEX projects in Bangladesh, "TORs" are used to describe responsibility of international and national experts and consultants, while "JDs" describe responsibility of administrative and other support staff of a project. The reporting lines of the concerned personnel, their duty station, duration of assignment and qualifications (academic backgrounds and experiences and other capability requirements such as English language proficiency) are specified in the JD/TOR.
2. JD and TOR of project personnel are developed during the project formulation and must be specified in the Prodoc. Review and refinement of the JDs/TORs are normally done during the inception phase of the project. Regardless of the recruiting authority (i.e. whether it is NEA/NIA, UNIA or UNDP), the NPD ensures that TORs and JDs are adequately prepared and finalised in consultation with UNDP and UNIA (where relevant) before initiation of the recruitment process. Copies of final TORs/JDs should be provided to UNDP as well as NEA/NIA.
3. JD or TOR of project personnel currently in service may be amended to reflect minor changes in project activities, if any, when these have been agreed upon by NEA/NIA, UNDP and UNIA (where relevant). The revised TOR must be accepted and signed by both the NPD and the incumbent consultant/project personnel.

### **3.3 Procedure for recruitment by NEA or NIA**

#### ***Category A (gov't contract -- gov't funded):***

1. The national project personnel will be recruited in accordance with the GOB recruitment procedure.
2. Service contracts are issued by the NEA or NIA and the terms and conditions are in accordance with the personnel policies of the Government. The contract is signed by the NPD and the project personnel.



**Categories B (gov't contract -- UNDP funded):**

The following steps are followed in recruitment of national project personnel:

3. *Review of terms of reference or job description.* NPD ensures that the TOR or JD of national project personnel is adequately developed. The NPD with CTA/International Expert and National Project Coordinator/NPC/NPME reviews and if necessary refine the TOR, which is provided in the Prodoc. The NPD then sends the TOR to UNDP for review and comments before finalising it.
4. *Identification of candidates.* Recruitment of national project staff to come under Government contract is done through advertisement in the local/national newspapers. The advertisement must include the project name and number and the main elements of the TOR.
5. *Preparing a short-list of candidates.* After receiving application and Curriculum Vitae (CV) of candidates, NPD in collaboration with CTA/International Expert/Project Coordinator or a senior project staff nominated by the NPD and UNDP representative prepares a short-list of at least five candidates. The basic principle that must guide selection of project personnel is **professional competence** and explicit **criteria** must be developed to ensure this before any short-listing is done. Recommendations accompanied with Assessment Notes describing justifications for the short-listing and assessment on each of the short-listed candidates are prepared by the NPD with support from CTA/International Expert/Project Coordinator or her/his nominated project team members, and are forwarded to the *Selection Committee* for final selection.
6. The short-listed candidates must be given a **written examination** before inviting them for an interview. The modality and content of the examination will be decided in consultation between the NPD and UNDP. Grading of the tests is normally done by the NPD and UNDP, who must provide the grade and justifications to the Selection Committee members. Members of the Selection Committee must be provided with copies of the Recommendations and Assessment Notes based on the initial screening criteria and the written test results. Additional information including the one on candidates who have not been short-listed must be made available to a Committee member, if she/he so desires.
7. *Selection of the best candidate.*  
(A) Short-listed candidates for professional positions (NPPPs) are interviewed by Selection Committee formed for each project, having the following members<sup>2</sup>:
  - Secretary/Acting Secretary of the Ministry/Division, or another senior level official in the NEA (ex-officio chairperson).
  - One representative not below the rank of Deputy Secretary from the UN Wing of ERD.
  - Representative(s) from UNDP.

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<sup>2</sup> If any of the Selection Committee members is a relative of a candidate to be interviewed, the member must declare her/his relationship with the candidate before the interview and must arrange to excuse himself/herself and arrange for somebody else from the same organisation to serve as substitute in the Selection Committee. The same principle applies to the Interview Committee, which is organised for selecting candidates for UNDP/UNIA contracts (see below).

- NPD
- CTA/International Expert /NPME/NPC, if any.
- Whenever appropriate professional expertise to be included.
- Whenever possible a female member should be included.
- For Technical position, if NPD feels it necessary External Expert/Academic may be invited.

(B) For recruitment of project support staff positions, the selection committee will be headed by the National Project/Programme Director or his delegated official. Other members include representatives from NIA, UNDP, UNIA, CTA/Team Leader, and the NPC or NPME.

8. The Selection Committee prepares a final list of **the best candidate and two other candidates** in the order of priority. The following criteria should be used in identifying these candidates:
  - The candidate's qualifications in light of the TOR/JD
  - Cost in terms of the candidate's likely salary
  - Timeliness of availability
  - Performance appraisals and references on the candidate's work
  - Reference Checking.
9. Members of the Selection Committee must be provided with the list of three selected candidates and they are requested to endorse the list.
10. *Negotiating the terms and conditions of service.* The NPD sends out an offer letter to the best candidate as recommended by the Selection Committee. The offer letter specifies the terms and conditions of the employment. The standard contract form (Annex 16) is used for Category B personnel. Any further negotiation that may be needed on the terms and conditions of the contract with the selected candidate is done by the NPD. The NPD must ensure, however, that the terms and conditions are in conformity with provisions of the approved budget and the personnel policy of the Government. For remuneration, UNDP scales for the NPPP (National Project Professional Personnel), the SSA (Special Service Agreement) support staff, or the SC (Service Contract) support staff apply depending on the personnel types and the contract duration.<sup>3</sup> The NPD must send a copy of the contract to UNDP immediately upon finalisation of the contract for all the Category B personnel including temporary staff.

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<sup>3</sup> These different remuneration rates are described in the table on Page 47. The remuneration scales are attached in Annex 17a & b.

### 3.4 Procedure for recruitment of NPPPs (national consultants and experts) by UN

#### **Category C (UN Agency Contract):**

1. There are two sub-categories for the Category C recruitment: (i) recruitment by UNIA where the UNIA has an office in Bangladesh; and (ii) recruitment by UNIA where the UNIA does not have an office in Bangladesh. In the former case, the recruitment procedures of the concerned UN Agency are followed. In the latter case, UNDP Country Office does the necessary work in Bangladesh on behalf of the UNIA, and the recruitment procedures of both the UN Agency and UNDP are followed.
  - (i) **Recruitment by UNIA with office in Bangladesh** (such as FAO and ILO)  
The TOR is reviewed and finalised in consultation with the NPD and UNDP.
2. Under UN recruitment procedures, there are three methods: (a) open competition (advertising), (b) selection from rosters, and (c) direct contracting.
  - a) Recruitment through *open competition* is done in situations where specialised experts are not easily accessible from the organisation's roster of experts/consultants or other information sources from the organisation's professional network. Procedures for open competition involves advertisement of the vacant position against the terms of reference, short-listing of at least three candidates, and selection of the most suitable candidates in order of priority.
  - b) *Selection from rosters* is done through consulting the roster maintained by the UN agency to identify candidates considered suitable for the UN agency assignment. Normally three CVs are identified and assessed and the priority is determined.
  - c) *Direct contracting* is undertaken where the best candidate for a short-term assignment is already known to the concerned parties due to the specific nature of the expertise required and the candidate is available for the project assignment. Professionals contracted directly must possess backgrounds and experiences fully compatible with the TOR.
3. For the candidates identified (a) through short-listing after advertisement and (b) through consulting the rosters, a written examination is given by the UNIA.<sup>4</sup> Thereafter, the UNIA prepares Recommendations and Assessment Notes describing justifications for the short-listing (where relevant) and assessment on each of the identified candidates.
4. The mechanism of *Interview Committee* is used to interview and select the best candidate from the candidates identified (a) through advertisement and short-listing and (b) through consulting the rosters. The composition and the operating modalities of the Interview Committees depend on the UN agency. Members of the Interview Committees generally include: UNIA, UNDP, ERD, NPD/NEA, relevant NIAs. The UNIA representative chairs interviews and meetings. Recommendations and Assessment Notes prepared by the UNIA are distributed to all members of the Interview Committee well in advance of the interview.

<sup>4</sup> Short-term consultants, i.e. assignments up to three months, are not given a written examination. Also, short-term consultants are usually selected from the roster. Open competition for an assignment of three months or less does not justify cost for advertisement and short-listing.

5. The Interview Committee prepares a final list of the best candidate and two other alternative candidates in the order of priority. The criteria as described in Paragraph 8, Section 3.3 above is used in making the selection. The UNIA then provides a list of three selected candidates to members of the Interview Committee for their endorsement.
6. When the method of (c) direct contracting is used, the UNIA prepares a justification for selecting the candidate and sends it to all parties who would constitute the Interview Committee<sup>5</sup>. Upon obtaining concurrence of the Committee members, the selection of the candidate for direct contracting is finalised.
7. The UNIA is responsible for negotiating with the selected candidate and issuing her/him a contract. The terms and conditions in the contract must be consistent with the final TOR, the UNDP NPPP/SC/SSA remuneration rates (see below) and other specific policies of UNIA.

**(ii) Recruitment by UNIA without office in Bangladesh** (such as UNOPS and UN Habitat)

8. The procedure is the same as the one described above in paragraphs 2-7 (Section 3.4), except that UNDP CO acts as the recruiting authority on behalf of the UNIA. UNDP CO initiates the recruitment process upon receiving authorisation from the UNIA for the recruitment of the project staff.
9. UNDP issues two types of contracts: **Service Contract (SC)** and **Special Service Agreement (SSA)**. The SC is offered to staff (national) who are assigned for **11 months or more**, while SSA is for a contract of **less than 11 months**. Either of these contracts is issued to a project staff on behalf of the UNIA. In addition to the duration of the contract period (i.e. short-term or longer-term), the two contracts differ in terms of coverage of medical insurance and leave. SC contract holders are given medical insurance and a certain number of annual leave days (with pay), while SSA holders are not provided with these benefits<sup>6</sup>. SSA holders, instead, are provided with higher per month level of salary than SC holders.
10. UNDP CO has three kinds of remuneration scales that are applicable to project staff: **NPPP remuneration scale, SSA support staff remuneration scale and SC support staff remuneration scale**. The NPPP remuneration scale (Annexures 17a & b) has two sets of scales: one for consultants (with contracts of 3 months or less), the other for experts (with contracts of more than 3 months). The SSA support staff remuneration scale applies to the support staff whose contracts are less than 11 month. The SC support staff remuneration scale applies to support staff with contracts of 11 months or longer. The table below gives an overview of the personnel types, contract types and applicable remuneration scales:

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<sup>5</sup> It is not necessary to convene the Interview Committee.

<sup>6</sup> SSA holders are provided with two days of annual leave (with pay) per month from the seventh month of the assignment. Details of contractual terms and conditions for SC and SSA are available at UNDP CO.

**Types of national personnel, contracts and remuneration scales  
 (for project personnel in Categories B,C & D)**

| Contracts Personnel   |  | Special Service Agreement (SSA)<br>(less than 11 months) | Service Contract (SC)<br>(11 months or longer) |
|-----------------------|--|--|--|
| Professional staff    | Consultants<br>(3 months or less)                        | NPPP scale   | Not applicable                                 |
|                       | Experts<br>(more than 3 months &<br>less than 11 months) | NPPP scale   | Not applicable                                 |
|                       | Experts<br>(more than 11 months)                         | Not applicable   | NPPP scale                                     |
| Project support staff |  | SSA support staff scale                                  | SC support staff scale                         |

*Note: The distinction between the two contract types – SSA and SC – does not apply to Category B personnel (gov't contract – UNDP funded). However, their remunerations are in accordance with the NPPP scale, SSA support staff scale, or SC support staff scale depending on the personnel types and the contract duration.*

**Category D (UNDP under DCOS):**

- As mentioned earlier, this arrangement is usually taken when there is no involvement of UN Agency, but UNDP's support to the NEA/NIA is deemed necessary. UNDP CO acts as the recruiting authority based on the Letter of Agreement attached to the Prodoc on the Direct Country Office Support (DCOS). Alternatively, the NPD can make a request to UNDP for the DCOS during the project implementation if such a need arises. (See Section 4.4 of Chapter I for details about DCOS.) The recruitment procedure is the same as the one described above in paragraphs 2-7, except that UNDP CO is the recruiting authority. Service Contracts (SC) or Special Service Agreements (SSA) are issued depending on the duration of the assignment as described above.

**3.5 Procedure for recruitment of international professionals by UN**

- As indicated earlier, international project professionals are at present recruited only by UN agencies or UNDP. Thus, the international professionals belong to either Category C (UN Agency Contract) or Category D (UNDP under DCOS). The procedures described below apply to both categories and the three cases: UNIA as the recruiting authority; UNDP CO as the recruiting authority on behalf of the UNIA; and UNDP CO as the recruiting authority.
- As mentioned in Paragraph 3.4.2 above, the three methods are possible under the UN recruitment procedure: (a) open competition (advertising), (b) selection from rosters, and (c) direct contracting. Which method to be chosen is decided based on the reasons provided above.

3. For the selection (a) through short-listing after advertisement or (b) through consulting the rosters, three best candidates are identified in the order of priority by UNIA/UNDP. UNIA/UNDP then sends a letter to the NPD (with a copy to ERD) describing the candidates with their CVs and justifications for the selection, for concurrence and comments<sup>7</sup>. (When UNIA is the recruiting authority, the UNIA sends the same letter to UNDP as well.) If the candidate is identified for (c) direct contracting, UNIA/UNDP sends a letter to the NPD (with a copy to ERD) with assessment and CV of the identified candidate and justifications for the direct contracting for concurrence and comments.
4. Upon confirmation of NEA/NIA, the recruitment process is initiated by UNDP/UNIA, who issues contracts to the selected candidate in accordance with the TOR and policies of UNDP/UNIA.

### 3.6 Considerations in engaging national consultants

1. There are two important UNDP rules which apply to the recruitment of national personnel:
  - a) Bangladeshi nationals who are residents in the country cannot be recruited for assignments in the international category. The criteria for determining status of international and national consultants are outlined in Section 2.1 above.
  - b) UNDP rules do not permit a serving government official or a government official who has worked for the Government within the previous six months to be recruited for employment as consultant/expert on UNDP supported projects. This rule is applied in UNDP projects worldwide, and there is no flexibility in this regard. If Government officials, other than those from the NEA or NIA, are to serve on projects, they must be on lien from Government service, as per regulation of the civil service.

### 3.7 Conduct and discipline

1. **Official undertaking.** All project personnel recruited under NEX projects are required to give a written undertaking that protects the interests of the project mission/work. The undertaking shall constitute a promise by the service contract holder that s/he shall not divulge to any person, any official information or communication which s/he may receive or come into her/his possession during the course of duty unless authorised by the appropriate authority. Breaking of this undertaking will constitute a cause for terminating the contract with the concerned staff.
2. **Responsibility.** Both international and national project personnel and consultants shall be responsible to their respective supervisors as specified in their respective terms of reference and job description. It shall be the duty of the supervisors to enforce discipline and accountability of staff/consultants in their respective areas of responsibility.

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<sup>7</sup> Interview Committee does not have to be convened locally. However, depending on the nature of the assignment and the rules of the UNIA, an interview can take place where the UNIA's international recruitment function is located.



3. **Working hours.** Official working hours shall be according to the official hours of the NEA and NIA where the staff are located.
4. **Attendance and punctuality.** Project personnel and consultants are required to attend office on time as required of their respective contractual agreements. Project management supervisors are required to maintain official records of staff attendance and absence. Project management staff are required to submit monthly attendance and leave report to the NPD by the first week of the following month. The NPD needs to certify and maintain the monthly attendance sheet. For those serving under UNIA or UNDP contracts, the NPD must forward the attendance sheets to UNIA or UNDP, whichever is relevant, by the first week of the following month, for the UNIA or UNDP to process salary payments to the staff.

### **3.8 Performance assessment of project personnel**

1. Performance assessment reports of international and national experts (under budget lines 11.00 and 17.00 respectively), and selected administrative personnel (under budget line 13.00) are to be prepared annually, at year-end or at the expiry of contract of project staff. Extension of a contract beyond the originally agreed period can only be done on the basis of a written performance assessment.
2. For international and national experts/consultants holding UN agency or UNDP contract, the concerned agency is responsible for preparation of performance assessment report (PAR) as per format given in Annex 18. However, the NPD and relevant supervisory staff of NEA and NIA should provide substantive input to the assessment report. For the staff holding UN agency contracts, UNDP should also provide substantive inputs to the assessment. The report is signed by the NPD and the concerned UNIA and/or UNDP.
3. Performance assessment reports of national consultants/experts holding Government Contracts are completed by the NPD in accordance with Government rules and procedures. For those holding Government contracts for positions funded from the UNDP source of the project budget, the above PAR process is followed and the report must be signed by both NPD and UNDP.
4. It is important to note here that the purpose of performance assessment is to provide an objective mechanism to assess the staff performance so as to ensure personal accountability of the staff, and thereby accountability of the project management. It also serves as a tool to ensure that only qualified and competent personnel remain with the project beyond the original contract period.



### 3.9 Salaries of project personnel

1. Salary of project personnel recruited under UNDP funded projects are reflected in the contracts issued by Government, UNDP and UN agencies respectively. UNDP conducts periodic market survey to determine the remuneration scale of National Project Professional Personnel (NPPPs) and project support staff where such staff are funded by UNDP. The same scale is used for contracts issued by UN agencies in Bangladesh.
2. See explanations in Paragraph 10, Section 3.4 above on salary scales of national project personnel. The applicable level of remuneration is determined based on the qualifications and experience of the candidates and the level of responsibility reflected in the TOR or JD for the post.
3. **Salary increment** is granted only once in 12 months effective from the first day of the same month when the employee commenced work in the previous year. Only those who are holding Service Contracts (SCs) are eligible for a salary increment. The annual increment amount is shown in the SC remuneration scale. The increment shall however not be automatic but shall depend on performance as identified in the performance assessment (see above).
4. **Income tax for project personnel.** International consultants/experts holding UN contracts are exempt from income tax in their country of employment according to the Convention on the Privileges and Immunities of the United Nations (1946)<sup>8</sup>. Such tax exemption is not a personal privilege, but intended to protect the independence of international UN staff and to ensure that development assistance resources do not end up as general revenue funds of the host country.
5. National project personnel as well as national consultants/experts (regardless of the types of their contracts) are required to pay income tax at the rates established by the Government's National Board of Revenue (NBR). However, UNDP funded projects cannot take upon itself the role and responsibility of tax collection on behalf of the Government. The responsibility for the payment of income tax rests entirely with the contract holder, who is expected to file her/his tax assessment papers with the NBR each fiscal year.
6. **Administration of salary.** Payments of salaries to project personnel recruited on Government contracts are made by the NPD from the Government fund for the Category A personnel and from the advances that the NPD received from UNDP for the Category B personnel. On the other hand, payments of salaries to personnel holding UN Agency contracts (Category C personnel) and UNDP contracts (Category D personnel) are made directly by the UN Agency and UNDP respectively. If the UNIA does not have an office in Bangladesh, UNDP makes the payments to the UN Agency project staff on behalf of the UN Agency. Salaries are paid on a monthly basis through bank transfers. The NPD confirms and sends monthly attendance sheets of the staff under UN contracts to UNDP or UNIA, whichever is relevant, by the first week of the following month, based on which UNDP or UNIA will process the salary payments.

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<sup>8</sup> The relevant provision is in Section 18 of the Convention.

7. **Overtime allowance.** Overtime for UNDP funded administrative support staff is not encouraged. However, in exceptional cases where overtime is necessary, the administrative support personnel recruited under line 13.00 are entitled to overtime allowance. No overtime allowance can be paid if the staff member's request is not supported by authorisation of the NPD or supervisor in the NEA/NIA for the overtime work. The applicable overtime rates are shown below, noting the hours worked must exceed the normal daily working hours of the Government.
- The overtime rate per hour is two times the hourly rate of 50% of the salary. That is,
    - [50% of monthly salary] divided by [average number of working days per month] = *Daily net salary*
    - [Daily net salary] divided by [average number of working hours per day] = *Hourly net salary*
    - [Hourly net salary] multiplied by 2 (two) = *Overtime rate per hour.*
  - The maximum number of overtime hours which can be claimed in a month is 40 hours, except for drivers and messengers who are allowed to claim overtime payment for up to 48 hours per month.
  - In the rare cases, where a support staff member is obliged to accept overtime beyond the "ceiling" given above, s/he may be granted *Compensatory Time Off* equal to the number of surplus hours worked<sup>9</sup>.

## 4. Travel

1. Travel under UNDP supported projects are undertaken in connection with (i) implementation related in-country travels; (ii) monitoring and oversight visits and (iii) participation in project-sponsored trainings or workshops.

### 4.1 Implementation related in-country travels

1. Implementation duty travel is field visits by members of the Project Management Team (PMT), experts and consultants for undertaking regular project implementation activities. Routine duty travel is foreseen in the **Quarterly Workplan** under BL 15.01 and is agreed between the NPD and the UNDP Programme Officer.
2. For effective planning of field visits by the project staff, a **Quarterly Travel Plan** may be developed by the NPD when preparing the Quarterly Workplan. The Quarterly Travel Plan covers all planned field visits during the quarter and will serve as a basis for estimating DSA amounts, which are reflected in the Quarterly Expenditure Plan.

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<sup>9</sup> The overtime rate and policy are in accordance with UNDP CO circular dated 9 May 1995.

3. **Prior to the travel**, the traveller must submit her/his travel request to the NPD. There are two different sets of procedures for obtaining travel approval depending on the contracts of the project staff. **Staff holding Government contracts funded by UNDP** (Categories B) is required to fill in a Travel Form (Annex 19) and submit it to the NPD for her/his approval. The NPD provides DSA to the staff from the quarterly advance s/he received from UNDP (see Annex 20 for the latest UNDP policy on DSA.) Payments are charged to the relevant budget sub-line under BL 015. The travel expenses must be accounted for in the Quarterly Financial Report (QFR, see Chapter VII). Travel cost (if incurred) is reimbursed after the travel.
4. **For the staff holding UN contracts** (Categories C&D), F-10 form (Annex 21) needs to be filled out and submitted to the UNIA or UNDP, whichever is relevant, for approval **prior to the travel**. The F-10 form needs to be signed by the NPD or her/his designated person before being sent to the UNIA or UNDP. The UNIA or UNDP pays the DSA directly to the staff **after the travel** upon submission of a back to office report. These payments are charged by UNIA or UNDP to the relevant budget sub-line under BL 015, but separately from the one used to charge DSA for Government contract holders. These expenses are accounted for in the Project Delivery Report (PDR, see Chapter VII).
5. If field visits are conducted frequently, the NPD (or her/his designated person) may send the Quarterly Travel Plan to the UNIA or UNDP with her/his signature. The F-10 form still needs to be filled out by the staff holding UN contracts prior to the travel, but it can be sent to UNIA or UNDP without obtaining the NPD's signature. This method will slightly shorten the time required to prepare for field visits.
6. Results of field trips, whether by Government contract holders or UN contract holders, must be reflected in the Quarterly Progress Report (QPR, see Chapter VIII).

## 4.2 Monitoring and oversight visits

1. Monitoring visits are conducted for the purpose of overseeing the implementation of project activities, in particular for periodic field visits, evaluation missions, technical reviews and other special missions. UNDP staff and officials of ERD, IMED, Chairpersons of Steering Committees and heads of NEA responsible for monitoring/oversighting the project are eligible for this type of travel. UNDP CO manages the relevant budget sub-line (BL 015.02) under DCOS.
2. Prior to the monitoring visit, the traveller submits her/his travel request to UNDP Resident Representative for approval and payment of the DSA. Travel cost (if incurred) is reimbursed after the visit against the necessary supporting document.

### **4.3 Participation in training or workshop**

1. Travel related to training and attendance to workshops is described in the section on Training (see Section VI).

### **4.4 Daily subsistence allowance (DSA)**

1. Staff of UNDP supported projects undertaking field visits and travel outside project location are entitled to Daily Subsistence Allowance (DSA). UNDP's DSA rates are meant to be financially "neutral", i.e. not so low that project staff are discouraged from undertaking necessary field visits because their actual costs for accommodation and food exceed the DSA -- and not so high that they lead to excessive travel because of the "surplus" income it generates for project staff. The existing DSA rates for in-country travel are found in the circular issued by UNDP CO in December 2002 (see Annex 20); they are based on a market survey of similar allowances paid by other development partners, including multilateral and bilateral agencies and international NGOs having projects in Bangladesh. UNDP CO notifies all concerned project management teams when it updates the DSA rates.
2. For overnight travel, Daily Substance Allowance (DSA) is provided for each night during the travel. For travel that lasts for more than 10 (ten) hours but which does not involve overnight stay, 40 percent of the DSA entitlement will be paid.
3. Actual and necessary costs of travel are reimbursed if the project transportation is not available, but only against receipts or other supporting documents.



## Chapter V

### PROCUREMENT AND SUB-CONTRACTING

#### A. Procurement

##### 1. Procurement Procedures

1. Timely procurement of goods, services and equipment is very important for effective implementation of a project. In this Manual, the term “procurement” refers to procurement of **goods**. Procurement of **services** is referred to as “sub-contracting.” The same principles apply to both types of procurement.
2. To ensure sound economy, fairness, efficiency and transparency in procurement, the Government has formulated guidelines and procedures for procurement of equipment, spares and other items of recommended specifications at the lowest possible prices within the shortest possible time. In accordance with UNDP’s global guidelines, the NEA in NEX projects is given the choice between:
  - (a) **procurement by Government institutions**. Procurement by Government institutions (NEAs and NIAs) is undertaken in accordance with the latest Government procurement policies and procedures and the Government approved “Delegation of Finance Powers for Implementation of Development Projects” (current GoB circular is given in Annex 22).
  - (b) **procurement by UNIA** as reflected in the relevant LoA. Equipment procured by UNIA is administered as per policies and procedures of the Agency. However, the NPD provides substantive input to the UNIA in detailing out specification of the equipment. The final decision on selection of equipment – in terms of specification, source of procurement and cost – is vested with the UNIA.
  - (c) **procurement by UNDP through the DCOS modality**. The rules for procurement under DCOS are detailed in the present chapter, under Section 4.
3. The above three procedures are applicable in general under NEX, depending on the agency which undertakes the actual procurement actions and the specific procedures to be followed. Normally, this choice is made at the time of project formulation and reflected in the approved Prodoc/Budget. In case of conflict between the different sets of rules, those specified under UNDP procurement policies and procedures shall prevail.

## 2 Key Policies Governing Procurement of Equipment

Procurement undertaken by any of the above agencies is subject to the following guiding principles:

1. **Competitiveness and transparency.** Government and UNDP attest significant importance to transparency and competitiveness in procurement of equipment. The NEA or NIA is required to follow internationally recognised competitive-bidding practices in procuring equipment whenever UNDP would have followed these practices for procurement on its own account. This means that the designated institution is required to undertake a wide search for the most qualified suppliers, which is selected through established procedures. The NEA/NIA is required to ensure that competitive prices guide the selection of supplier, with due attention accorded to quality and specification of equipment.
2. **Equal access to opportunity.** Procurement should be administered in such a way as to provide opportunity to all competent suppliers. Small, medium and large enterprises shall have equal access to opportunities.
3. **Specification.** The NPD shall be responsible for the preparation of technical specifications that should be based on relevant characteristics and/or performance requirements. References to brand name, catalogue number or similar classification should be avoided. If it becomes necessary to quote a brand name or catalogue number of a particular manufacturer to clarify an otherwise incomplete specification, the words "or equivalent" must be added after such reference.
4. **Bidding.** All major procurement activities must be undertaken through a competitive bidding system (noted below). For small purchases bidding may not be required. Under the UNDP procurement procedure, the procurement of less than USD2,500 can be exempt from competitive bidding.
5. Government's Import Policy Order as well as suitability of equipment for the project application is to be followed. In determining equipment suitability due consideration should be given to availability of local support for repair and maintenance and spare parts in the domestic market.
6. **Domestic preference.** In the first instance, preference would be given to domestic enterprises for supply of equipment and other materials provided the specifications are met and prices are competitive (the local market price must be equal to or below the "landed cost" of equipment or supplies available from international markets). Further, the domestic enterprises/suppliers would have to demonstrate their ability to provide technical and after-sales support. The preference for domestic supplier is based on the UNDP policy to support the development of the national economy. However, in general, procurements valued at US\$100,000 or more should be subjected to international competitive bidding. Exceptions could be made in cases where it can be proven that it would be competitive and beneficial to undertake procurement locally.



7. **Delegation of financial authority/power** at various management levels in the Government is guided by administrative authority and related circulars. Amendments to delegation of financial powers, including those relating to procurement and bidding, are issued through official government circulars. Annex 22 provides an updated (as of June 2002) consolidated set of information on delegation of financial authority/power in the Government.
8. **Procurement plan.** For effective procurement, the NPD should have a time bound plan for procurement of goods and equipment. The plan should take into consideration, among other factors, the approximate time when the goods or equipment are required, specification of type of goods and equipment, the most cost effective grouping of items, estimated costs and the specific procurement procedures to be followed which would be most efficient and lead to lowest cost result. The number of vehicles and equipment to be procured under a project cannot exceed the provisions made in the Prodoc. The type of vehicle must also be in accordance with the specification noted in the approved Prodoc.
9. **Use of IAPSO.** The UN Inter-Agency Procurement Service Office (IAPSO) in Copenhagen, Denmark offers equipment and supplies at competitive prices in the international market. IAPSO's strategic partnership with numerous suppliers located worldwide and its financial strength enables the organisation to have access to discounted, ex-factory prices. UNDP encourages the Government to utilise the competitive advantage of IAPSO for the supply of equipment and supplies.
10. **CD/VAT.** Customs duty and value added tax are Government administered taxes and as per provisions made in the Standard Basic Assistance Agreement (1986) UNDP is exempt from paying such taxes. Therefore, Government must pay for any tax obligation for import of equipment procured under NEX projects. Provisions for such taxes must be approved by the Government and reflected in the TAPP. NPD/NEA should ensure timely availability of CD/VAT while processing the procurement.
11. **Demurrage/storage charges.** Demurrage/storage charge as incurred during the importation process is the responsibility of NEA/NIA. They are responsible for payment of the demurrage/storage charge and a reasonable amount must be included in the estimate for miscellaneous budget line in the TAPP.

### 3. Definition for Equipment

1. Equipment provided for in UNDP supported technical cooperation projects is a minor component of project inputs. Its provision is essentially intended to complement and facilitate implementation of policy formulation and institution building.
2. There are two types of equipment: expendable equipment and non-expendable equipment.
3. **Expendable equipment.** In the context of UNDP funded projects, expendable equipment refers to items of equipment valued at less than US\$1,000. Generally, such items are considered to be consumable and have a depreciation value of 100% per annum. Stationery items such as paper, pens, stapler, files, ink cartridges for photocopiers and spare parts are examples of expendable equipment. (See Annex 26 for a sample list of expendable equipment.)
4. **Non-expendable equipment** generally refers to items valued at US\$1,000 or more. Non-expendable equipment is considered to be a durable good and has an annual depreciation rate of less than 100%. Vehicles, photocopiers, video cameras, LCD projectors, computer hardware, furniture, etc. are considered as non-expendable equipment. In certain cases, a non-expendable item may cost less than US\$1,000. Chairs and tables in furniture category, are examples of non-expendables that are likely to cost less than US\$1,000 a piece. Thus a non-expendable equipment item is determined by a combination of price (viz. the US\$1,000 threshold) and durability of the item (annual depreciation rate of 100% or less).

### 4. UNDP Procurement under DCOS

1. UNDP undertakes procurement through the modality of Direct Country Office Support (DCOS). UNDP's DCOS role in procurement is identified at the time of Prodoc preparation (see Section 4.4 of Chapter I) and described in the project document. The UNDP country office may provide the following services on behalf of the National Executing/Implementing Agency and these services are subject to cost recovery. The services are:
  - a. Procurement of goods and services
  - b. Identification and recruitment of project personnel
  - c. Identification of training activities and assistance in carrying them out

In order to be able to provide required services UNDP recovers cost at a standard rate of 5%-7% of the input costs. This should be reflected in the relevant budget line as expenditure.

2. Procurement of equipment through UNDP DCOS involves close working relationship between the NPD and UNDP CO. Based on the equipment procurement provision of the Letter of Agreement between UNDP and NEA, NPD sends in request to UNDP for initiating the procurement. In sending the request, the NPD must:
  - Ensure that the procurement is in line with the Prodoc and the Annual and Quarterly Work-plans
  - Ensure that a provision for paying CD/VAT and demurrage charge is available in the TAPP budget
  - Review the indicative specification of the equipment provided in the Prodoc and develop detailed specifications (in consultation with UNDP CO if necessary).

***Specifications:***

3. Specifications are used for procuring goods or works. They must fully and completely state the requirements and should be generic (neutral) in nature to maximize competition. The use of “brand names” must be avoided. If there is no choice, however, it is necessary to include the words “or equal.” The specifications may be stated as a combination of one or more of the following aspects:
  - Functional: defines the function or duty to be performed. It concentrates on what a product is to do and is less interested in materials and dimensions.
  - Performance: concentrates on the performance required of an item. To assure the quality, a reference to the concerned product standards and/or environmental requirements should be made.
  - Design Requirements: calls for providing exact dimensions, materials or characteristics.
4. UNDP Programme Officer reviews the NPD’s request for procurement with reference to Prodoc and project budget. Information Technology Unit of UNDP CO may be consulted when procuring computers and related equipment. Then, the procurement is processed as per the established procedure of the UNDP CO (see Annex 25 for a workflow of the UNDP CO procurement process).
5. Procurement by UNDP is undertaken in the form of either international competitive bidding or local competitive bidding.

***International competitive bidding:***

6. There are two types of international competitive bidding (ICB): open international competition (OIC) and limited international competition (LIC). Use of OIC is appropriate for all contracts exceeding US\$100,000. The media for advertisement may be UNDP/IAPSO web site and/or in a publication of wide international circulation.

LIC is procurement from a short-list of qualified suppliers selected in a non-discriminatory manner by the procuring entity from rosters, pre-qualifications, expression of interest and other sources. LIC is appropriate where OIC is unsuitable for economical and efficient procurement because of the value, urgent demand or limited availability of the required goods or works.

***Local competitive bidding:***

7. Local competitive bidding (LCB) is followed when:
- contracts are low-value, i.e. less than US\$2,500.
  - goods and works are available locally at prices equal to or below those prevailing in the international market; and/or
  - a foreign bidder is unlikely to bid.

***Direct contracting:***

8. UNDP undertakes direct contracting without competition under the following circumstances:
- the procurement value is less than US\$2,500, provided that a proper price assessment is done;
  - there is no competitive market-place for the requirement, e.g. where a monopoly exists, or where the requirement involves a proprietary product;
  - there has been a previous determination or there is a need to standardize the requirement;
  - a formal solicitation conducted within last 12 months has not produced satisfactory results; and/or
  - there is a genuine exigency for the requirement.

For direct contracting exceeding USD30,000, an advance approval from the UNDP Headquarters is necessary.

***Bid evaluation:***

9. Opening and evaluation of bids are conducted in accordance with the relevant provisions in the UNDP Procurement Manual.<sup>1</sup> It may be noted that UNDP country office uses its own Local Contract Committee (LCC) for procurement valued between US\$30,000 and US\$99,999.99. Recommendations of the LCC are examined by the Resident Representative for approval. Procurements valued at US\$100,000 or more are to be referred to the Contract Committee at UNDP Headquarters. Procurement valued less than US\$30,000 is not subject to LCC review. The Resident Representative can approve such procurements based on proper bidding procedures. However, such procurements which are less than US\$30,000 may still be referred to the LCC if so deemed necessary.
10. For details on the rules and procedures of UNDP procurement, consult the **UNDP Procurement Manual** (available at the UNDP CO).

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<sup>1</sup> "Procurement Manual," Bureau of Management, Office of Legal and Procurement Support (February 2002).

## 5. Delivery of Equipment to Project Site

### 5.1 Delivery of equipment under Government administered procurement

1. Equipment delivered by vendors/suppliers under Government administered procurement is done in accordance with established procedures of the Government. However, NPD is required to ensure that equipment procured by the Government with UNDP funds is properly checked on delivery by the supplier. In particular, the NPD must make sure that the equipment delivered is in good condition. Further, the NPD must ensure that the equipment is properly installed and tested and that the NPD is able to issue a certificate for file record that the equipment installed by the supplier has been checked and found to be in good working condition. (See below: *Receipt of Equipment by the NPD*).
2. The NPD is required to include the equipment in the Non-Expendable Property Ledger maintained by the NPD under a NEX project (see below and Chapter V).

### 5.2 Delivery of equipment procured by UNDP under the Direct Country Support

1. As per the Letter of Agreement between NEA and UNDP, equipment procured with UNDP funds are consigned in the name of UNDP Resident Representative. The address for delivery of the equipment shall be the project site/office.
2. UNDP assigned C&F agents are entrusted with the responsibility for clearance of imported equipment. They are also responsible for delivery of the consignment to project site/office.
3. Import of equipment is normally by sea or land (the latter if imported from neighbouring country such as India). Air transport is used for special equipment, which is relatively light and expensive.

#### *Receipt of equipment by the NPD (applicable to both Government administered procedure and UNDP DCOS)*

4. The NPD or her/his authorised staff (CTA, NPC or other senior project staff) is responsible for taking delivery of equipment/consignment from the carrier or C&F agent. When receiving the equipment, the NPD or her/his authorised staff verifies the physical condition of the equipment and ensures the following:
  - a) Verification of external condition of package.
  - b) If the external condition is apparently in order, the delivery receipt of the carrier must be signed with the following endorsement "received in good condition - contents unchecked".
  - c) If the external condition is not in order and any package of the consignment appears tampered with, the delivery receipt should be signed with endorsement describing the apparent nature of the damage. Remarks indicating that contents have not been checked shall also be endorsed on the original delivery receipt.

- d) Where the external condition indicates damage and the equipment has been sent by air, NPD or her/his authorised staff shall take open delivery of the equipment from the airline and record condition of the package clearly in the register of the airline. Delivery should be taken under 'letter of protest' and the signature and stamp of the airline official shall be recorded on a copy of letter. If the contents are visible or are spilling out, insurance surveyors must take delivery after a survey. A receipt should be taken after a survey obtained from the airline to this effect. If the importation of the consignment had been managed by UNDP, the latter would thereafter write to the carrier holding it responsible for the damage/loss incurred.
- e) The packages should be opened and content verified by the NPD and tallied with the invoice and packing list in terms of quantity and specifications. The verification should be done as soon as possible. If the verification indicates damages to the equipment or a shortfall in quantity, the NPD must immediately inform UNDP (in writing) which will in turn inform the carrier if UNDP had been responsible for managing the importation process on behalf of the NEA.
- f) In cases of loss or damage, the insurance company contracted for the shipment of consignment is provided with details of the claim to enable them carry out, as quickly as possible, a survey of the equipment delivered. Until the survey by the insurance company is completed, the container and contents of the shipment shall be preserved in condition in which they were received.
- g) The cost of survey would be charged to the project budget. If the claim is held valid, the cost of the survey would be reimbursed by the insurance company concerned.
- h) Where damaged equipment cannot be repaired locally, the manufacturers and insurer should be contacted for a replacement.
- i) In case where the specifications of the equipment received are found to be different from those contained in the purchase order, the supplier and the insurance agent should be informed immediately for a replacement or recovery of the cost. Local representative of the supplier/agent should also be involved from the beginning.

***Replacement of damaged/short shipped equipment (applicable to both Government administered procedure and UNDP DCOS)***

- 5. NPD or UNDP, if the latter is responsible for procuring equipment, should request the supplier or insurance company as the case may be to replace damaged or short shipped equipment within the stipulated period. The request should state precisely the nature and extent of damage.
- 6. Where the amount involved in an insurance claim is substantial, the settlement of the claim is likely to be considerably delayed and the compensation approved by the insurance company may only be partial. In such cases, NEA, ERD and UNDP may decide on a replacement of the damaged equipment immediately to ensure that progress in project activities are not undermined.



*Installation and commissioning (applicable to both Government administered procedure and UNDP DCOS)*

7. The party (viz. NPD or UNDP) responsible for procuring equipment must make arrangements in advance with local agents/representatives of the suppliers for installation and commissioning of the equipment. The NPD should ensure that the supplier's engineers and technicians arrive at the project site at the appropriate time if the suppliers are to carry out the installation and commissioning. The NPD should ensure that the job is done well; and it should obtain certificate of commissioning or installation report from the supplier. The NPD must not make payment for any form of service charge to the supplier of equipment without receiving a certificate of work performed by the supplier.

### **5.3 Delivery of equipment procured by UN Agency**

1. The procedures followed for delivery under UNDP DCOS are also applicable to those under UN Agency implementation.

### **5.4 Insurance coverage of equipment**

1. Non-expendable equipment procured with UNDP funds must be insured with a credible insurance company in the country or abroad. The NPD may contact UNDP for guidance in insurance coverage, including choice of insurance companies. Insurance coverage can be secured from a financially sound local insurance company. Insurance coverage may also be sought with an international firm recommended by UNDP CO. While in most equipment, such as computer hardware, come with warranty for a specified duration, this facility does not include insurance against fire, theft and other hazards. Thus, it is mandatory to secure comprehensive insurance coverage for all non-expendable equipment purchased with UNDP funds under a NEX project. The insurance premium cost can be charged to the project budget (under BL 040) until ownership is transferred from UNDP to Government at the end of the project.
2. For imported equipment, the seller should cover all risks until the consignment is received and tested at the project site or should it be at port of entry. Where seller cannot cover risks, the NPD or UNDP (if the latter is administering the procurement) must arrange for insurance coverage.

***Insurance claim:***

3. Insurance claim amounting to less than US\$200 may not await approval of the insurance company. While the claim request is under process, the NPD should proceed to procure the equipment items against which claim has been filed.
4. Since UNDP is the legitimate owner of equipment during the project period (i.e. until the ownership is transferred to a national institution), the NPD must keep UNDP informed of status of equipment, including any insurance claim submitted to an insurance company.



5. Processing of an insurance claim will require completion of the following documentation:
  - Report project management on initial verification and surveyors;
  - Estimate of cost of repair or local purchase of parts, etc;
  - Copies of invoices of original shipment;
  - Copies of letters of claims sent to concerned parties;
  - Short landing certificates or certificate of loss when entire cargo is missing.

## 5.5 Operation and maintenance of equipment

1. The NPD is responsible for care and maintenance of equipment procured under a UNDP funded project. The NPD must ensure that proper warranty for repair and maintenance is arranged with supplier of equipment; a list of competent local repair and maintenance service providers is maintained; annual service contract may be arranged if needed.
2. The Government institution (NEA or NIA) is responsible for meeting the cost of operation and maintenance of vehicles and equipment to ensure their continued use after the completion of the project. International experience shows that when such costs are covered by the project, the host institution is prone to “over invest” in hardware that cannot be operated and maintained in the absence of continued external support. Hence, it is UNDP policy not to meet the Operation and Maintenance (O&M) costs.
3. However, given the resource constraints of many national host institutions, UNDP can on an exceptional basis cover O&M costs for a limited period; during the early stages of the project, provided that a clear exit strategy be spelt out in the project document and formally endorsed by the host institution and appropriate provisions to be made in the TAPP accordingly. Phasing out of O&M during the life-time of the project (gradual decrease of UNDP contributions while matching increase of GoB contributions) could be an example of such strategy.

## 5.6 Non-expendable property ledger

1. The NPD/NEA is responsible for maintaining a non-expendable property ledger containing an inventory of all equipment procured under a UNDP funded project. An annual non-expendable inventory list must be sent to UNDP by 15 January of each year with the Financial Report of the last quarter. These requirements are covered fully in Chapter VII: Financial Management.

## 5.7 Ownership and care of equipment

### 5.7.1 Ownership

1. UNDP funded equipment is UNDP property and remains so until formally transferred to a national institution or disposed of at the end of the project. This applies irrespective of whether the procurement process is handled by the NEA/NIA, the UNIA or UNDP. Also, UNDP's title to all project equipment is not affected by the fact that the NEA/NIA is responsible for various taxes or user fees – such as, in the case of vehicles, CD/VAT, registration fees, road taxes, etc.

### 5.7.2 Care

1. NEA (represented by the NPD) assumes custodian responsibility and is responsible for care and maintenance of the equipment. In this regard, the NEA/NPD is accountable to UNDP for proper use, care and maintenance of the equipment.
2. The NPD is responsible for ensuring that the use of equipment/supplies procured with UNDP funds is strictly for purposes of the project and must see to its proper maintenance. This includes both non-expendable and expendable equipment.
3. All non-expendable equipment procured under UNDP funds should be marked, and visible with ownership status (UNDP decals or stickers are to be used). For identification purposes, the UNDP project number should be used in conjunction with standard GoB inventory codes, and with the marking – “procurement from UNDP funds”.

## 5.8 Use of project vehicle

1. Project vehicles, like other project equipment, are property of UNDP until such items are transferred to the Government or other national institutions on completion of the project.
2. Vehicle registration fees and fitness charges are to be borne by the Government (NEA). Payment of CD/VAT for and registration of a vehicle will not create automatic ownership of the vehicle by the Government. Ownership will be subject to relevant clauses 5.9 of this chapter.
3. Comprehensive insurance coverage must be obtained for operation of vehicles. Insurance is to be paid from the project budget.
4. As with equipment, vehicles provided to the projects are to be used solely for purposes connected with the work of the project and only by project personnel recruited under the project and the government officials assigned to the project. It follows that a UNDP project vehicle cannot be equipped with a flag pole.

5. Project vehicles are to be used for official duties only and not for transport from staff members' home to the office and back. Use of a vehicle for unofficial purposes resulting in damage or loss will create personal liability of the users.
6. However, for newly arrived international project staff, project vehicles can be used to provide transportation to and from home and place of work for up to a period of three months, in order to allow time for the newly arrived to become acquainted with the duty station and arrange for personal transportation. In such cases, all mileage and driver's overtime charges are to be reimbursed by the concerned international staff at rates established by UNDP CO and should be recorded as a credit in the UNDP account.
7. Project vehicles are to be made available for use by short-term consultants working for the project, to the extent possible for the purpose of official duties, in avoidance of renting other vehicles this purpose.
8. Field trips and out of duty trips are to be mentioned in the Quarterly Workplan, which is submitted with a request for quarterly advance funds (see Chapter V).
9. Project personnel using a project vehicle need to fill Requisition Form and obtain approval of the NPD or a senior project staff designated by the NPD. A sample Requisition Form is provided in Annex 24.
10. Project vehicles will be painted with the UNDP Logo and the project name and number will be printed on the body in white or blue depending on the colour of the vehicle. The cost of painting will be charged against the project operation and maintenance budget line.
11. The NPD must ensure that project staff maintains "vehicle log book" for each vehicles assigned to the project, containing information on purpose, mileage and date, and person using the vehicle. The log book must be signed by the authorised user at the end of each trip.
12. Projects need to obtain prior approval from UNDP for procurement of any new accessories for the vehicle.
13. Project vehicles should normally be parked in a secured place arranged by the NEA or NIA. Vehicles are not to be parked at the residence of any individual associated with the project.
14. NPD and other relevant management staff of NEA/NIA shall ensure that project vehicles are properly used.
15. Project vehicles, together with other non-expendable equipment items, are to be reported in the annual physical verification report of non-expendable property ledger, which is sent to UNDP by 15 January of each year with the Financial Report of the last quarter. The use of project vehicles will be subject to audit by FAPAD.

## 5.9 Transfer of equipment ownership

1. UNDP may transfer its ownership of all project equipment to appropriate institutions at the completion of a project (see Section 2.2: Disposal of non-expendable equipment, Chapter VII: Project Closure).
2. Proper documentation must be completed in processing the transfer of equipment. The NPD is responsible for preparing the following documentation:
  - A list of equipment purchased;
  - The annual report of UNDP financed non-expendable property ledger (inventory list);
  - Transfer of title of equipment form duly completed and signed by NPD/NEA (see Annex 58);
3. Upon completion of required documentation and acceptance through countersigning the document by UNDP, the UNDP Resident Representative will notify NEA and the Government about the transfer of the ownership. After transfer of ownership, UNDP decals and all other UN-related markings must be removed from the vehicle. The project budget may be used for this purpose.

## B. Subcontracts

### 1. Policy

1. Under NEX, the NEA or IA enters into a contractual agreement with implementing or sub-implementing agencies for implementing specific project activities. The implementing and sub-implementing agencies are identified during the project formulation, appraised in Local Project Appraisal Committee (LPAC) and their involvement is specified in the Prodoc. NEA and IAs may take a further step in arranging a sub-contractual agreement with service providers for provision of services or goods.
2. A sub-contractor is defined as an entity providing services or goods in exchange for payment. Sub-contractors are chosen through competitive bidding. An important advantage of sub-contracting is that a number of different inputs can be mobilised through a single sub-contract, thus avoiding the need for separately hiring or procuring these inputs.
3. The need for a sub-contract is identified at the time of project formulation, although a project revision may also accommodate a sub-contract input following if such a need is recognised during the project implementation.
4. Sub-contracts can be established with private firms, universities, research institutions, state enterprises, and NGOs. A national institution which falls under umbrella of a ministry or other Government body can participate in a project as a national implementing agency or sub-implementing agency rather than as a sub-contractor. In such cases, a letter of agreement should be used in place of a sub-

contract. In any case, these different arrangements (including sub-contracting) should be described in the Prodoc as part of the execution and implementation arrangement.

A sub-contract must specify the technical as well as administrative and financial arrangements for obtaining the services and goods. An indicative TOR is provided in the Prodoc and the NPD is responsible for reviewing and refining it in consultation with UNDP and UNIA (if present).

## 2. Sub-contracting Procedures

### *Sub-contracting by a Government institution:*

1. Administration of sub-contracts in terms of bidding and selection of sub-contractors are done in the same way as procurement of equipment (described in an earlier section). Thus, sub-contracting undertaken by a Government agency follows the same Government procurement procedure. However, in the case of sub-contracting of training and consultancy services, the Government agency may not require a bidder to provide bid bond or earnest money and subsequently a performance guarantee by the winning bidder.

### *Sub-contracting by UN Agency:*

2. Sub-contracting by UNIA (if present) is specified in its Letter of Agreement with the NEA. The procedures applied by a UN agency for engaging a sub-contractor are in accordance with their established policies, procedures and rules. International sub-contractors may be engaged by UNIA.

### *Sub-contracting under UNDP Direct Country Support:*

3. The actions required in local or international sub-contracting are similar to those for procurement of equipment. Specific requirements for procuring sub-contractual services are noted below.

Single source supplier (i.e. direct contracting) is acceptable only for procurement done by UNDP Direct Country Support and UN agency under certain conditions. Policies and procedures of UNDP or UN agency are followed in the selection process.

## 2.1 Specific procedural requirements

1. Since sub-contracts may involve procurement of services such as consultancy and training, it is important to ensure that the following requirements are adequately administered.

***All sub-contracts, regardless of value, are reviewed by NPD and project management of NEA/NIA.***

2. The NPD ensures that the sub-contracts to be implemented during the current year are listed and described in the Annual Workplan. Availability of budget

provisions must be confirmed. This would give project management lead-time for planning and implementing sub-contract services.

3. The NPD ensures that the terms of reference (TOR) of each sub-contract is developed and adequately elaborated in consultation with UNDP or UNIA where relevant.

**TOR:**

4. TOR, rather than specifications, are used for contracting of services. The TOR should define the work required of a contractor and should include the following elements:
  - Detailed tasks the sub-contractor must perform;
  - The outputs expected from the sub-contractor and when these should be delivered;
  - The manner in which outputs are to be produced, that is, activities that the sub-contractor must undertake and the standards or terms and conditions under which outputs are to be delivered;
  - Required qualifications of the sub-contractor;
  - Specification of any bid or performance guarantee requirement;
  - Criteria for evaluating bids or proposals;
  - If applicable, a detailed list of all data and services which will be provided to the contractor by the project for the contractor's use in performing the contract.
5. Legal advisory support may be obtained for drawing up a sub-contract agreement that may involve a complex set of activities and terms and conditions.

***Supervision of work and payment to sub-contractor:***

6. The work of the sub-contractor must be properly supervised and its activities coordinated by the project management. If there are performance related issues of the sub-contractor, these should be brought to the attention of the NPD/NEA and project review meetings should resolve any implementation or performance problems/issues.
7. Payment to the sub-contractor is made as per terms and conditions and schedule of payment of the contract, and as respective rules and procedures of the Government, UNDP and UN agencies. The final payment is made upon satisfactory performance of work done by the subcontractor. The performance report, to be prepared by the NPD using the format "Certification of Sub-contractor Performance" (Annex 28), must be signed by the NPD (and sent to UNDP or UNIA for processing payments, if they are involved).
8. In cases where a sub-contractor has failed in its performance, the NPD should consider and take necessary actions, including legal if deemed necessary. Where the sub-contracting is under UNDP DCOS or UNIA, the NPD should report to UNDP CO or UNIA to discuss actions.





## Chapter VI

### OTHER INPUTS: TRAINING AND CAPITAL GRANTS

#### A. Training

1. Transfer of know-how is the cornerstone of all technical assistance. Today, new knowledge is being developed worldwide at an accelerating speed in universities, research centres, think tanks, and R&D (research & development) laboratories. Although Bangladesh has a relatively sophisticated institutional infrastructure and a large number of highly educated people, they cannot perform effectively, unless they stay abreast of international developments and tap continuously into the rapidly expanding international font of know-how and “best practices”. For a country such as Bangladesh, there are two channels for the acquisition of new knowledge: (a) enterprises established through Foreign Direct Investment (FDI), and (b) capacity-building initiatives funded through Official Development Assistance (ODA). Against this background, it is critically important for Bangladesh to remain an active participant in the global exchange of know-how. All UNDP funded projects are designed to promote, in a variety of ways, Bangladesh’s access to and acquisition of such international know-how. This chapter describes in detail how project-funded training can best achieve the above objective.
2. NEX guidelines on UNDP funded project training are also complementary to the Public Administration Training Policy (PATP) of the Government of the People’s Republic of Bangladesh (gazetted on 12 May 2003; clause 4.4.vi), and in-line with the draft guidelines on Development Partner funded project-tied foreign training.

#### 1. Policy

1. The key policies underlying training are:
  - i. Training needs, based on capacity assessment during project formulation, must be specified in the Prodoc. Training Plan for the entire project duration, with the information on specific inputs and budget, should be described as much in detail as possible in the Prodoc. The Training Plan must be reviewed and refined by the project management during the implementation phase.
  - ii. Eligibility criteria are determined on a project-by-project basis and are spelt out in the above-described Training Plan that is attached to the Prodoc. As a general principle, participants in a study tour are expected to work for at least six months in a relevant capacity upon their return from abroad (unless otherwise stated in the GoB policies and relevant guidelines).
  - iii. Training abroad is a comparatively expensive capacity development instrument and should be used sparingly. Prior to consideration of training outside the country, it is essential to explore the feasibility of locally available training opportunities or to bring outside resources in the country for cost effectiveness and wider participation. The priorities in deciding on the training

- locations are: first, in-country; second, in the region (South and Southeast Asia); and third, elsewhere.
- iv. Participants in training are project counterparts, government policy-makers and staff, project beneficiaries, and those from other institutions participating in an UNDP supported project. Consultants and project experts are not eligible for training within a project or programme since they are recruited to perform specific tasks for which they must already have capacities. However, they may participate in short-term training/exposure visits as resource person or coordinator/supervisor, when necessary, only upon a prior concurrence with UNDP and the Executing Agency.
  - v. Minimum 35 percent of the participants in a training programme should be women.
  - vi. UNDP support may be mobilised from within the project budget allocation to finance participation of Government staff at conferences, meetings and other events that were not foreseen at the formulate stage of a project, provided that their participation in such an event is necessary in order to produce the results of the project. ERD, UNDP and NEA jointly decide on undertaking of such ad hoc training activities.
  - vii. As the part of the policy to ensure sustainability, UNDP does not pay salaries of participants in training. The employer of the participant must continue payment of the salary and appropriate allowances. UNDP does not pay sitting fees or remunerate individuals to attend training.
  - viii. Study tour or training abroad is normally administered by UNIA based on its Letter of Agreement with NEA. If UNIA is not involved in the project but the study tour/training abroad has been identified in the Prodoc as a necessary means for capacity building, UNDP CO administers the study tour/training based under Direct Country Office Support (DCOS, see Section 4.4 of Chapter I for details on DCOS).

## 2. General Principles

1. Participants for any of the training categories must satisfy three criteria:
  - **Relevance.** The training must be related to their work and job functions; further, the training must be related to the objectives, outcome and outputs of the project.
  - **Competence.** Participants must demonstrate a professional competence and readiness to undertake the training.
  - **Continuity.** Participants upon completion of training must continue to provide the relevant function for which the training has been provided.
2. Three categories of training are administered under UNDP supported projects and programmes:
  - Fellowship (BL-031)
  - Study tour/training abroad (BL-032)
  - In-country training (including workshop, seminar and conference) (BL-033)
3. Before outlining the rules and procedures of the above training categories, it is important to understand the need and use of Training Plan.

### 3. Training Plan

1. A Training Plan for the entire project duration, with the information on specific inputs and budget, should be described as much in detail as possible in the Prodoc (Form: Annex 4). The NPD and PMT reviews and refines the Training Plan at the beginning of the year during which the concerned training takes place and submit it to UNDP together with an Annual Workplan (Form: Annex 9).
2. Regardless of whether the administration of training activity is entrusted to UN Implementing Agency (UNIA), UNDP (under Direct Country Support) and/or a local or international institution (under sub-contracting arrangement), the NPD is responsible for reviewing the Training Plan in the Prodoc and preparing a refined version.

#### *Selection of training institutions:*

3. An important requirement for finalising the Training Plan is the identification and selection of suitable institutions and countries, which would offer the structure and quality of a course that meets the objectives of the training programme. Duration and budget for training are then estimated and checked with the approved budget. Study tour or training abroad is normally administered by UNIA, which has ready access to the up-to-date information on training institutions and courses in various fields around the globe. If UNIA is not involved in the project but a study tour/training abroad has been identified in the Prodoc as a necessary means for capacity building, UNDP CO administers the training component under Direct Country Support (DSC).

### 4. Categories of Training

1. Below is a description of the three categories of training and capacity building that can be conducted under NEX projects and procedures for organising each category of training.

#### 4.1 Fellowship

1. A fellowship is a specific long-term training activity for a qualified individual, (referred to as a fellow) to pursue an academic programme of study, usually outside Bangladesh.
2. UNDP project funds cannot normally be used to finance degree programmes at bachelor, masters or doctoral level. In exceptional cases, where the objectives of the project relate to creating a teaching or research capacity in an institution receiving technical cooperation support for capacity building, fellows may receive support for obtaining higher degrees/certificates.
3. The arrangements required for fellowships abroad are similar to those for study tours/training abroad, as described in a step-by-step procedure set out in the table below (“Steps to follow in administering study tour/training abroad”).

4. For fellowships abroad, and depending on the length of the training, the trainees are required to send regular progress reports to their home institution with copies to the NPD. The fellows are also required to prepare a final report after completion of their fellowship/training programme. The final report should be submitted to the NPD within two weeks upon completion of the training. The precise reporting requirements are to be developed by the NPD, in consultation with UNIA and/or UNDP, prior to commencement of the fellowship.
5. Participants nominated for fellowship training abroad are required to undergo medical examination by a UNDP certified/approved medical doctor. The medical certificate should be sent to the training institution before confirmation of the fellowship is given to the participant by the institution. The cost of medical examination may be paid for from the project budget (BL-031).

## 4.2 Study tour/training abroad

1. A study tour involves educational visits of short-term duration by individual or groups to institutions in various locations abroad, to observe programmes and projects and learn from exchange of experiences. The purpose of study tour is to enable project counterpart personnel, Government policy-makers, and/or project beneficiaries to broaden their understanding and upgrade their effectiveness for achieving project objectives and in performing their tasks and responsibilities, through study, review and comparison of activities that are similar to their own efforts. Educational visits can take place within the country, too, and for the purpose of this Manual, those visits are classified under In-country Training (see below). A study tour in this Manual refers to an educational visit **abroad**. Training abroad is also treated under the same category. Attendance to international conferences is also treated as study tours for the purpose of administration.
2. Study tour participants have the responsibility of demonstrating application of the knowledge they have acquired through the study tour programme. The report of study tour, required of a participant upon return from the tour, provides the NPD and the project management with an instrument to assess the participant's acquisition of knowledge through the study tour programme.

### ***Steps to follow in administering Study Tour/Training Abroad:***

3. The steps to be followed in organising a study tour/training abroad under UN Agency implementation are described in the table below. Similar steps are followed when UNDP under DCOS organises a study tour/training abroad (in such a case, simply replace "UNIA" with "UNDP" in the table).

**Table: Administration of Study Tour/Training Abroad**

| Description of steps                  |  | Primary Responsibility           | In consultation with: |
|---------------------------------------|--|----------------------------------|-----------------------|
| <b>Before the Study Tour/Training</b> |  |                                  |                       |
| 1                                     | Training Plan (including eligibility criteria of participants) as per Prodoc reviewed and refined and submitted to UNIA/UNDP (Form: Annex 31) ( <b>At the beginning of the year</b> in which the training takes place. The Training Plan should be attached to the Annual Work-plan).            | NPD                              |                       |
| 2                                     | UNIA and UNDP send feedback on the draft Training Plan.  | UNIA, UNDP                       |                       |
| 3                                     | UNIA liaises with host institutions and finalizes details on programme and course contents.  | UNIA                             | NPD, UNDP             |
| 4                                     | NPD obtains nomination (Annex 32) and screens as per the eligibility criteria mentioned in the Training Plan (or criteria agreed by UNDP and UNIA) and prepares a submission paper to the Executive Ministry of the relevant Department and UNIA and UNDP ( <b>2 months ahead of training</b> ). | NPD                              | UNIA, UNDP            |
| 5                                     | Simultaneously, NPD sends nomination form(s), dully filled in, to UNDP and UNIA, obtains feedback on nominations from them, and make adjustments if necessary.   | NPD                              | UNIA, UNDP            |
| 6                                     | NPD ensures that the Training Plan and nominations are reviewed and cleared timely by the Executive Ministry.  | NPD                              |                       |
| 7                                     | UNIA transmits authorization for travel and DSA to UNDP (in cases where UNIA does not have an office in Bangladesh).   | UNIA                             | UNDP                  |
| 8                                     | Visa obtained <b>at least five working days before the departure</b> .   | NPD/<br>Participants             | UNDP/UNIA             |
| 9                                     | Briefing provided to participants  | NPD                              | UNIA/UNDP             |
| 10                                    | Medical insurance for participants arranged  | UNIA or<br>Training<br>Institute | NPD/UNDP              |
| 11                                    | Tickets and part of DSA/stipend (80%) provided   | UNIA/UNDP                        |                       |
| <b>After the Study Tour/Training</b>  |  |                                  |                       |
| 12                                    | UNIA ensures that the Training Institute submits to UNIA and UNDP an evaluation report describing the course content and assessing the manner and level of participation of the trainees, the degree/quality of knowledge/skill that have been acquired, etc.                                    | UNIA                             | UNDP                  |
| 13                                    | Submission of a Training Report (Form: Annex 33) including knowledge/skill utilization plan to GoB, UNIA and UNDP and debriefing to GoB, UNIA and UNDP based on the report and plan. Presentation of the learning and plan may be organized.   | NPD and<br>Participants          | UNIA/UNDP             |
| 14                                    | After the submission of the training report and knowledge/skill utilization plan, settlement of final payments to participants. Participants are required to fill in the F-10 form (Annex 34) for the settlement.  | UNIA/UNDP                        |                       |
| 15                                    | Review knowledge/skill utilization in the Annual Review conducted in December (see Chapter VIII).  | NPD                              | UNIA/UNDP             |

4. In summary of the steps in the above table, there are at least **four reports** that must be prepared in order to conduct and complete study tour/training abroad:
  - i. Training Plan as part of the Prodoc
  - ii. Detailed Training Plan prepared at the beginning of the year (in which the training takes place) ← Step 1
  - iii. Nomination Form prepared two months before the training ← Step 4
  - iv. Training Report submitted after the training and before settlement of final payments ← Step 13
5. Forms for these reports are found in the Annexes.
6. Explanations on DSA and other entitlements are in Section 4.5 below.

### 4.3 In-country Training

1. In-country training includes special short courses, seminars or workshops organised in the programme country (Bangladesh) for the benefit of national project personnel, relevant Government officials, and project beneficiaries. This type of training is normally administered over several days and expenditure covered from BL-033.
2. The definition of in-country training for the purpose of this Manual includes workshop, seminar and conference, which are important mode of training and learning through sharing of knowledge amongst project staff, experts and stakeholders. Workshop, seminar and conference are also used as mechanism for creating awareness at the upstream policy making level, contributing to the policy debate and translating project achievements into government policies and national programme.
3. The NPD organises workshop, seminar and conference in collaboration with UNIA (if present), UNDP and other stakeholders in a similar way for organising a study tour/training abroad. In-country training can be sub-contracted to professional institutions (including NGOs and private companies). In such a case, the sub-contracting is specified in the Prodoc and the necessary procedure for subcontracting (see Section 7) is followed. The NPD must ensure that any in-country training events are reflected in the Annual Workplan and the project budget. When preparing Quarterly Workplan and Quarterly Budget Estimate, details of the plan for the in-country training event is reviewed and properly reflected in these documents in consultation with UNIA (if present) and UNDP. The NPD is also responsible for preparing and maintaining a report on important workshops and other training events including a list of participants. The report will be reviewed during the Annual Review of the project (conducted in December).
4. Participants in in-country training events include project beneficiaries, project personnel and stakeholders including Government officials. Resource persons providing substantial contributions to the event will be paid honoraria in accordance with the UNDP Guidelines on Honoraria and Allowances for Workshops, Seminars and Training (see Annex 30). Participants may be paid



DSA and travel allowance for attending the event in accordance with the DSA Policy (see Annex 20) and the Guidelines on Honoraria and Allowances for Workshops, Seminars and Training. The NPD and officials from within the executing arrangement of the project are not paid honoraria as spelled out in the honoraria guidelines.

#### 4.4.1 Entitlements of training participants for Study Tour/Training and Fellowship abroad

Entitlements are subject to the budget availability. Details are as follows:

1. **Daily subsistence allowance (DSA).** Study tour participants are eligible for DSA at the applicable UN rates. The DSA is based on the places to be visited and calculated on the number of nights spent in those places. UNDP Country Office has information on DSA rates of different countries. Participants are provided with 80% of DSA for the entire study tour/training period prior to the departure. They receive the remainder 20% upon return to Bangladesh and submission of a report and travel claim form (Annex 34). Fellows eligible for stipend are not entitled to DSA, while study tour trainees are not entitled to stipend.
2. **Travel allowance.** For overseas travel, participants receive a roundtrip air ticket at the economy class rate. The air travel route must be the most direct and least cost one (UNDP travel rules to be followed, such as, Economy Class Air-ticket in case of less than 9 hours flight-time at a stretch etc.)
3. **Terminal allowance.** Fellowship and study tour participants are entitled to a terminal allowance at established UNDP rates. The terminal allowance is provided for expenses incurred at each travel point, to cover the cost of travel from the airport to residence and to place of visit abroad.
4. **Health insurance.** Trainees going abroad for fellowship training and study tour must subscribe to health insurance scheme available in the host country. The host country institution should be asked to provide assistance for arranging the health insurance. Alternatively, UNIA or UNDP could be requested to assist in obtaining health insurance for the travelers. The cost of the insurance coverage will be paid for from the project budget. (Fellowship candidates are encouraged to subscribe to a life insurance policy in Bangladesh. The cost of life insurance coverage is not paid from project budget because it is considered as a personal expense item).
5. **Stipend for Fellowship.** Stipend is a monthly allowance intended to cover the cost of lodging, boarding, and incidental expenses of fellows. Stipend is payable from the date the fellow departs his home country to the date of completion of the fellowship. Stipend rates are those established by the UN for different countries and at two different categories of rates for each country, viz. the travel rate and the resident rate. Stipend is paid at travel rate for the first month and at the resident rate (which is lower than the travel rate) from the beginning of the second month. UNDP Country Office has information on stipend rates of different countries. Fellows may obtain first month stipend before departing Bangladesh. Thereafter, the stipend is paid on a monthly basis at the institution abroad.



## B. Micro-Capital Grant

1. UNDP provides micro-capital grants (MCG) for credit and non-credit purposes as part of institution development being pursued through a project or programme. Micro-capital grants are provided to support the activities of community-based organisations (CBOs) and micro-finance intermediaries, provided that they meet a certain set of criteria as described below.
2. MCG is budgeted under a separate budget line. The total amount of micro-capital in a UNDP financed project budget cannot exceed US\$150,000 per recipient organisation per programme or project. UNDP financing of MCG cannot be more than 10% of the total country budget allocation over the entire CCF/CP period. If this percentage is to be exceeded, UNDP CO is required to submit a request to the UNDP Headquarters with proper justifications.
3. MCG for non-credit is provided in special circumstances dealing with destitute people and/or in distant localities where access to financial services is not possible or very limited. The following types of activities are supported by MCG for non-credit purposes:
  - Strengthening the institutional capacity of CBOs;
  - Supporting community-based self-help initiatives, including income-generating activities designed to ensure sustainability for alleviation of poverty;
  - Supporting CBOs involved with local environmental protection and poverty eradication activities; and
  - Promoting advocacy activities and networking between civil society organisations, government and donors.
4. MCG for **credit** purposes can be made to financial intermediaries which demonstrate competency in the following areas:
  - **Institutional strength.** Sound institutional culture with a mission and vision that is supportive of the expansion of micro-finance services to low-income clients; management and information systems that provide accurate and transparent financial reports according to internationally recognized standards; and efficient operating systems.
  - **Quality service and outreach.** Focus on servicing low-income clients and on expanding client reach and market penetration; financial services that meet the needs of their clients.
  - **Sound financial performance.** Interest rates on loans are sufficient to cover the full cost of efficient lending on a sustainable basis; low portfolio in arrears and low default rates; a diversified funding base for its micro-finance operations to minimize dependency on donor subsidies.

Detailed criteria and guidelines to assess the eligibility of institutions are available on the website of the Special Unit for Microfinance (SUM) of United Nations Capital Development Fund (UNCDF), a sister agency of UNDP.

5. The use of UNDP funds for credit purposes must be in accordance with “Small and Micro Enterprise Financing Guiding Principles for Selecting and Supporting Intermediaries” and other relevant guidelines, which are available at UNDP CO. It should be noted, however, that based on the “Micro-finance Review” conducted in February 2002, **the current policy of UNDP Bangladesh is not to provide any further assistance to micro-credit activities.** This conclusion was derived from experience and lessons in a number of countries and in-depth observations of the situations in Bangladesh, where close to 600 NGOs and several financial institutions have an estimated client base of 15.5 million borrowers as of year 2000. The “Micro-finance Review” concluded that the micro-finance industry in Bangladesh is in a “consolidation stage” where the emphasis of the Government’s policy and donors’ support should be on strengthening the microfinance institution as a whole, with establishment of appropriate legal and regulatory frameworks that are conducive to the development of the micro-finance sector and allows for effective prudential regulation of the Central Bank.
6. The administration of **MCG for non-credit** purposes is conducted through the instrument of Memorandum of Understanding (MoU) signed between NEA or IA, whichever is relevant, and the recipient institution. The MoU sets out:
  - the responsibilities of each party;
  - the activities to be undertaken;
  - the outputs to be produced;
  - the performance criteria for the release of future tranches of funding;
  - duration of activities;
  - reporting and supervision arrangements.
7. The project document should provide a mechanism to ensure proper selection of recipient institutions. Such a mechanism must be established in a way to ensure transparency in the selection process, technical and managerial competency of the recipient institution and technical and operational soundness of the proposed activities.



## Chapter VII

### FINANCIAL MANAGEMENT

#### 1. Introduction

1. The purpose of financial management is to ensure efficient, prudent and judicious use of financial resources. Financial management aims at ensuring transparency and accountability in every step of project implementation – from planning, fund requests, fund disbursements, financial record-keeping, to financial reporting, auditing and closure of the project.
2. The financial management system provides for:
  - adherence to existing rules and procedures as provided in the NEX Manual;
  - prevention of errors and fraud;
  - completeness and accuracy of transaction records;
  - timely preparation of reliable financial reports;
  - ensuring integrity and reliability of information, accounts and data;
  - safeguarding of project assets and interests from losses of all kinds;
  - economical and efficient uses of resources; and thus,
  - efficient and effective implementation of project activities.
3. Basic financial management practices for NEX projects require that:
  - a) records of financial transactions of the project are maintained in a manner which is transparent and can produce auditable documents;
  - b) project books of accounts are maintained on the basis of budget line classifications [BL Code], and the financial statements are linked to the books of accounts;
  - c) project accounts are maintained in accordance with sound accounting practices which are generally recognized by the international accounting community;
  - d) financial reports are presented in formats that exhibit expenditures for each budget sub-line in accordance with the project budget and expenditure plan; and
  - e) payments including salaries are made by check in principle.
4. This Chapter provides NEX rules and procedures with respect to financial management, and it covers:
  - budgeting;
  - management of funds;
  - accounting;
  - reporting;
  - internal control; and
  - auditing.

5. The responsibility for the above actions is delegated to the NPD on behalf of the NEA/NIA, except for auditing where the auditing activity itself is undertaken by an independent audit authority/firm. The NPD is however responsible for ensuring the project's cooperation with auditing and implementation of follow-up actions in response to audit observations.
6. **ATLAS:** With effect from 1 January 2004 UNDP has introduced the ATLAS – corporate business software environment to manage a wide range of business process and transactions. ATLAS signals UNDP's global presence and a reliable and comprehensive way for finding best practices and connecting countries to knowledge, experience and resources in support of building a better life for people.

One of its features is management of project budgets superseding the Financial Information Management (FIM). ATLAS covers all sources of UNDP project budgets with focus to the Results of the project viz Outputs Budgeting. In addition, ATLAS will facilitate joint programming in the UN and resources mobilization from other donors.

As the system continues to be in development all future guidelines of ATLAS relevant to the NEX project management, as and when published, will be considered as part of this NEX Manual and supersede all relevant provisions/procedures mentioned in this document.

## 2. Accountability

1. As described in Section 4.2 of Chapter I, the National Executing Agency (NEA) of a UNDP supported project is accountable to the UNDP Resident Representative for proper execution of the project. In other words, Government institutions as well as UN agencies, as appropriate, are the custodians of UNDP funds. Therefore, these agencies have the **legal responsibility** to ensure that funds are used judiciously and in accordance with the purposes defined in the Prodoc. Project management accountability includes:
  - **substantive** accountability for the conduct of all project activities;
  - **financial** accountability for all funds provided for the project through advances, direct payments or reimbursements;
  - **custodial** accountability for all equipment, vehicles and other such assets entrusted to them; and
  - **personal** accountability in terms of her/his effectiveness in utilizing time and project resources.

### 3. Project Budget

1. Financial resources are allocated to carry out project activities. The budget provided in the Prodoc shows only UNDP contributions. The budget provided in the TAPP covers both UNDP and Government contributions. Further, the Prodoc budget is prepared in US dollar, and the TAPP budget in Bangladesh Taka. For the purpose of project financial management, the budget commonly referred to both by NEA/NIA and UNDP is the **UNDP project budget**. The NPD may however refer to the TAPP budget occasionally for disbursement of expenditures for which the Government is responsible (e.g. custom duty and value added tax or CD-VAT, salaries for project personnel recruited and funded by the Government, etc.). Hereinafter, UNDP project budget is simply referred to as “project budget” or “budget.”
2. A UNDP project budget follows a standard format and comprises the following components:
  - Project personnel (BL 010)
  - Contracts (BL 020)
  - Training (BL 030)
  - Equipment (BL 040)
  - Micro-Capital Grant (BL 070)
  - Miscellaneous (BL 080)
3. Each of these components is disaggregated into specific categories which constitute **budget lines**. Each budget line is then broken down into **budget sub-lines**. For example, BL 017 refers to national consultants and under this budget line, consultants of different subject matter are listed as separate budget sub-lines, such as 017.01, 17.02. With the implementation of ATLAS (UNDP corporate software implemented globally) the existing budget lines shall be replaced by Accounts Number represented by Activities. A comparison of FIM budget lines (as practiced in the on-going projects) and ATLAS Account Numbers (ATLAS Format Budget Code) is available in the Annex 54.
4. The project budget also includes provisions for Administrative and Operations Services (AOS) charges for UNIA if it is involved in the project implementation (see Section 5.2 of Chapter II for details about AOS). Since 2002 AOS is merged with the base costs of the inputs and services provided by UNIAs.
5. UNDP supported projects are managed on the basis of Annual and Quarterly workplans and corresponding project budget and quarterly expenditure estimates. Budgets must be kept up-to-date and be consistent with the current workplan. Whenever project activities are reviewed and workplans are revised, budgets must also be reviewed to ensure that best possible expenditure estimates are reflected in the latest budget. Budget revisions can be done any time of the year as needed. Section 5.2 of Chapter II provides information on different types of budget revisions and their procedures.

## 4. Accounting

### 4.1 Accounting Objectives

1. The standard accounting system requires **accuracy and completeness** of project accounts and reports. The following are the key aspects of accounting to ensure the accuracy and completeness:
  - a) All receipts of funds are correctly recorded;
  - b) All expenditures and disbursements are authorized, vouched (i.e. recorded in vouchers) and correctly classified;
  - c) All accounts and reports represent a complete and true statement of the financial transactions.

### 4.2 Accounting Principles

1. The fundamental accounting principle, which must be adopted by all UNDP supported programmes/projects is the **cash basis of accounting**. Cash basis of accounting, as opposed to accrual basis of accounting, requires to:
  - Record receipts when cash is received; and
  - Record expenditures when payment is made, not when liability arises.
2. The books of accounts are the bases where all the financial data is stored, wherefrom all required reports are generated. The cash basis of accounting does not encourage the concept of asset and liability. Therefore, funds receivable must not be recognized as *receivable or asset* in the books of accounts. Consequently bills payable must not be recognized as a *commitment or liability* in the books of accounts.

### 4.3 Source Document

1. **Voucher:** The voucher is the only source document for recording the occurrence of a certain financial transaction. It identifies the person responsible for preparing the voucher and the person authorizing the transaction. It is chronologically numbered with reference to transaction date and filed in a predetermined sequence. The voucher is accompanied by relevant bills/memos, etc., supporting the transaction. (Format: Annex 36)

### 4.4 Books, Registers and Reports

1. A project requires several books or ledgers for recording monetary transactions. The essential books of accounts that must be maintained for each project are:
  - Cashbook
  - Non-expendable property ledger
  - Consumables register



- CD/VAT/AIT control register
  - Advance control ledger
  - Direct Payment control register
  - Payroll
- i) **Cashbook:** The cashbook is the primary data source of all cash transactions. A cashbook also contains bank transactions. All receipts either through cash or through bank transfers are entered on the debit column of the cashbook and disbursements/expenditures on the credit column of the book. The cashbook also records the budget line wise disbursements. (Format of the Cashbook: Annex 37). The data sources of the cashbook are vouchers.

Total amount of expenditures in each budget line can be ascertained from the cashbook. Monthly total expenditures as well as total quarterly expenditures can be ascertained from this book, which subsequently helps in preparing the Quarterly Financial Report.

A **petty cash** may be maintained under imp-rest system to meet up day-to-day expenditure of small amount (recurring nature) under designated budget line. The current UNDP system allows a project Tk.10,000.00 in petty cash, the transactions of which will be recorded in the same cash book.

- ii) **Non-expendable Equipment Ledger:** Procurement of all project equipment (whether by the project or through UNIA or UNDP) shall be entered in this ledger. The ledger should be maintained properly and updated regularly. All pieces of equipment should have their uniform code number imprinted on their body and this number should also be entered in the ledger. All columns of the ledger should be filled up properly (format: Annex 38).

Annual Physical Verification Report of Non-Expendable Equipment. At the end of the year a committee formed by the NPD (usually composed of three to four people from PMT, NEA and/or NIA) for this purpose should verify the items of non-expendable equipment and reconcile them with the ledger. The committee shall prepare an annual physical verification report in prescribed format. The verification report must be signed by all members of the committee and submitted to the UNDP CO with the QFR for the last quarter of the reporting year (i.e.; October-December) and the information on members of the committee. (Format is given in Annex 41).

- iii) **Consumables (expendable equipment) Register:** A consumable register should be maintained in every project for recording the procurement of any consumable (or expendable) items (i.e. stationeries, printing items etc.) and their issue to project personnel. The project accountant should maintain the register properly, i.e. to record each and every consumable item procured regardless of quantity, to record issuance of each item, and to calculate the balance regularly. A separate sheet should be used for each category of items i.e. a separate sheet for papers, pencils, diskette, etc. respectively. (Format: Annex 40)

Annual Physical Verification Report of Consumables. At the end of the quarter/year expendable items of the project should be physically verified by the same committee formed by the NPD (for the purpose of verifying non-expendable property), which prepares a report on 'quarterly/annual physical verification of consumables' in prescribed format. "Consumables" are also referred to as "expendable equipment." This report should be retained in the project office for management information on effective utilization of expendable property (Format: Annex 43).

- iv) **CD/VAT/AIT Register:** This register is maintained for the purpose of recording all customs duty, advance income tax and value added tax that have been deducted or collected and deposited into the GoB exchequer.

The payment of CD/VAT for the procurement of non-expendable equipment is made from the GoB part of the contribution to the project and no such payment should be made from the UNDP contribution to the project.

In case of local procurement or international procurement of goods or services where payment is made by the NEA/NIA, the deduction/collection of AIT/VAT and its deposit to the GoB treasury should be made by the concerned NEA/NIA from the total bill. The register shows every transaction for collection and deposit of AIT/VAT. The project accountant is advised to use one row for each deduction/collection of such items paying special attention to fill up all columns as far as possible (Format: Annex 42).

AIT/VAT Statement. This statement is prepared at the end of the quarter and the year to show the total amount deducted/collected, total amount deposited and the total amount remains to be deposited (Format: Annex 45).

- v) **Advance Control Ledger:** An advance payment made to project personnel for in-country travel should be entered in this register. An entry in the cashbook is required to be given in the relevant BL code for which the advance has been made (Format: Annex 44).

Advance Statement: At the end of the quarter or year such statement is prepared from the Advance Control Ledger on the day of closing the ledger. This statement is for reviewing the total amount advanced, the amount subsequently adjusted and the amount remains to be adjusted on the day of closing. The timing of preparing this statement is up to the judgement of each project management.

- vi) **UNDP Direct Payment Control Register:** This register is maintained on monthly basis for recording UNDP direct payment relating to procurement of equipment/goods/supplies or services at the request of the NPD. It also indicates the cumulative balance of funds budgeted for direct payments (Format: Annex 46).
- vii) **Payroll/Salary Register:** This register is maintained for the payment of monthly salary of the project staff. Separate page is used for maintaining payment of individual's salary (Format: Annex 47).

## 5. Management of Funds

1. UNDP funds for project activities are managed through certain instruments and procedures. The process requires detailed planning and cost estimation, and close consultation between the NPD and UNDP CO.
2. To facilitate financial planning and management, Annual Expenditure Plan is prepared at the beginning of each year and then reviewed and updated each month. The sample format is found in Annex 9. The Annual Expenditure Plan is required by UNIA as well for the budget lines that it is responsible to implement. Any changes should be in consultation and agreement with NEA and UNDP.
3. NEA/NIA, UNDP and ERD continuously monitor progress made against the disbursement of funds. If implementation is delayed, financial reporting is inadequate, and mismanagement of funds is suspected, UNDP may withhold advances of funds until the situation is corrected.
4. NPD/project management can draw upon project funds through quarterly advance and direct payment by UNDP.
  - **Quarterly Advance:** UNDP CO normally releases funds to the project/programme on a quarterly basis against the advance request for NEX budget lines, and amount shown in the Quarterly Financial Report (QFR) of the last quarter. Funds are disbursed to the project bank account, which should be jointly operated by the NPD and the CTA (if present) or another senior staff of the project management. The project is then responsible for disbursement of the funds in accordance with the Quarterly Expenditure Plan for implementing the activities in accordance with the Quarterly Workplan.
  - **Direct Payments:** UNDP CO can directly pay, on behalf of the NEA/NIA, a particular person, firm or other organization for bona fide project purposes, based on a request from the NPD (Annex 50).

### 5.1 Procedures for advance of funds

1. UNDP CO advance funds to a project it supports only on receipt of a completed and signed **Quarterly Financial Report (QFR)** together with the following **supporting documents**.
  - Quarterly Progress Report
  - Listing of budget line-wise **outstanding obligations** for the reporting quarter (if any), which is the costs of inputs that have been committed, but for which payment has not yet been made. The payment includes only obligations that are to be paid in the next quarter.
  - Copy of the bank statement
  - Copy of the cash book
  - Bank reconciliation statements
  - Statement describing each activity for which the previous advance received has not been fully utilized and the amount of the unspent balance.
  - Quarterly workplan

- Quarterly Expenditure Plan: This is an estimate of expenditure for each budget line and for each month of the next quarter within the annual budget, i.e. the costs of new inputs that are to be mobilized and paid for during the next quarter.
2. Advance of funds is made in the local currency. If any payment must be made a currency other than the local currency, UNDP may be requested to make such payment to the party concerned through Direct Payments modality.
  3. QFR should not include direct payment requests nor funds to implement UNIA budget lines.
  4. **QFR for October-December** must be accompanied by the following additional documents:
    - Annual Workplan for the new year
    - Annual Expenditure Plan for the new year
    - Certified Non-expendable property ledger and physical verification report for the previous year.
    - APR is prepared by the end of November and submitted to UNDP.
  5. **First QFR:** When a new project requests the first advance of funds, it must fill out only the top of the QFR and the following rows: (l) planned expenditure, (m) total requirements, (j) less: closing balance (put zero), and (n) advance requested. All other rows and columns are left blank, as there has been no expenditure. The total requirements (m) should reflect estimated expenditures for:
    - a) the first quarter; and
    - b) the estimated period required for the subsequent cash replenishment after submission of the next QFR. (That is, the request for the first advance may cover a period of about four months, instead of three. This is allowed for the first advance request only.)

***Processing of advance funds:***

6. The key steps in requesting, processing and utilizing an advance of funds are as follows:
  - i) UNDP Programme Officer (PO) reviews the above documents. S/he reviews the use of funds for the previous period and whether progress is being made towards planned results. S/he also checks whether the expenditure estimates for the next quarter are reasonable in terms of carrying out planned activities as specified in the Quarterly Workplan. Availability of funds in the latest project budget is also confirmed.
  - ii) UNDP CO (Finance Section) releases the advance of funds to the project bank account, following approval by the PO.
  - iii) The project disburses funds from the advance received and records the transactions in its accounting system.
  - iv) The project prepares a financial report, showing the total expenditures incurred through the transactions that took place during the quarter. The project makes a request for advance for the next quarter based on this financial report, repeating the steps from (i).

7. Actual expenditures must be kept within the planned expenditure for each budget line. The project must account for expenditures made from the advances of funds in order to receive a further advance of funds.
8. At the end of a project, any unused advances are returned to UNDP.
9. Any interest earned on the project bank account from the advances during the reporting period must be returned to UNDP. UNDP and the Government may subsequently agree to channel the interest amount back into the Country Programme Funds.
10. In special circumstances where additional funds, that were not foreseen at the time of making an advance request for the current quarter, become necessary, UNDP CO can provide the advance from within the approved budget, upon receipt and review of the same set of documents that are required for a quarterly advance.

## 5.2 Direct Payments by UNDP

1. Direct payment is a mechanism by which UNDP CO directly pay, on behalf of the NEA or NIA, a particular person, firm or organization which deliver services or goods to the project. All expenditures in foreign currency that are incurred by the NEA/NIA are paid through UNDP CO. Direct payments can be made in other cases in Taka as well. In order to use this mechanism, the NPD needs to submit a **Request for Direct Payment** to UNDP with the necessary documents and information.
2. The format of Request for Direct Payment is given in Annex 50. The request is accompanied with supporting documents containing information on the payee, amounts and currencies required, justification for the request and payment instructions reflecting payee's bank, its address and the account number. UNDP CO (Programme Officer) verifies the request and supporting documents in light of the Workplan and the latest project budget. Subsequently, UNDP CO arranges for the payment.
3. The NPD must ensure that all requests for direct payments are recorded at the project office in Direct Payment Ledger as shown in Annex 46.
4. The UNDP CO (Finance Section) provides the NPD with copies of disbursement vouchers of the direct payments made by UNDP during the third week of the next month. The NPD ensure that the figures for the direct payments are in the Annual Statement of Expenditure (see Section 6.5) of the project. The amounts of expenditure incurred in the form of direct payments are accounted for through the Combined Delivery Report (CDR), described below (Section 6.1).

### 5.3 Expenditure incurred by UN Agency

1. When a UN Implementing Agency (UNIA) incurs any expenditure in undertaking activities based on the Letter of Agreement (LoA) with NEA, UNDP Headquarters provide funds directly to the agency concerned, in accordance with the schedule of payments incorporated in the LoA. Such expenditure is also accounted for through the CDR.
2. UN agencies undertaking activities under NEX must report their expenditures every quarter through **Project Delivery Report (PDR)**. This report is prepared to record the expenditures made by the UNIA in accordance with the Letter of Agreement (LoA) established between the UNIA and NEA. The report shows the expenditure by component and budget sub-line. The PDR sent to the project through UNDP CO no later than 30 days after the end of each quarter.

### 5.4 Quarterly and Yearly Reconciliation

#### 5.4.1 Annual Financial Report (AFR)

1. The APR is a summary of expenditures for four quarters. This report incorporates the project disbursements for the year from the advance of funds (Format: Annex 48).

#### 5.4.2 Yearly Statement of Expenditure (SOE)

1. The SOE is a statement of disbursements *in both Taka and US Dollar* showing monthly total of expenditure for each of the budget lines. Disbursements are summarized in the statement on monthly, quarterly and yearly basis. Statement of expenditure also includes the expenditure made by UNDP and/or UNIA. The inclusion of annual budget in each budget line provides a means for budgetary control. An overview in terms of project expenditure can be obtained from this statement. The SOE facilitates the review and certification process of the CDR. (Format of Statement of Expenditure is given in Annex 39).

#### 5.4.3 Combined Delivery Report (CDR)

1. Combined Delivery Report (CDR) is a summary statement of all project expenditure, prepared at UNDP country office regularly at the end of **each quarter**, which is generally sent to the project as and when produced. First 3 CDRs are provisional whereas the year-end CDR covers the expenditures of entire year and is considered to be **Final and Official CDR**. The CDR summarizes, in US dollar, all project expenditures incurred by (i) the project, from the advances of funds; (ii) UNDP CO for direct payments or for Direct Country Office Support (DCOS) services to NEA/NIA; (iii) UNIA under its LoA with NEA; and (iv) the UNDP Headquarters. The CDR constitutes the official record of consolidated quarterly/annual expenditures and is reflected in the project budget revision.



2. The CDR is sent to the project for the NPD to have it reconciled with QFR, Direct Payment Control Register and Statement of Expenditure (SOE) and then, to certify and return it to UNDP. The NPD, when certifying the CDR, confirms that the authorized expenditures from made advances, requests for direct payments, payments under UNDP CO support are correctly reflected in the CDR. The annual CDR constitutes the most comprehensive financial report for the NEX projects and thereby forms the basis for annual audit of each project. It thus becomes the final statement of project expenditures. The auditors are required to verify the annual CDR certified by the NPD during the course of their audit and to certify the CDR and attach it with the audit report (see Section 8 below).

## 6. Internal Control

1. Internal control is to ensure:
  - compliance with NEX rules and procedures;
  - effectiveness and efficiency of operations; and
  - reliability of financial accounting and reporting.
2. Internal control consists of a set of coordinated procedures and measures to detect errors and irregularities, to correct them and to prevent misuse of project resources.

### 6.1 Administrative Control and Accounting Control

1. Internal control comprises two aspects: administrative and accounting. *Administrative control* refers to an overall management system with a set of rules and procedures to ensure effectiveness and efficiency of various aspects of project implementation, including planning, budgeting, inputs mobilization, and reporting. *Accounting control*, on the other hand, focuses on ensuring financial transactions and reporting based on established rules and procedures and in compliance with workplans and expenditure plans. A system of accounting control is designed to provide reasonable assurance that:
  - a) Transactions are executed in accordance with project management's general or specific authorization within the framework of workplans and with a view toward achieving project objectives;
  - b) Transactions are recorded as necessary to allow preparation of financial reports in conformity with generally accepted accounting principles;
  - c) Transactions are recorded as necessary to maintain accountability and transparency in the use of project resources and protection of its property;
  - d) Access to the project property is permitted only with management's authorization;
  - e) The recorded property is compared with physical property at reasonable intervals and appropriate action is taken with respect to differences, if any.



2. A standard checklist for internal control for both administrative and accounting aspects is given in the Internal Control Structure (para 6.2). This checklist provides a useful tool for NPDs to ensure application of the necessary control instruments, all of which are requirements under the NEX modality. UNDP Programme Officers may also use this when monitoring project management performance particularly with respect to the financial aspect.

## 6.2 Internal Control Structure

1. The NEX Manual provides for an internal control structure consisting of policies, rules and procedures to ensure judicious, effective and efficient use of UNDP resources in order to achieve project objectives. The internal control structure for NEX projects has basically two aspects as mentioned above: administrative and accounting. The NPD is responsible for instituting the necessary management system to operationalise the internal control structure. Such management system must be based on clearly spelt out roles and responsibilities of each project personnel in accordance with the NEX Manual and the Prodoc. For accounting control, the project accountant and her/his assistant(s) are responsible for preparing and maintaining necessary accounts, records and reports. However, the ultimate responsibility for the accounting control lies with the NPD and it is her/his duty to ensure the quality of the work performed by the accountant. **A double-checking system**, where a job performed by one person is always reviewed by another, is indispensable for any accounting related work in order to ensure proper accounting control.
2. Under a standard procedure, the project accountant receives transaction documents and prepares voucher upon being satisfied with completion of the transacted activity. When preparing the voucher, the accountant must look into the budget provision, work order, completion report and/or other relevant documents. At this point, an action of a project staff who is engaged in the transaction is checked by the accountant. The voucher certified by the accountant must be reviewed by the NPD or her/his designated project staff. The NPD is required to verify the transaction records and deliverables and sign the voucher. This system ensures double-checking of a transaction and a recording, by the accountant and then by the NPD.
3. The table below describes the basic structure of the internal control for NEX projects covering basic elements for both administrative and accounting aspects highlighting key roles of the NPD and the project accountant. The “control environment” on the left column refers to the overall framework in which NEX projects operate. Fundamentals of the NEX modality that involve responsibilities beyond the scope of the project management are described in this column.

### Internal Control Structure

| Internal Control  | Function  |
|---|---|
| Control environment   | <ul style="list-style-type: none"> <li>• Vision and policies of the NEX modality.</li> <li>• Rules and procedures applicable under the NEX modality including:               <ul style="list-style-type: none"> <li>-- Organisational structure (roles of NEA, NIA, UNIA, ERD, UNDP and other concerned parties).</li> <li>-- NEX project management structure.</li> </ul> </li> </ul>  |
| Administrative control<br>(Role of the NPD)                             | <ul style="list-style-type: none"> <li>• Clear assignment/delegation of responsibility/authority in the project management team.</li> <li>• Preparation, implementation and reporting on Workplans and Budget.</li> <li>• Monitoring, review and follow up actions.</li> <li>• Ensuring compliance with provisions of the NEX Manual.</li> </ul>  |
| Accounting Control<br>(a) Role of NPD<br><br>(b) Role of the Accountant | <ul style="list-style-type: none"> <li>• Maintaining a separate bank account for project funds and operation of the account through joint signatures.</li> <li>• Establishment of systems for proper financial transactions and reporting.</li> <li>• Establishment of a double-checking system for accounts, books and report.</li> <li>• Ensuring adequate disclosure of financial information on a timely basis.</li> <li>• Ensuring compliance with provisions of Chapter VII of the NEX Manual.</li> <li>• Identification of all valid transactions and rejection of any improper transaction.</li> <li>• Classification of transactions according to BL code and within the framework of Workplan and Budget</li> <li>• Use of standardized project vouchers and recording of valid transactions in proper books of accounts.</li> <li>• Preparation of standardized and time-bound financial reports using the information from the relevant books of accounts.</li> <li>• Ensuring preparation and maintenance of auditable documents including those mentioned in the following <b>Audit</b> section.</li> </ul> |

## 7. Audit

### 7.1 General policy

1. Audit is an integral part of sound project management addressing both financial and administrative aspects, and of the overall NEX project framework to ensure accountability. All UNDP assisted NEX projects/programmes are subject to audit at least once in their lifetime. They are normally audited annually by the Comptroller and Auditor General (C&AG) of the Government of Bangladesh, represented by the Foreign Aided Projects Audit Directorate (FAPAD). However, any and all of the UNDP assisted programmes/projects may be subject to audit, at any point of time, by the auditors of UNDP, or any other auditors appointed by UNDP in consultation with ERD. Therefore, UNDP shall always have the right of access to any relevant project records and documents. In special circumstances, audits may also be conducted by commercial auditors appointed by either UNDP or by FAPAD in consultation with ERD. The conduct and management of audit is guided by relevant provisions of the NEX Manual. For audit purposes FAPAD should refer to Prodoc and latest approved budget.

### 7.2 Objectives

1. NEX audit addresses all substantive, financial, custodial and personal accountabilities assumed by the programmes/projects. The overall objectives of audit is to obtain reasonable assurance that UNDP provided funds and resources are being managed in accordance with the provisions of the Prodoc and the NEX Manual. It must be understood that audit is not limited only to financial transactions. Audit generally goes beyond and it extends to cover effectiveness of operations, economic and efficient uses of resources, timely preparation of reliable financial reports, integrity and reliability of information, accounts and data, etc.
2. In particular, audit of UNDP supported projects is expected to inform UNDP and the Government with reasonable assurance that:
  - NEX rules and procedures are uniformly followed;
  - Provisions of the Prodoc with respect to the executing and implementing arrangement and the project management are adequately observed;
  - An appropriate management structure including systems for internal controls and record-keeping has been installed and is relied upon;
  - Project expenditures are made in accordance with the Prodoc and the latest project budget;
  - Project expenditures are valid and supported by adequate documentation;
  - Project financial reports are presented fairly and reflect accurate financial status;
  - Recruitment, procurement and use and control of non-expendable equipment are done in accordance with the NEX Manual; and
  - Other substantive responsibilities including compliance with periodic reporting requirements are adequately fulfilled.

### 7.3 Scope

1. The audit of NEX projects shall cover the funds channeled through the Government in the form of advance. UNDP CO expenditure or the expenditures of the UN agencies acting as Implementing Agencies are subject to audit by the appointed auditors of these organizations. Thus FAPAD audit mandate for the UNDP supported projects/programmes is limited to funds received from UNDP and expenditures incurred by the Government. In other words, the audit opinion does not extend to cover expenditures incurred by UN organizations, including UNDP.
2. The audit of NEX projects shall cover, but may not necessarily be limited in scope to, the following areas:

***Financial Management:***

- Financial accounting, including systems for recording, documenting and reporting on resources utilization; and
- Other aspects of financial operations and accounting controls.

***Inputs Management:***

- Adequacy and efficiency in inputs management with respect to
  - Equipment procurement, use and control;
  - Sub-contracts;
  - Recruitment;
  - Study tours/training;
  - Macro-Capital grants.

### 7.4 Audit Guidelines

1. The core basis of NEX audit is NEX rules and procedures as articulated in the NEX Manual, which incorporates relevant rules and procedures of both UNDP and GoB. In addition, the Prodoc and other key project related documents including workplans, budgets, TPR minutes provide bases of the audit. The guiding principles in conducting the audit are International Standards on Auditing (ISA)<sup>1</sup> and professional judgment of auditors (see below in Section 8.5).

### 7.5 Duties of the Auditors

1. The auditor's duty shall include, but may not necessarily be limited to, the following:
  - Conducting the audit in compliance with provisions of the NEX Manual and generally accepted international standards of auditing;
  - Demonstrating due respect for the confidential nature of the privileged information gained in the course of conducting audit in UNDP supported projects;
  - Making adequate consultations with relevant project parties including NEA, NIA, ERD and UNDP;
  - Verifying the combined delivery report and certifying it;

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<sup>1</sup> Published by the International Federation of Accountants.

- Bringing to the immediate attention of the NEA, NIA, ERD and UNDP any transactions identified during the audit over which the auditor entertains doubts as to the validity or propriety;
  - Providing adequate opportunity to the auditee for explanations, as appropriate, in order to ensure expression of best possible opinion;
  - Presenting the findings in the form of a standardized report.
2. In addition, to help ERD and UNDP ascertain the extent to which it can rely on the certified financial reports and statements signed by the NPD, auditors must review the project's internal control to determine whether satisfactory control measures are being installed and used to prevent, detect, reduce or eliminate the risk of potential errors. The auditor's internal control review looks at such factors as (i) delegation and communication of authority and responsibility; (ii) procedures and mechanisms of discharging responsibilities; and (iii) mechanisms of checks and balances. In order to ascertain whether controls are operational and adequate, auditors may conduct corroborative tests designed to determine whether transactions are valid and accurate, whether invalid or improper transactions have been rejected as appropriate, etc.

## 7.6 Management of Audit

1. The process of audit is initiated by UNDP each year in October-November. An audit plan, with a list of all NEX projects to be audited and a schedule of audit, is developed by UNDP in consultation with ERD. The selection of auditable projects is done on the basis of criteria developed by the UNDP HQ.<sup>2</sup> The schedule of audit is drawn based on the UNDP timeframe, under which audit reports must be sent by the UNDP CO to the UNDP HQ by 30 April of the following year. The audit plan also includes the status of previous audit and explanations on the selection criteria for the upcoming audit. All concerned NEAs and NIAs are informed about the audit plan.
2. UNDP, in consultation with ERD and FAPAD, organizes a briefing for the auditors in December before the commencement of actual audit. The terms of audit and the expectations of the UNDP and ERD are discussed in this briefing session.
3. The audit is commenced by no later than mid-January of the following year. The auditors discuss their findings with the NEAs/NIAs during the course of audit before preparing draft audit reports. Where auditors are not satisfied with the responses of the project management and/or other relevant parties, they incorporate the issues as observations in the draft audit report. After submission of the draft reports to the concerned parties, FAPAD organizes an exit meeting for each project. The observations and recommendations in the draft reports are discussed in details during the course of exit meetings. The modes of implementing their recommendations are also discussed in this session. The NPDs and representatives of UNDP and ERD are present in the exit meetings. Representatives of concerned Ministries/Divisions are also invited as appropriate and necessary. Any issues that have not been resolved in exit meetings are incorporated in the final report. The final audit reports must reach UNDP CO by 25 April.

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<sup>2</sup> The UNDP HQ informs the UNDP CO of the criteria to be used for the upcoming audit at the beginning of November.

## 7.7 Required Documents and Information for Audit

1. The NEA/NIA, UNDP CO and other concerned parties as appropriate must provide the auditors with all relevant documents and information required by them for conducting the audit. Common requirements of the auditors from the projects are listed below. During the audit, the NPD and other concerned project staff must be present in the project office in order to facilitate the auditors' access to documents and to respond to any queries.
  - Statements showing expenditures against fund receipts for the fiscal year [SOE]
  - Cash book
  - Project Financial Statements
  - Fund Flow Statement
  - All bills/vouchers in support of the expenditure
  - Income Tax and VAT register (where applicable)
  - Consumable/Stock register
  - Annual physical verification report of consumables/stores
  - Non-expendable property register
  - Annual physical verification report of non-expendable property
  - Direct Payment Control register (statement of payments made by UNDP through direct payments) and copies of relevant vouchers
  - G.O's of fund release and budget file
  - Copy of treasury chalan
  - Register of miscellaneous receipts (where applicable)
  - Copy of work authorization of ADP
  - Estimate/Revised estimate/Tender/C.S/Work order (where applicable)
  - Site account, survey report, site selection report, completion certificate (where applicable)
  - File regarding purchase of stationary and other materials
  - Sale register of tender schedule (where applicable)
  - Dead stock register (where applicable)
  - Minutes of the meeting of Tender Committee
  - Measurement books (where applicable)
  - M.B movement register (where applicable)
  - Register of salvaged materials (where applicable)
  - Log book of vehicle, fuel issue slips
  - Retention order of the project employees (where applicable)

## 7.8 Audit Report

1. The auditors produce a final audit report reflecting discussions and decisions of exit meetings. The audit report must be presented, to the extent possible, in the specified format developed by Foreign Aided Projects Audit Directorate (FAPAD). The audit report contains comments, observations and recommendations on each of the audited areas/issues, as well as a general opinion on the project performance. All audit opinions must include a statement as to whether the financial and management reports are fairly and accurately presented. Auditors shall be as specific as possible in their findings, observations and recommendations. They should also describe fully the reasons for any irregularities or deviations from provisions in the NEX Manual.

2. In particular, the following must be addressed in the final audit report:
  - The expenditures are made in accordance with the activities in the Workplans and the project budget;
  - The expenditures are supported by adequate documentation;
  - The financial reports are fairly and accurately presented and represent correctly the financial position;
  - Appropriate management structure, internal control and record keeping systems are maintained;
  - Monitoring and evaluation of activities are adequate and the progress towards expected results are undertaken as planned and according to key considerations for management;
  - Procurement, use and disposal of equipment are made in accordance with the NEX rules and procedures; and
  - Satisfactory measures have been taken by the project to comply with the recommendations of prior audits.
3. FAPAD sends the final audit report to UNDP, NEA, ERD and the NPD. UNDP, after necessary review, transmits the report to the Office of Audit and Performance Review (OAPR) at UNDP Headquarters by 30 April.

## 7.9 Management of Audit Observations

1. The NPD is responsible to ensure that appropriate corrective action is taken to implement audit recommendations. The NPD has the primary responsibility for following up with the FAPAD to resolve all the pending/current adverse findings and to keep UNDP informed of the status of implementation with copies of responses from FAPAD. The NEA, ERD and UNDP CO remain responsible for establishing necessary control mechanisms to follow-up on audit findings with the NPD until they are settled. The NPD may take initiatives to discuss with the NEA, ERD and UNDP any unresolved issues relating to the audit report. The UNDP CO takes the audit report into account in the annual NEX Scorecard and the Annual Review of the project (see Chapter VI).
2. The NPD is responsible for all audit observations occurring during his or her time in office. An appropriate procedure should be developed for handovers between departing and new NPDs.

## 7.10 Final Project Audit

1. A final audit of a UNDP supported project may take place if it is deemed necessary by UNDP and ERD. The requirements for the final audit are the same as those for an annual audit. In addition, the auditors shall verify that:
  - a) the project component bank account has been closed;
  - b) an appropriate refund, if any, has been made to UNDP; and
  - c) all outstanding obligations of the project component have been discharged.
2. The contract of certain project staff such as project accountant may be extended to backstop the final audit.



## Chapter VIII

### MONITORING AND EVALUATION

#### 1. Introduction

1. Monitoring and evaluation are management functions that are interactive and mutually supportive. They help to ensure that the resources entrusted to UNDP and Government are used accountably; ensure intended outputs and outcomes are achieved; and provide a clear basis for decision-making regarding a particular project and overall development strategies for the programme country.
2. By establishing clear links between past, present and future interventions and results, monitoring and evaluation enhances the effectiveness of UNDP assistance. Monitoring and evaluation can help UNDP, ERD and NEA and IAs to extract relevant information and knowledge that can subsequently be used as the basis for fine-tuning, reorientation and planning. Monitoring and evaluation help to track the progress of projects, and indicate if UNDP assistance is moving in the right direction. It also helps improve future efforts.

#### 2. Project Monitoring and Evaluation

##### 2.1 Project monitoring

1. Monitoring is the process of continuous tracking or surveillance of the implementation of the project. Monitoring is an important component of **regular** project activities. Primarily it involves gathering information that can be used to determine whether or not the project is being implemented as planned and is therefore achieving its objectives. In practice, monitoring focuses on collecting information that indicate whether project inputs have been mobilized, activities undertaken, and outputs produced as scheduled. Monitoring deals with both the substantive and financial performance of a project.
2. Reporting is an integral part of monitoring. Preparation of written accounts of the progress and/or result of project implementation and their distribution to all concerned parties constitutes reporting as well as sharing information about the performance of a project. Reporting is a means by which project parties discharge their accountabilities. Reporting is one of the primary responsibilities of the NPD. This responsibility is often discharged, in practice, through the CTA and/or NPC in consultation with other national and international project staff. Reports normally follow standard formats.

### 2.1.1 Issues addressed through project monitoring

1. Project monitoring ensures that:
  - Project workplans are developed and updated;
  - Project activities are implemented in accordance with the workplan;
  - Inputs needed for carrying out project activities are mobilized timely and as per specification;
  - Budgets and other resources committed by UNDP, Government and other parties are available as per assessed requirements (and as approved by UNDP and Government);
  - Project outputs are produced in accordance with the workplan and as per specification and quality necessary to realise expected outcomes and impact;
  - Project management capacity is adequately in place;
  - Financial management, auditing and reporting requirements are adequately established and adhered to by project management;
  - Other aspects of administration and management of project activities are functional, transparent and judicious;
  - Institutional mechanisms such as the Project Steering Committee (to provide oversight and coordination of project activities and to upstream project experiences) and Procurement and Recruitment Committees (for mobilization of project inputs) are functional and effective;
  - Other institutional arrangements configured in the project framework and necessary to achieve project objectives are functional and effective.

### 2.1.2 Monitoring mechanisms and tools

#### **Workplan:**

1. A Workplan can be either a multi-year, annual, or quarterly summary of planned activities, timeframes and responsibilities. It is prepared as an instrument to facilitate the implementation of project activities. The Workplan is also used as a tool to systematically and objectively monitor the progress of a project, i.e., to ensure timely mobilization of inputs and production of outputs toward achieving the intended outcomes. Different types of Workplans (i.e. a Workplan produced during the inception phase, Annual Workplans and Quarterly Workplans) and procedures and requirements for them are as explained in Section 4 of Chapter II. The NPD is responsible for ensuring preparations and distribution of Workplans.

#### **Progress Report:**

2. Two types of Progress Reports are required of UNDP funded projects:
  - Quarterly Progress Report;
  - Annual Progress Report.
  - a) *Quarterly Progress Report (QPR)*. The QPR is prepared toward the end of the current quarter and highlights problems encountered during project implementation including management and financial issues. Differences between the Quarterly Workplan/Expenditure Estimate and actual activities/expenditures must be explained in the QPR. QPR is one of the documents required for requesting funding for the next quarter (see Chapter V for procedures for obtaining advance funds). This is elaborated in Section 4 of Chapter II.

- b) *Annual Progress Report (APR)*. The APR is prepared toward the end of each calendar year to assess the project progress in terms of both outputs and outcomes in a comprehensive manner. Previously, preparation of an APR was a pre-requisite for convening an annual Tri-Partite Review (TPR) meeting. In line with the new guidelines of UNDP<sup>1</sup>, it has been decided that all projects/programmes prepare an APR in November of each year regardless of the timing of the TPR. This will then serve as a basis for the Annual Review, which is convened jointly by ERD and UNDP in December each year. Detailed explanations on APR and Annual Review are below.

**Field Visits:**

3. Field visits are frequently used as a monitoring mechanism. At the project level, NEA and NIAs are required to undertake field visits on a regular basis as part of their implementing and monitoring functions. UNDP Programme Officers are required to undertake field visit at least once a year for each project. Both UNDP management (ARR/DRR/RR) and ERD may also undertake field visits to monitor the progress of projects and keep in perspective the need to focus on macro-level issues. UNDP and ERD field visit parameters relate to overall project strategy, lessons learned from project implementation, policy implications of project experiences, identification and solutions of major implementation bottlenecks, among others. Such travel related expenditures are to be met from relevant project budget as per UNDP rules and procedures applicable for NEX projects.
4. Projects which are implemented in Dhaka to address specific policy and institutional issues in the central Government and do not have field activities do not require field visits. In such cases, participation in workshops and meetings where policy options are debated and explored take place in lieu of field visits. UNDP Programme Officers are encouraged to make regular visits to the project office in these cases.
5. Persons undertaking field visits must prepare reports either at the site or immediately after the visits. For field visits by UNDP and ERD, the Field Visit Report should focus on project performance and progress in terms of production of outputs and attainment of outcomes. Lessons learnt and implications for policy development/decisions, effectiveness of partnership arrangements and other relevant aspects should be analysed and documented in the Field Visit Report.

**Quarterly Review Meetings (QRM):**

6. ERD conducts Quarterly Review Meetings (QRM) as part of their internal programme coordination and management function. The Joint Secretary of the UN Wing in ERD chairs a QRM and participants include ERD staff and the key staff of projects. UNDP is also invited to these meetings. UN Agencies and NGO executing agencies may also attend a QRM at the invitation of the ERD. A QRM is held every quarter on an agreed schedule and the project's management is expected to provide input into the agenda for the meeting. ERD prepares a report of the QRM, which is circulated to participants.

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<sup>1</sup> The new monitoring and evaluation guidelines of UNDP are provided in "Handbook on Monitoring and Evaluation for Results" (Evaluation Office, 2002).

**Tri-Partite Review (TPR) Meeting:**

7. The Tri-Partite Review (TPR) is a formal, planned and periodic meeting of the three project parties who are directly involved in the implementation of a project. A TPR is normally held at least once a year. The three parties are the Government represented by the coordinating agency (ERD), UNDP, and the National Executing Agency (NEA). The meeting is presided over by a senior representative of the NEA (other than the NPD). The National Implementing Agency (NIA) and UN Implementing Agency (UNIA), where relevant, are also required to participate in the TPR. The mechanism of the TPR ensures that all the project parties review the progress of the project during the past year, address and solve any major issues that require high-level attentions, and discuss and agree on any other actions that need to be taken. In addition to an annual TPR, TPR meetings may be organized at the request of any of project parties.
8. As noted above, the Annual Progress Report (APR) no longer has to be prepared for the TPR. However, an agenda for the TPR meeting must be prepared and circulated to all the parties before the meeting. The NPD or her/his designate must consult the UNDP Programme Officer before finalizing the TPR agenda. A typical agenda for a TPR meeting would include the following items:
  - Review of agreements and decisions from last TPR (if one has been held)
  - Progress on project outputs and outcomes, and budget status
  - Operational problems and difficulties
  - Findings/recommendations of the latest audit (if any) and corrective actions taken by the Project Management Team (PMT)
  - Any need for project evaluation
  - Findings/recommendations of the latest evaluation (if any) and discussions and decisions on the recommendations
  - Proposed Workplan and Budget for the next year

In order to facilitate the TPR meeting, a working paper describing key presentation/discussion points may be prepared.

9. Draft minutes of the TPR meeting are prepared by the PMT and are finalized in consultation with the UNDP Programme Officer and with the consent of the chair. The TPR minutes is signed by the chair of the TPR. The minutes are then distributed to all participants within 7 working days of the meeting. If no comments are received within 7 working days from the date of distribution, the report is considered final and the TPR decisions become effective and binding to all the parties.

## 2.2 Project evaluation

1. Evaluation is a **time-bound** exercise that attempts to systematically and **objectively** assess the following aspects of an on-going or completed project:
  - (a) **Relevance**: whether the design of the project and its main design elements (outcomes, outputs, activities and inputs) remain valid in terms of the problems that the project intends to address.

- (b) *Performance*: whether the project is being implemented as planned
  - (c) *Success*: whether the project has achieved its outcomes and development objectives and the desired sustainability of project results or impact.
2. The key difference between monitoring and evaluation is that while monitoring is conducted by NEA/NIA (particularly NPD and key project staff), ERD and UNDP, evaluation is done by professional(s) who are not involved in project execution, implementation or monitoring. Evaluation is usually carried out at least once in the life of a project, if the project budget is US\$ 1 million or more. Evaluation can take place at midstream, toward the end of completion, or at any point in time if major issues in project implementation warrants an evaluation.
  3. Evaluation at the mid-point of project implementation (*Mid-term Evaluation*) is the standard procedure. If the project duration is relatively short or if no major issues are recognized during the implementation, a *Terminal Evaluation* may be carried out toward the end of the project. Alternatively a project can have both Mid-Term Evaluation and Terminal Evaluation. Should a Terminal Evaluation take place, the project parties must ensure that the Evaluation is completed six months prior to the planned operational closure of the project (see Chapter VII for project closure). An *Ex-post Evaluation* may be conducted after the completion of the project, rendering a final judgement on the relevance, performance and success of the project. Lessons learnt can be fed into future programming exercises. The need for evaluation is identified at the project formulation stage and is reflected in the Prodoc and the budget (in the budget line for Mission Costs). The need for evaluation can however be decided at a later date (for example, at a TPR) and funds are then provided through revision of the project budget.
  4. An independent team of evaluators must carry out the evaluation exercise, in order to ensure its objectivity. The team must include at least one international consultant, who leads the team, and one representative from the Implementation Monitoring and Evaluation Division (IMED) of the Planning Commission.
  5. Basic steps that need to be taken in order to carry out the evaluation are as follows:
    - a) UNDP, NEA/NIA and ERD agree on dates for the evaluation.
    - b) UNDP prepares the TOR for the evaluation in consultation with NEA/NIA and ERD. Basic components of the TOR are given below.
    - c) The composition of the evaluation team is agreed upon. Normally the team is composed of three independent, one international consultant (who serves as a team leader) one national consultant, and one representative of IMED. The number of consultants and the composition vary depending on the complexity of the project.
    - d) UNDP organizes the evaluation mission. Where UNIA is involved, UNIA organizes the mission in consultation with UNDP. UNDP or UNIA chooses candidates from its rosters or networks. With the help of the NPD, UNDP or UNIA prepares a mission Workplan, briefings, reference materials, and logistics.

- e) Toward the end of the evaluation mission, a debriefing meeting is held involving all concerned project parties. Normally, a senior official of the NEA convenes the debriefing meeting. A draft evaluation report is distributed before the debriefing. A final evaluation report is prepared reflecting any relevant comments provided in the debriefing meeting.
- f) Where major decisions are necessary as a result of the evaluation mission, a Tri-Partite Review (TPR) meeting is held for discussion and decision. If possible, such TPR decisions can be made during the debriefing meeting. The NPD ensures that any necessary changes (including those to Workplans, inputs, outputs, budgets, project design and strategies) are made promptly after the evaluation mission.

***Terms of reference:***

6. Terms of reference for an evaluation may contain the following information:
  - *Introduction.* A brief description of what is to be evaluated (outcome, programme, project, series of interventions by several partners, etc.);
  - *Objectives.* Why the evaluation is being undertaken and a list of the main stakeholders and partners;
  - *Scope.* What issues, subjects, areas and timeframe the evaluation will cover.
  - *Outputs expected from the evaluation.* What outputs or products the evaluation is expected to generate (e.g. findings, recommendations, lessons learnt, rating on performance, etc.);
  - *Methodology or evaluation approach.* The methodology suggested to the evaluation team.
  - *Evaluation team.* Composition and areas of expertise.
  - *Implementation arrangements.* Who will manage the evaluation and how it is organised.



### 3. Results-Based Management Instruments

1. As mentioned in Chapter I and detailed in Annex 55, the Strategic Results Framework (SRF) is the key instrument of UNDP's Results-Based Management (RBM) System. The SRF provides a useful framework to see and judge the effectiveness and impact of UNDP supported projects in terms of measurable outputs and outcomes.
2. There are **two instruments** under the new monitoring and evaluation guidelines of UNDP that are intended to ensure effective and systematic monitoring and evaluation with a particular focus on measurable outputs and outcomes: Annual Review and Outcome Evaluation. **Annual Review** is an extension of project level monitoring. It is held jointly by ERD and UNDP in December of each year and its aim is to conduct a comprehensive review of progress of on-going NEX projects with particular attentions to outcomes, outputs and annual targets. In particular, the Annual Review provides a mechanism to periodically monitor progress toward outcomes. The results of the Annual Review are fed into the report that UNDP Country Office provides to the Headquarters on 15 January every year. **Outcome Evaluation** is also an annual event, organized jointly by ERD and UNDP, and focuses on one particular outcome. This leads to in-depth assessment of development impacts being created through UNDP supported projects in partnership with other Government and development partner-supported initiatives.
3. In both the Annual Review and Outcome Evaluation, the significant departure from the traditional occupation of monitoring and evaluation (which tended to focus on inputs management and direct outputs produced) is an emphasis on outcomes. Outcomes of UNDP cooperation cannot be realised without the involvement of other development partners. Therefore, outcome monitoring and evaluation necessitates assessment of the effectiveness of partnership building and how cooperation with other relevant development partners has contributed to the achievement of "results".
4. To apply outcome monitoring and evaluation, it is necessary to have the baseline documents structured in a way that benchmarks for output and outcome indicators and partnership strategies are defined in explicit terms. These requirements should be reflected in the Prodoc. (The new Prodoc format guides incorporation of the necessary information in this regard.)

#### 3.1 Annual Review (AR)

1. Annual Review (AR) connects reporting, feedback, evaluation and learning to assess the performance of UNDP's assistance programme in Bangladesh. The AR is a management dialogue at country level to assess progress towards results (outputs and outcomes) that can be used for building a consensus and a mutual understanding between UNDP and its partners on common outcomes (results). The AR involves an assessment with partners of SRF outcomes and their contribution to goals at the Country Programme level.



2. *Annual Review meeting and participation.* The AR typically involves a broad based dialogue in an Annual Review Meeting organised jointly by UNDP and ERD. Meeting participants are drawn from ERD, key NEAs and NIAs, UNDP, UN Agencies, other development partners which share common outcomes with the development interventions, and other relevant stakeholders. The Annual Review Meeting is co-chaired by the UNDP Resident Representative and the ERD Secretary. A report of the meeting is prepared, recording the main issues discussed, consensus on recommendations made by participants, decisions taken on specific actions for implementation.
3. *Use of the Annual Review.* The AR is the key learning vehicle and provides the basis for the UNDP Results Oriented Annual Report (ROAR) (see below). Discussions and decisions reached at the AR meeting guide plans for UNDP assistance over the next 12 months. The AR determines key lessons learnt and adjustments or changes to be made to in the overall strategies of UNDP assistance.

### 3.2 Annual Progress Report (APR)

1. APR is the key instrument for the Annual Review. The APR serves as the basis for assessing the performance of programmes and projects in terms of their contributions to project outputs and immediate objectives. The APR is an assessment report prepared by the Project Management Team (PMT) and is submitted to ERD and UNDP.
2. The APR provides an accurate update on project achievements, identifies major constraints and proposes future directions. The APR provides input to the UNDP reporting process, including the Results Oriented Annual Report (ROAR) (see below).
3. The APR is prepared first by the PMT and completed through a joint exercise of PMT, GoB, UNDP and beneficiaries, usually through a field workshop. The NPD ensures that the APR is completed and signed by the concerned parties **by the end of November**, as it provides the basis for Annual Review in December.
4. *Content and structure.* The content and structure of the APR is presented in the sample APR format given in Annex 56. Its structure is designed to report on (a) project performance – contribution to the SRF goals; (b) project performance – implementation issues; (c) rating on progress towards results – rating of outputs and outcomes; (d) an analysis of assistance provided by other development partners toward attainment of the same outcomes; (e) lessons learned; and (f) clear recommendations for actions to address main problems that are hampering project progress.
5. *Preparation.* The NPD is responsible for the preparation of the APR. The NPD works closely with her/his project management staff and draws upon analytical input from NIA and UNIA. The report is signed by the NPD and is sent it to ERD and UNDP.

6. *Use of the APR:*

- *Annual Review.* As noted above, the APR is the major base document used for the Annual Review.
- *Performance assessment,* which is also linked to the SRF and ROAR. This enables the ERD/Government to report on effective utilization and impact of UNDP assistance.
- *Learning.* The APR analyses reasons for positive and negative results of project implementation. Experiences and lessons can be drawn from APR. The APR can also be used to share results with stakeholders and partners as well as with UNDP Headquarters, SURF<sup>2</sup> and other Country Offices.
- *Decision-making.* UNDP, ERD and other development partners may make use of the APR for planning future actions that may include strengthening partnerships and alliances, and ensuring synergies between different development interventions with the same outcomes.

### 3.3 Outcome monitoring

1. Outcome monitoring is an integral part of Annual Review as well as regular project monitoring activities. It is a continual and systematic process of collecting and analysing data to measure the performance of UNDP interventions towards achievement of outcomes at the country level. Therefore, information on clusters of projects (including those supported by other development partners) related to a particular outcome should be collected on an on-going basis. It is important to note here that while the process of outcome monitoring is continual in the sense that it is not a time-bound activity, outcome monitoring must be periodic, so that change can be perceived. APR and AR provide an opportunity, at least once a year, for UNDP, Government and its partners to review progress against the stated outcomes of the project/programme intervention.

### 3.4 Outcome evaluation

1. An outcome evaluation is an evaluation that covers a set of related projects, programmes and strategies intended to bring about a certain outcome. Such evaluations assess **how** and **why** outcomes are or are not being achieved in a given context of UNDP cooperation in Bangladesh. They may also help to clarify underlying factors affecting the situation, highlight unintended consequences (positive or negative), recommend actions to improve performance in future programming, and generate lessons learnt. These periodic and in-depth assessments use “before and after” monitoring data.

#### 3.4.1 Scope of outcome evaluation

1. The scope of outcome evaluation is larger than that of a project evaluation. UNDP, ERD, NEA/NIA, and UN agencies and relevant key partners are

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<sup>2</sup> Sub-Regional Resource Facility (SURF) of UNDP provides policy advice to Governments and UNDP Country Offices in the region. South Asia SURF is located in UNDP Kathmandu.

encouraged to define the scope of the outcome evaluation. ERD and UNDP coordinate the exercise – in terms of both defining the scope of outcome evaluation, and planning and organising its administration/implementation.

2. The scope of an outcome evaluation should incorporate the following four minimum categories of analysis, either fully or in part:
  - *Outcome status.* Whether or not the outcome has been achieved and, if not, whether there has been progress made towards its achievement.
  - *Underlying factors.* An analysis of the underlying factors beyond UNDP's control which influence the outcome.
  - *UNDP contribution.* Whether or not outputs of UNDP supported projects and other interventions (including policy advice) can be credibly linked to achievement of the outcome.
  - *Partnership strategy.* Whether UNDP's partnership strategy has been appropriate and effective.
  
4. Additionally, an outcome evaluation might also address:
  - Identification of innovative methodologies to approach key development issues to sustainable human development;
  - National capacities developed through UNDP;
  - Level of participation of stakeholders in the achievement of the outcome, i.e. to ascertain whether the assistance provided by UNDP was of a participatory nature;
  - Identification of direct and indirect beneficiaries and their perceptions of how they have benefited from the UNDP assistance;
  - Implementation and/or management issues if they are suspected of being problematic, including the timeliness of outputs, the degree of stakeholder and partner involvement in the completion of the outputs, and how processes were managed/carried out.

### 3.4.2 Planning for and selecting outcomes

5. In the first quarter of the Country Programme, UNDP Country Office in consultation with ERD and selected NEAs identifies an outcome for evaluation at the end of each year during the Country Programme period.
  
6. The outcome chosen must be related directly to the current SRF. The following criteria are considered in selecting outcomes:
  - *Purpose of outcome evaluation.* The evaluation of outcomes serve different purposes, such as: provision of early information about appropriateness of UNDP's partnership strategy, identifying impediments to outcome, assimilating lessons learnt, managing risk factors of a sensitive governance programme.
  - *The level of UNDP resources invested in the outcome.* Outcome selection should be guided by the amount of UNDP resources allocated to the relevant projects/programmes.

- *Anticipated problems.* A prudent selection of outcomes would include those being pursued under interventions which are facing or likely to face problems.
- *Lessons learned.* Outcomes should be selected for those interventions that have been designed to yield lessons for broader purposes.
- The likelihood of future interventions in the same intervention area.

#### 4. Results Oriented Annual Report (ROAR)

1. As indicated above, the information in Annual Progress Reports (APR) and the results of Annual Review (AR) are used by the UNDP Country Office to conduct the annual reporting exercise termed as Results Oriented Annual Report (ROAR). ROAR is a global process and the UNDP Headquarters collate ROARs of all country programmes to prepare a consolidated report used for reporting to the UNDP Executive Board.
2. ROAR is composed of two parts: Narrative and Table. The ROAR Narrative is a two to three page description of key events of national significance, the contribution of UNDP assistance to those events, major achievements under UNDP supported projects/programmes, major problems encountered, key issues to be addressed, and main targets to be achieved during the following year. The ROAR Table is structured in the same way as the SRF, and provides information as to (a) progress toward achieving the outcomes, outputs and targets, (b) any revisions to outputs (this must be done in consultation with the Headquarters), and (c) new or revised targets for the next one to three years. UNDP Country Office needs to send both the ROAR Narrative and ROAR Table to the Headquarters by 15 January every year. Latest and past ROARs are available at the UNDP Country Office.

#### 5. NEX Scorecard

1. While the main objective of the instruments mentioned from Sections 1 to 3 above are to monitor and evaluate projects in terms of **achievement of project objectives**, the **NEX Scorecard** is an instrument to monitor and assess the **performance of project management**. It is specifically aimed at conducting periodic assessment, by means of measurable indicators, of the progress and quality of implementation of UNDP funded NEX projects. The Scorecard offers an opportunity to monitor and assess the quality of project management.
2. NEX Scorecards are prepared **annually** for all on-going NEX projects. The Scorecard looks at the following dimensions of project management:
  - Timeliness of project implementation;
  - Quality of monitoring, reporting and evaluation;
  - Quality of resource management; and
  - Quality of financial management.

The format of Annual NEX Scorecard is found in Annex 57.

3. UNDP Programme Officers, under supervision of the UNDP management, are responsible for preparation of the Scorecards for each project, in consultation with the respective NPDs and Project Management Teams (PMT). The Annual NEX Scorecard must be prepared by the end of November each year and sent to ERD, so that any major issues that emerged from the exercise can be brought to the attention of Annual Review meeting in December. Any other remaining issues that have not been addressed during the Annual Review must be discussed and resolved through consultations between NPDs and UNDP Programme Officers.
4. The NEX Scorecard is not a “policing tool”, but an instrument of recognition for good project performance. It is important to stress here that the NEX Scorecard is not to assess performance of NPDs or other PMT staff, but to assess the **performance of the institution and system** of the project management. It is a cost-effective tool to assess the performance based on criteria that are objective and measurable and to provide opportunities for any corrective actions required without waiting for accumulation of major problems and negative audit observations.
5. Depending on the results of the NEX Annual Scorecards and the Annual Review meeting, UNDP may, in consultation with ERD, decide to introduce another tool to assess the management of a particular project on a more frequent basis. The tool is **NEX Quarterly Scorecard**, which is essentially a simplified version of the Annual Scorecard. Projects that have serious accountability problems are subject to quarterly assessment under this Scorecard. The NEX Quarterly Scorecard focuses on financial accountability and compliance with the Workplan and is used by UNDP Country Office management when reviewing a request by the NPD for quarterly funds advance. UNDP informs NEA, NIA and ERD of any under-performance of project management and of any decision to withhold disbursement of advance funds.
6. ERD and UNDP may use the NEX Quarterly Scorecard for ERD Quarterly Review meetings or Tri-Partite Review (TPR) meetings as appropriate and necessary.

## Chapter IX

### PROJECT CLOSURE

#### 1. Introduction

1. A UNDP supported project must be closed upon completion of project activities as per the requirements of the Prodoc. Project closure comprises two distinct elements, i.e. operational closure, and financial closure.

#### 2. Operational Closure

1. A project is operationally complete when the last UNDP input has been provided and all the planned project activities have been completed. It is the responsibility of the NPD to advise the UNDP in writing, with a copy to ERD, when the project is operationally complete. In the event the NPD does not initiate such an action the UNDP Resident Representative will determine the timing of the operational completion of the project.
2. A Terminal TPR meeting may be convened to review project achievements and follow-up actions that need to be taken by NEA/NIA in order to ensure project sustainability. A Terminal Evaluation may be carried out as appropriate. Should the NEA, ERD and UNDP decide to have a Terminal Evaluation, the parties must ensure that it will be completed six months prior to the planned operational closure of the project. (Note: As mentioned in Chapter VIII, a project having a budget of more than US\$1 million is usually subjected to at least one evaluation during its life).
3. Projects with particularly tangible outputs and visible impacts are encouraged to organise a public information event (e.g. a workshop, seminar) accompanied by mass media activities to publicise the project's results and achievements, especially their upstream impact on national policies and strategies. The costs for such activities may be charged against the project budget.

##### 2.1 Conditions for operational closure

1. Before declaring a project operationally closed, the NPD should ensure that:
  - i) All UNDP funded personnel have completed their assignments, and all required technical reports from experts have been received and distributed.
  - ii) All UNDP funded sub-contracts have been completed.
  - iii) All fellowships are completed.
  - iv) All reports that may have been included in the latest work plan have been submitted to the NEA and UNDP Country Office.
  - v) All UNDP funded equipment has been delivered to and installed at the project.



- vi) All parties – UNDP, ERD and NEA – have agreed on the disposal of the project's equipment, as this is the property of UNDP during the implementation of the project.

## 2.2 Disposal of non-expendable equipment

1. Immediately prior to the operational closure of the project, UNDP will advise the NEA on how non-expendable project equipment including vehicles will be disposed of. Decisions concerning transfer of equipment, including vehicles, must be either:
  - Transfer of ownership to Government;
  - Transfer of custody and use of the equipment to another UNDP funded project.
  - Temporary custody to the UNDP Resident Representative.
  - Sale of the equipment.
  - Donation of equipment (only to charitable, non-profit institutions).
2. For detailed steps to follow and forms to be used for the transfer of ownership, see 5.9 in Chapter V.

## 3. Financial Closure

1. A project must be operationally closed before it can be processed for financial closure. The process of financial closure of a project must be done within 12 months after its operational completion. This is to allow for processing the completion of all financial accounts and reports, including those of the UN implementing agencies. Financial closure of a project requires the following sequence of actions:
  - a) *Semi-final Budget Revision*: Immediately after the operational closure, a Semi-Final Budget Revision is prepared by UNDP in consultation with NPD/NEA. The budget revision is signed by NPD and UNDP.
  - b) *Closure of Project Accounts*: The NPD/NEA settles all outstanding obligations and proceeds to close the project accounts. Any remaining balance, including any accrued interest, will be returned to the UNDP Country Office.
  - c) *Settlement with UN Agencies*: UNDP requests the relevant UN Agencies to submit any outstanding financial report/s.
  - d) *Final CDR*: UNDP prepares and sends the last Combined Delivery Report to NPD/NEA for signature.
  - e) *Operating Fund Account*: UNDP closes the project's Operating Fund Account.
  - f) *Final Budget Revision*: The project's Final Budget Revision is prepared by UNDP, when it is certain that no further financial transactions (debits or credits) will occur. This is typically done during the second quarter of the first year **after** completion of project activities. The Final Budget Revision must be approved and signed by all three parties, i.e. ERD, UNDP and NEA.



2. The NPD in charge of a particular project at the time of its operational completion will remain responsible also for the completion of its financial closure actions. Should the NPD leave the host institution due to transfer or retirement before all closure actions are completed, the host institution is required to formally transfer this responsibility to another official. Upon agreement with UNDP, one or two project support staff (preferably Accounts and Admin Assistant) could be retained under a Direct Payment arrangement with UNDP for completion of remaining administrative tasks (e.g. support to final audit/workshop/payments/closure of accounts etc.) up to the financial closure of the project, not exceeding 12 calendar months.



## Chapter X

### NGO EXECUTION

#### 1. Policy

1. Non-governmental organisations (NGOs) are viewed by both the Government and UNDP as development partners who possess significant comparative advantages over other partners in promoting, managing and implementing interventions at the grassroots, local and community level. An NGO is defined as a non-profit entity – a group, organisation or institution – that operates independently from the Government and has humanitarian or cooperative, rather than commercial, objectives. NGOs may be involved in commercial activities, but their primary mission is focused on providing social development services including promoting employment generation, health, nutrition support, education, community development, social mobilisation, and similar activities.
2. Government regulations require that an NGO must be legally established and be registered with the Ministry of Social Welfare or the Ministry of Women’s and Children’s Affairs. The NGO Affairs Bureau supervises the activities of NGOs that receive foreign funding.
3. General NEX policies and procedures governing project formulation, appraisal, approval, implementation, financial management, auditing, monitoring and evaluation (as set out in Chapter I to Chapter IX) apply to NGO execution. Policies, rules and procedures that are specific to NGO execution are described in this Chapter. Aspects not covered in this Chapter are in accordance with NEX rules and procedures.
4. In addition to country-specific projects, NGOs may execute global, regional and inter-regional projects.

#### 2. Determining Eligibility of NGO for Assuming Execution Responsibility

1. Since September 1997, NGOs have become eligible to assume execution responsibility in UNDP funded projects. In selecting NGOs as executing agent for a project:
  - Their ability to reach and mobilise local associations and groups at the local level.
  - Their ability to interpret and communicate national policies, goals and strategies at the local level.
  - Their ability to bring participatory and community work experiences and methodologies to the project, owing to close proximity to poor and vulnerable target groups.

- Their special qualifications in promoting dialogue and partnership arrangements between the Government and the local community.
  - Their knowledge of local circumstances, including special qualifications for building collective decision-making systems that are respectful of local customs and traditions.
2. The following principles apply to selection of an NGO as executing agency:
- A competitive process should be used to the maximum extent practical in designating an NGO as an executing agent. Selection will be considered to have been made on a competitive basis where the record demonstrates that at least three NGOs were invited to compete for the role of executing agent and were considered in the selection process. The selection process must be fair and transparent, including market-testing and short-listing. A sole sourcing may include situations where an NGO submits, and UNDP and ERD accept, a proposal that is unique, innovative or proprietary, and which represents an appropriate use of UNDP resources.
  - The UNDP Resident Representative may waive open competition, if it is ascertained and documented that one specific NGO is most suitable to carry out the project, or no other NGO is available or interested. This requires that the Local Project Appraisal Committee (LPAC) (see below) review the proposal for execution and record the outcome of the review, specifying the alternatives considered and the reasons why the proposed NGO was selected.
3. The selection of an NGO is finalized in the LPAC.

### **3. Arrangements for Assigning Responsibility to an NGO**

1. An NGO assuming executing responsibility may also perform the role of an implementing agent in the same project. The designated NGO may also assign implementing agency responsibility to other national and international NGOs, CSOs, and private sector bodies. Where specific technical support and advice are required, a UN specialised agency may be invited as the implementing agency (UNIA). In such a case, a Letter of Agreement is established between the NGO and the UNIA,
2. The cooperation arrangement between UNDP, Government and the NGO requires that the project must be endorsed (and a Prodoc signed) by UNDP, ERD and the designated NGO. A Government agency/line ministry may be involved as a cooperating agency in an NGO executed project if it is deemed necessary that the agency concerned must exercise oversight of the project to ensure conformity with established policies and regulations guiding the development of the sector. The role of the agency must be specified in the Prodoc. ERD will ensure that the supervising agency agrees to its involvement in the project before signing the Prodoc. The supervising agency is invited to key management events such as Tri-Partite Reviews (TPRs). The NGO however remains primarily responsible to ERD and UNDP in executing the project.

3. In addition to the Prodoc, two other documents must be completed with respect to assigning execution responsibility to an NGO:
  - a) Capacity assessment of the NGO (see Annex 60 “Assessing the capacities of an NGO as executing agent”). The assessment is done jointly by UNDP and ERD in consultation with the NGO. Other parties such as the government supervising agency and donors, if involved in the project, may also be invited. The document is provided to LPAC for its consideration.
  - b) A Project Cooperation Agreement between UNDP and the NGO (see Annex 61). This document specifies the roles and responsibilities of UNDP and the NGO. The signed agreement must be attached to the Prodoc.
4. Administrative costs or “overhead” that may be incurred by the NGO will be reimbursed in the form a fee (NGO execution fee). The amount, conditions and payment schedule for the NGO execution fee must be negotiated based on estimates of actual costs and described in the Prodoc and the Project Cooperation Agreement. The NGO execution fee will normally be released in tranches, in conjunction with the quarterly advance of funds to the NGO.

#### 4. Project Formulation, Appraisal and Approval

1. As in the case of a NEX project, prior to undertaking a project formulation exercise, UNDP and ERD hold consultations to decide on the modality of the project formulation. Typically, consultants are invited to provide technical expertise to the formulation. Consultations are held with relevant line ministries, NGOs and development partners to capture a broad-based perspective on the proposed development intervention. Candidate NGOs for executing agency are identified during the formulation and necessary capacity assessments (see above Section 3.3.a) are conducted.
2. Where a most suitable NGO has been identified prior to or during the formulation, the NGO is invited to participate in the formulation exercise. However, as noted above, the final selection of the NGO is subject to the review by the LPAC.
3. **Project appraisal of a Prodoc** is carried out by UNDP CO through the mechanism of the Local Project Appraisal Committee (LPAC). The LPAC is chaired by UNDP. Participants in an LPAC vary depending on the scope and proposed implementation arrangement of a project. Generally, representatives of UNDP, ERD and Government line ministries and consultants who had been engaged in providing technical support to the project formulation are involved in appraising of a project. The LPAC participants may be more broad-based to include selected representatives from relevant CSOs, NGOs, private sector firms and international development partners.

4. The LPAC reviews and finalizes the selection of an NGO to assume the role of an executing agency. As noted above, the selection is made on the basis of a comparative assessment and with justifications. Where an NGO is being considered for the role of executing agency, that NGO cannot participate as a member of the LPAC. They may however be invited as observers and/or to respond to questions from the LPAC members. NGOs that are not candidates for the executing agency may be invited to the LPAC as stakeholders.

## 5. Management under NGO Executed Project

1. The general management requirements for NEX projects also apply to NGO executed projects. The following additional points require highlighting.
2. The NPD assumes overall management responsibility and exercises substantial decision-making and executing/management function. The NPD works with the same terms of reference as the one given to an NPD in a Government executed project. The NPD is generally the executive director or chief executive of the organisation. As in the case of Government executed projects, candidates for the NPD position in a NGO executed project are also required to be reviewed and cleared by both UNDP and ERD, as well as by the Government supervising agency, if any has been identified.
3. As in the case of a Government executed project, Implementing Agencies (IAs) are identified during project formulation and specified in the Prodoc. The services to be undertaken by IAs, expected outputs and relevant budgetary requirements are specified in the Prodoc and the agreement with the respective IAs. Upon approval of the Prodoc, the NPD signs the agreements on behalf of the NGO executing agency.
4. A National Project Coordinator (NPC) may be included in the project management team, if needed, to support the NPD. Where UN Agency is involved as UNIA, a Chief Technical Advisor (CTA) may be assigned to coordinate and lead the technical support by the UNIA. The needs for such project professionals are identified at the project formulation stage and specified in the Prodoc.
5. The NPD of an NGO executed project is responsible for opening and operating a *project bank account*. No special approval for bank account operation is required from the Government for the NGO executed project, because the Government has already approved selection and appointment of the NPD (of the NGO).

## 6. Equipment Procurement and Sub-Contracting

1. Procurement by NGOs is subject to two different policies: one for larger NGOs with sufficient experiences of implementing foreign assisted projects and the other for relatively smaller NGOs without such experiences. The policy to be applied is identified during the project formulation in relation to the capacity assessment of the NGO.
2. ***For relatively large NGOs with sufficient experiences of implementing foreign assisted projects***, the corporate policies and procedures for procurement of equipment and sub-contracting goods and services of these agencies shall apply, guided by the overall equipment procurement policy stated in Chapter IV.
3. ***Smaller NGOs without sufficient experiences of implementing foreign assisted projects***, which may not have well established procurement policies and procedures, are required be guided by the procurement procedures of Government as provided in the Government Procurement Guidelines. Alternatively, the NGO can make a request to UNDP for Direct Country Support for procurement.
4. Where procurement or sub-contracting is done by the UNIA, policies and procedures of the UN Agency are followed, as in the case of a Government executed project.
5. ***Custodianship and transfer of equipment.*** Equipment procured under an NGO project is retained in the custody of the NGO executing agency. NEX policies and procedures of equipment operation and maintenance responsibility apply equally to the NGO. At the conclusion of a project, the ownership of the equipment is transferred to the NGO or disposed of as described in previous section (Chapter IX).



## 7. Recruitment of Project Personnel

1. **NGOs** may use their own procedures and service contract instrument, as agreed by the appropriate GoB authority, for recruitment of project professionals and other personnel or may use model service contract that has been prepared by UNDP and ERD. A sample of such contract is provided in Annex 16. Alternatively, the NGO can make a request to UNDP for Direct Country Support for procurement of services as per UNDP rules applicable for NEX projects.
2. Where recruitment is done by the UNIA, policies and procedures of the UN Agency are followed. In case of UNIA without office in Bangladesh, UNDP country office acts as the recruiting authority on behalf of the UNIA. UNDP country office initiates the recruitment process upon receiving authorisation from the UNIA for the recruitment of the project staff.

## 8. Training

1. As in a case of a Government executed project, in-country and overseas training is included in project activities as a result of the capacity assessment and in response to specific capacity development needs of the NGO. The training is typically organised by the UNIA or UNDP under Direct Country Office Support (DCOS). Policies and procedures for training outlined in Chapter VI also apply to the NGO executed project.

## 9. Audit

1. NGO-executed projects should be audited annually. The audit is conducted by a commercial auditor or by Foreign Aided Projects Audit Directorate (FAPAD) of Comptroller and Auditor General (C&AG) of Bangladesh. The audit arrangement is decided prior to commencement of the project and is detailed in the Project Cooperation Agreement. The necessary budget is provided in the project budget where appropriate.

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3. UNDP core resource allocation structure
4. Programme Document/Project Document Format
5. Capacity building for execution: key considerations
6. Standard Letter of Agreement between Executing Agency (EA) and UN Implementing Agency (UNIA)
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**Government of the People's Republic of Bangladesh**  
**Ministry of Finance**  
**Economic Relations Division**

NO: ERD/UN-S-III/NEX-3/2002/

Dated: July 21, 2002

**Notification**

Consequent upon the decision of the working group meeting held on 3.7.2002 at ERD the undersigned is directed to inform that the GoB has been pleased to constitute a committee/taskforce with the following officials to update the existing National Execution Manual for UNDP funded projects. The committee will submit the final draft manual to ERD:

- |     |  |                   |
|-----|--|-------------------|
| 1.  | Joint Secretary (UN), ERD  | - Convener        |
| 2.  | A representative from the Cabinet Division                                 | - Member          |
| 3.  | A representative from the Ministry of Establishment                        | - Member          |
| 4.  | A representative from the Ministry of Law, Justice & Parliamentary Affairs | - Member          |
| 5.  | A representative from the Finance Division                                 | - Member          |
| 6.  | A representative from the Prime Minister's Office                          | - Member          |
| 7.  | A representative from the C & A G office                                   | - Member          |
| 8.  | A representative from the Planning Commission                              | - Member          |
| 9.  | A representative from the IMED   | - Member          |
| 10. | A representative from the UNDP   | - Member          |
| 11. | Deputy Secretary (UN-1), ERD   | - Member          |
| 12. | Senior Assistant Chief (UN-3), ERD   | -Member Secretary |

All concerned are requested to send nomination of their respective Ministries representative to the above committee.



(Shamima Akhtar)  
Senior Assistant Chief



**List of Core Group (Task Force) Members  
Contributed to the Formulation during the period 2002-2004  
(listed not according to seniority)**

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| Mr. C.Q.K. Mustaq Ahmed<br>Joint Secretary<br>Economic Relations Division (ERD)        | Ms. Nargis Akhter<br>Assistant Chief<br>Economic Relations Division (ERD)                   |
| Mr. M. Kamrul Hasan<br>Joint Secretary<br>Economic Relations Division (ERD)            | Ms. Neelima Akhter<br>Senior Assistant Secretary<br>Economic Relations Division (ERD)       |
| Mr. Md. Ashraf Hossain<br>Deputy Secretary<br>Economic Relations Division (ERD)        | Ms. Shamima Akhtar<br>Senior Assistant Chief<br>Economic Relations Division (ERD)           |
| Mr. Md. Nojibur Rahman<br>Deputy Secretary<br>Economic Relations Division (ERD)        | Mr. Md. Abdul Majid<br>Deputy Secretary, Finance Division<br>M/o Finance                    |
| Mr. Motahar Hossain<br>Director General<br>FAPAD                                       | Mr. Md. Mobarak Hossain<br>Joint Chief (GED)<br>Planning Commission                         |
| Mr. Mahbub Ahmed<br>Deputy Secretary<br>Cabinet Division                               | Mr. Md. Abdul Halim<br>Director<br>IMED   |
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