



## ADAPTATION FUND

AFB/EFC.18/6  
21 February 2016

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Ethics and Finance Committee  
Eighteenth Meeting  
Bonn, Germany, 15-16 March 2016

Agenda item 9 d)

### **REPORT ON DIRECT PROJECT SERVICES**

## Background

1. At its seventeenth meeting, the Ethics and Finance Committee (EFC) of the Adaptation Fund Board (the Board) discussed the Annual Performance Report of the Adaptation Fund for the fiscal year 2015 (FY15), prepared by the secretariat. The report included a list of requests received by the secretariat from the Implementing Entities as of 30 June 2015. Up to the end of FY15, 12 requests had been received by the secretariat. Five of them included requests for Direct Project Services, four included requests for material change (any change that involves ten percent or more of the total budget as defined in the project agreement), and four included requests for project extension.

2. The secretariat drew to the attention of the EFC that 11 of these 12 requests were received from UNDP. In particular, requests that implied reassigning funds for direct project support services (in addition to the implementing entity fees) at the expense of the budget for concrete adaptation activities, seemed to be a trend in UNDP implemented projects. The secretariat recalled that the Board had, through other decisions<sup>1</sup>, put in place explicit rules that at the project proposal review stage limited or prevented implementing entities taking execution roles in the projects they were implementing.

3. At the request of UNDP, the EFC allowed a representative of UNDP to make an intervention by telephone regarding the basis for the project change requests submitted by UNDP. UNDP explained that requests for direct project/programme services represented procurement and direct payment services requested by governments subsequent to project approval. Such services were usually identified prior to project approval and the costs were included in project management costs, but exceptionally, the national executing entities that were to provide those services found they were unable to do so for reasons such as lack of capacity. Such services had therefore to be charged retroactively, over and above the fees for project cycle management. The charges were from a universal price list developed by the UNDP Bureau of Management based on costs in developing countries. In addition, according to the UNDP representative, in such situations UNDP always made sure to engage the country counterpart in the process in order to build their capacity.

4. Following discussions the EFC made its recommendations to the Board, which subsequently decided to:

- a) Approve the Adaptation Fund's Annual Performance Report for the fiscal year 2015 contained in document AFB/EFC.17/6/Rev.1;
- b) Take note of the report of the secretariat on the number of requests for direct project services (RDPS) requested by United Nations Development Programme (UNDP) up to the end of fiscal year 2015;
- c) Request the secretariat to inform implementing entities (IEs) that the Board expects execution services provided by IEs to be submitted for consideration by the Board at the time of project approval, and such submissions to comply with the Board Decisions B.17/17 and B.18/30 on such services;

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<sup>1</sup> AFB.17/17, AFB.18/30

- d) Request IEs to clarify with partner executing entities the services that may be requested of the IEs before submission of fully-developed project/programme documents to the Board;
- e) Request that RDPS be submitted to the secretariat before an agreement is signed between the IE and the government or executing entity for the provision of those services;
- f) In cases where a RDPS is submitted to the secretariat for a project/programme that has been already been approved by the Board, request that IEs submit all the relevant justification for the RDPS explaining how the costs were established, along with a letter from the Designated Authority of the Adaptation Fund for the country(ies) of the project/programme endorsing the RDPS;
- g) Request the Chair of the Board to discuss the matter with UNDP at the appropriate level; and
- h) Approve, on an exceptional basis, the provision by UNDP of Direct Project Services up to the amount of US\$ 100,000 for the project in Guatemala.

**(Decision B. 26/33)**

5. In response to the request made in paragraph g) above, the Chair of the Board, Mr Hans Olav Ibrenk held a meeting with Ms. Adriana Dinu, Executive Coordinator of UNDP's Global Environment Finance Unit, at UNDP's headquarters in New York, supported remotely by the AFB secretariat. During the discussion, Ms. Dinu reiterated that requests for RDPS were made when the national executing entities that were to provide those services found that they did not have the capacity to do so. She explained also the organization's policy of cost recovery which obliged them to cover the costs of the services requested by the government. The Chair and the secretariat acknowledged that in some cases it was not possible to plan before project approval that such requests would be made. However, they emphasized that in all cases submitted by UNDP, the UNDP country office and the government had already agreed on the provision of such services without involving the Board for its prior approval.

6. Ms. Dinu agreed that such requests should be submitted to the Board before agreement with the government. She also expressed the availability of UNDP to discuss any alternative solution that would help avoiding the submission of RDPS following project approvals.

**Analysis of the secretariat**

7. Given the explanation provided by UNDP and in the absence of alternative solutions, the secretariat is of the opinion that paragraph (e) of decision B.26/33 reflects the recommendation provided to UNDP, to submit any of such request for approval by the Board prior to any agreement with the government. Such provision should also be reflected in the agreement between the Board and the IE for an Adaptation Fund project. In addition to that provision, the Board may want to request the Accreditation Panel to take into account issues related to recurring use of RDPS when deliberating on the reaccreditation of an implementing entity. Lastly, when considering RDPS submitted by IEs, the Board may suggest alternative solutions, such as revising the project to avoid direct services, or contracting such services to a third party.

8. Since the twenty-sixth meeting of the Board the secretariat has not received new requests from implementing entities. However a request for direct project services submitted by UNDP submitted prior to that meeting was still pending, for the project implemented in Turkmenistan. The costs for those services amounted to \$ 82,471. The supporting documents for the request are attached in annex to this document.

### **Recommendation**

9. Following the report of the meeting held between the Chair of the Board and the Executive Coordinator of UNDP's Global Environment Finance Unit as requested by decision B.26/33.g), the EFC may want to recommend the Board to:

- a) Reiterate its request that Request for Direct Project/programme Services (RDPS) be submitted to the secretariat before an agreement is signed between the Implementing Entity and the government or executing entity for the provision of those services;
- b) Request the secretariat to include the provision under a) above in the template project agreement between the Board and the Implementing Entity;
- c) Continue considering RDPS on a case-by-case basis, with an understanding that analysis of the requests may suggest alternative conclusions, such as revising the project to avoid direct services, or contracting such services to a third party;
- d) Request the Accreditation Panel to take these issues into account when deliberating on the reaccreditation of an implementing entity;
- e) Approve, on an exceptional basis, in order to avoid putting the project in jeopardy, the provision by UNDP of Direct Project Services up to the amount of US\$ 82,471 for the project in Turkmenistan.

**ANNEX I: Email from UNDP to the AF secretariat**

United Nations Development Programme



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19 November 2014

Ms. Marcia Levaggi  
 Manager, Adaptation Fund Board Secretariat  
 MSN P-P-400  
 1818 H Street NW  
 Washington DC 30433  
 USA

**Re: Adaptation Fund financed 'Addressing climate change risks to farming systems in Turkmenistan at national and community level' (the 'Project'):  
 Request for approval of Direct Project Services**

Dear Ms. Levaggi,

We refer to the above Project and the associated grant agreement entered into between the United Nations Development Programme ("UNDP") and the Adaptation Fund Board ("AFB").

On behalf of the Government of Turkmenistan, UNDP is writing to request approval from the AFB for the provision by UNDP of direct project services. A letter of request by the Government of Turkmenistan and a letter of agreement between the Government of Turkmenistan and UNDP is enclosed.

The total costs of these direct project services is envisaged to be \$82,471.09, and a detailed breakdown is available in the annex of the attached letter of agreement. These costs are part of the project management cost allocation in the approved project budget and the services have been requested on an exceptional basis as the Ministry of Natural Protection of Turkmenistan, as the national implementing partner, does not have institutional capacity and appropriate systems and procedures to carry out those services.

For the above reasons we believe the request is within the requirements set by the AFB regarding execution costs. We kindly request that this letter and the associated documents be transmitted to the AFB for its consideration.

Thank you for your support.

Yours sincerely,

Adriana Dinu  
 UNDP-GEF Executive Coordinator

**ANNEX II: Submission letter from the Designated Authority for Turkmenistan**

TÜRKMENISTANYŇ TEBIGATY  
GORAMAK MINISTRRLIGI  
ÇÖLLER, ÖSÜMLIK WE HAÝWANAT  
DÜNYÄSI MILLI INSTITUTY



MINISTRY OF NATURE  
PROTECTION OF TURKMENISTAN  
NATIONAL INSTITUTE OF DESERTS,  
FLORA & FAUNA

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E-mail: durikov@mail.ru

RECEIVED  
24.10.2014  
INDP

**Adaptation Fund Board Secretariat  
1818 H Street NW  
Washington DC 20433 USA**

Subject: Additional support services by UNDP Turkmenistan to the AF/UNDP/MNP project "Addressing climate change risks to farming systems in Turkmenistan at national and community level"

On behalf of the designated national authority (DNA) for the Adaptation Fund in Turkmenistan, I fully support request by the Government of Turkmenistan, specifically the Ministry of Nature Protection of Turkmenistan, to UNDP Turkmenistan for additional support services beyond those provided by UNDP in its role as a Multilateral Implementing Entity (MIE) to the Adaptation Fund (AF).

Since Ministry of Nature Protection of Turkmenistan, as national implementing partner, does not have institutional capacity and appropriate systems and procedures to carry out direct project services listed below so needs support in implementation those tasks, UNDP Turkmenistan is requested, on an exceptional basis, to provide these services for the whole duration of the project cycle:

- (a) Identification and/or recruitment and solution of administrative issues related to the project personnel;
- (b) Procurement of goods, labour and services;
- (c) Identification and facilitation of training activities, seminars and meetings;
- (d) Processing of direct payments

In spite of these additional costs as indicated in the Standard Letter of Agreement between UNDP in Turkmenistan and the Government of Turkmenistan for the provision of support services under project "Addressing climate change risks to farming systems in Turkmenistan at national and community level" attached herewith, Ministry of Nature Protection of Turkmenistan is committed to implement all deliverables of the project in line with project document and relevant regulations and procedures of the UNDP.

Taking this opportunity, I would like to thank you for our cooperation and express hope for further development of our collaboration.

**Mr. Muhammet Durikov**

**Director of the National Institute of Desert, Flora and Fauna  
Ministry of Nature Protection of Turkmenistan**



## ANNEX III: Letter of agreement between UNDP and the government of Turkmenistan for the provision of support services

United Nations Development Programme



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### STANDARD LETTER OF AGREEMENT BETWEEN UNDP IN TURKMENISTAN AND THE GOVERNMENT OF TURKMENISTAN FOR THE PROVISION OF SUPPORT SERVICES

*under project "Addressing climate change risks to farming systems in Turkmenistan  
at national and community level"*

1. Reference is made to consultations between officials of the Government of Turkmenistan (hereinafter referred to as "the Government") and officials of UNDP with respect to the provision of support services by the UNDP country office in Turkmenistan for nationally managed programmes and projects. UNDP and the Government hereby agree that the UNDP country office may provide such support services at the request of the Government through its institution designated in the relevant project document, as described below.
2. The UNDP country office may provide support services for assistance with reporting requirements and direct payment. In providing such support services, the UNDP country office shall ensure that the capacity of the Government-designated institution is strengthened to enable it to carry out such activities directly. The costs incurred by the UNDP country office in providing such support services shall be recovered from the administrative budget of the office.
3. The UNDP country office may provide, at the request of the designated institution, the following support services for the activities of the project:
  - (a) Identification and/or recruitment and solution of administrative issues related to the project personnel;
  - (b) Procurement of goods, labor and services;
  - (c) Identification and facilitation of training activities, seminars and meetings;
  - (d) Processing of direct payments
4. UNDP will provide the full range of support services as indicated in the above paragraph 3 while the Implementing Partner (IP) will co-oversee project implementation for the attainment of project strategic objectives and outcomes, provide government oversight and guidance to the implementation, approve work plans and budgets, and approve major deliverables, approve any major changes in plans or programmes.
5. The procurement of goods and services and the recruitment of project and programme personnel by the UNDP country office shall be in accordance with the UNDP regulations, rules, policies and procedures. Support services described in paragraph 3 above are detailed in the Attachment 1 provided hereto. If the requirements for support services by the country office change during the life of the project, the Attachment 1 is to be revised with the mutual agreement of the UNDP resident representative and the Ministry of Nature Protection of Turkmenistan.
6. The relevant provisions of the Standard Basic Assistance Agreement between the Government of Turkmenistan and the United Nations Development Programme signed on 05 October 1993 (the "SBAA"), including the provisions on liability and privileges and immunities, shall apply to the provision of such support

services. The Government shall retain overall responsibility for the nationally managed project through the Ministry of Nature Protection of Turkmenistan. The responsibility of the UNDP country office for the provision of the support services described herein shall be limited to the provision of such support services detailed in the Attachment 1.

7. Any claim or dispute arising under or in connection with the provision of support services by the UNDP country office in accordance with this letter shall be handled pursuant to the relevant provisions of the SBAA.

8. The manner and method of cost-recovery by the UNDP country office in providing the support services described in paragraph 3 above shall be specified in the annex to the project document.

9. The UNDP country office shall submit progress reports on the support services provided and shall report on the costs reimbursed in providing such services, as may be required.

10. Any modification of the present arrangements shall be effected by mutual written agreement of the parties hereto.

11. If you are in agreement with the provisions set forth above, please sign and return to this office two signed copies of this letter. Upon your signature, this letter shall constitute an agreement between Government of Turkmenistan and UNDP in Turkmenistan on the terms and conditions for the provision of support services by the UNDP country office for nationally managed programmes and projects.

Yours sincerely,

  
Signed on behalf of UNDP Turkmenistan  
Jacinta Barrins  
Resident Representative



  
For the National Implementing Partner  
Mr. Muhammet Durikov  
Director of the National Institute of Desert, Flora and Fauna  
of the Ministry of Nature Protection of Turkmenistan  
" " \_\_\_\_\_ 2014





## ANNEX IV: Inventory of Direct Project Services

PIMS 4450 AF TKM project Inventory of DPS (12 Dec. 2012)									
UNDP 2011 Universal Price List and UNDP Turkmenistan Local Price List used for support services provided by Country Office	Price in UPL in USD, till 1.03.2014	Price in LPL in USD, after 1.03.2014	Description of support service provided by UNDP Country Office	Budget Item charged for DPS	Amount in USD	Amount of DPS in USD	Outputs/Out comes in Budget	Budget Note	Comments
Payment process (5)	19.2	27.47	<b>1. Identification and/or recruitment and solution of administrative issues related to the project personnel</b>	Contractual Services (Project Management & Administration)	150,000.00	21,657.54	Project Management	52	Recruitment of 13 SC holders (3 Local Coordinators, Component Manager, TA, 2 Heads of PIU, Finance Assistant, Specialist of Water Resources, Project Manager, Driver, Field Assistant); recurrent personnel management services for SCs; issue and renew IDs; Opening vendor profile
<b>Vendor Profile only (Atlas Agencies)</b>	9.4	14.28		<b>Sub-total DPS</b>		<b>21,657.54</b>			
<b>Staff selection and recruitment process for resident agencies (6,7), incl.</b>	268.14	429.45							
Advertising (20%)	53.63	85.89							
Short-listing (40%)	107.26	171.78							
Interviewing (40%)	107.26	171.78							
<b>Staff HR and Benefits Administration and Management (8) (one time fee, per staff. Service incl. contract issuance, UNJPF/MIP enrollment, payroll setup - starting 2006 this price applies to the separation process as well)</b>	99.01	148.87							
<b>Recurrent personnel management services: Staff Payroll and Banking Administration and Management (9) (per staff, per calendar year), incl.:</b>	226.17	324.98							

Payroll validation, disbursement (35%)	79.16	113.74							
Performance evaluation (30%)	67.85	97.49							
Extension, promotion, entitlements (30%)	67.85	97.49							
Leave monitoring (5%)	11.31	16.25							
Contract issuance	42.36	67.2							
<b>Issue/Renew IDs (UN LP, UN ID, etc.)</b>	18.53	40.1							
<b>Rent of conference room</b>	100.00								
<b>Payment process (5)</b>	19.2	27.47	<b>2. Procurement of goods, labor and services</b>	Travel	377,500.00	9,576.40	Outputs 1.1; 1.2; 2.1; 2.2; 2.3; 3.1; 3.2; 3.3; 3.4; Outcome 4	1, 7, 13, 18, 23, 29, 35, 41, 46, 51	180 trips (1 trip per pilot region per months for 5 years: (Advance and final payment, creating PO, processing F10, Vendor profile)
<b>F10 settlement</b>	15.69	22.91							
<b>Vendor profile only (Atlas Agencies only)</b>	9.4	14.28							
<b>Creating PO on travel (Local UPL:)</b>	24.6	39.08		Sub-contracts	1,060,000.00	8,901.69	Outputs 2.1; 2.2; 2.3; 3.3	15, 20, 25, 40	30 contracts including charges for payments, vendor profiles etc
<b>Vendor profile only (Atlas Agencies only)</b>	9.4	14.28		National Experts	300,000.00	14,119.33	Outputs 1.1; 1.2; 2.1; 2.2; 2.3; 3.1; 3.2; 3.3; 3.4	4, 10, 14, 19, 24, 31, 37, 42, 48	44 recruitments (recruitment, contracts, payments, vendor profile)

<b>Procurement process involving local CAP (and/or ITB, RFP requirements) (7,10,11), incl.</b>	242.67	683.31		International Experts	112,500.00	6,885.56	Outputs 1.1; 1.2; 3.1; 3.2; 3.4	3, 9, 30, 36, 47	12 International consultants (recruitment, vendor profile, payments)
Indentification and selection (50%)	121.34	489.45		Supplies	44,000.00	7,618.04	Project management	53	Procurement of stationary, 1 project vehicle, vehicle spare parts, etc (approximately 25 contract: contracting, payments, etc)
Contracting/issue purchase order (25%)	60.67	96.93		<b>Sub-total DPS</b>		<b>47,101.02</b>			
Follow-up (25%)	60.67	96.93							
<b>Procurement process not involving local CAP (7,10,11) (low value procurement), incl.</b>	98.41	360.45							
Indentification and selection (50%)	49.21	282.29							
Issue purchase order (25%)	24.6	39.08							
Follow-up (25%)	24.6	39.08							
<b>AR Management Process (create/apply receivable pending item - Atlas Agencies only)</b>	15.8	24.92							

<b>Payment process (5)</b>	19.2	27.47	<b>3. Identification and facilitation of training activities, seminars and meetings</b>	Stakeholder trainings, workshops, consultations etc.	187,500.00	6,752.72	Outputs 1.1; 1.2; 3.1; 3.2; 3.4;	2, 8, 28, 34, 45	25 training/workshops /seminars, etc: contracting of venue, catering, etc	
<b>Vendor profile only (Atlas Agencies only)</b>	9.4	14.28		Printings & publications	252,500.00	6,959.81	Outputs 1.1; 1.2; 2.1; 2.2; 2.3; 3.1; 3.2; 3.3; 3.4	5, 11, 16, 21, 26, 32, 38, 43, 49	27 contracts with printing companies, payments	
<b>Procurement process not involving local CAP (7,10,11) (low value procurement), incl.</b>	98.41	360.45		<b>Sub-total DPS</b>		<b>13,712.53</b>				
Identification and selection (50%)	49.21	282.29								
Issue purchase order (25%)	24.6	39.08								
Follow-up (25%)	24.6	39.08								
<b>Vendor profile only (Atlas Agencies only)</b>	9.4	14.28								
<b>Creating PO on travel (Local UPL:)</b>	24.6									
<b>Payment process (5)</b>	19.2	27.47		<b>4. Processing of direct payments</b>	Charges for direct payments included in sections 1-3					
<b>Local UPL</b>										
<b>Vendor profile only (Atlas Agencies only)</b>	9.4	14.28								
<b>AR Management Process (create/apply receivable pending item - Atlas Agencies only)</b>	15.8	24.92	<b>TOTAL</b>		<b>\$82,471.09</b>					