

**INDIA**

**Operational Mechanism for Implementation**

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## **1. INSTITUTIONAL FRAMEWORK**

### **1.1 INTRODUCTION**

This document describes the Operational Mechanism for Implementation (OMI) for the Sector Phase-out Plan for CFCs in the Foam Sector in India and the roles and responsibilities of the Government of India (GOI), United Nations Development Programme (UNDP) and the prospective Recipient Enterprises (CFC consuming enterprises to be covered under this Plan).

The OMI has been prepared by UNDP in collaboration with the Ozone Cell, Ministry of Environment and Forests, Government of India (hereinafter referred to as "MOEF") for implementation of the Sector Phase-out Plan for CFCs in the Foam Sector.

The OMI should be read in conjunction with the following documents:

- Agreement between the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol - Document UNEP/OzL.Pro/ExCom/37/71, Annex-VII.
- Approved project document for the project "Sectoral Phase-out Plan for Elimination of CFCs in the Foam Sector in India"

This OMI is not intended to supersede any of the existing legal and other obligations or new legal or other obligations emanating from the above documents, of the Government of India. It is to be considered as a dynamic and evolving document and may be revised as required during the course of implementation of the project.

### **1.2 BACKGROUND**

On behalf of Government of India (GOI), UNDP submitted a proposal entitled "Sectoral Phase-out Plan for Elimination of CFCs in the Foam Sector in India", in July 2002 to the Executive Committee (ExCom) of the Multilateral Fund (MLF) for Implementation of the Montreal Protocol for the phase-out of Ozone Depleting Substances (ODS). The proposal was reviewed and evaluated by the Multilateral Fund Secretariat (MLFS) and was approved by ExCom at its 37<sup>th</sup> Meeting in July 2002.

The project provides India with an overall framework for phase-out of CFCs in the Foam Sector within the time frame provided by the Montreal Protocol (by 31 December 2006) and generates additional responsibilities and obligations for GOI in implementation and management of the project. The project comprises a funding agreement over the duration of

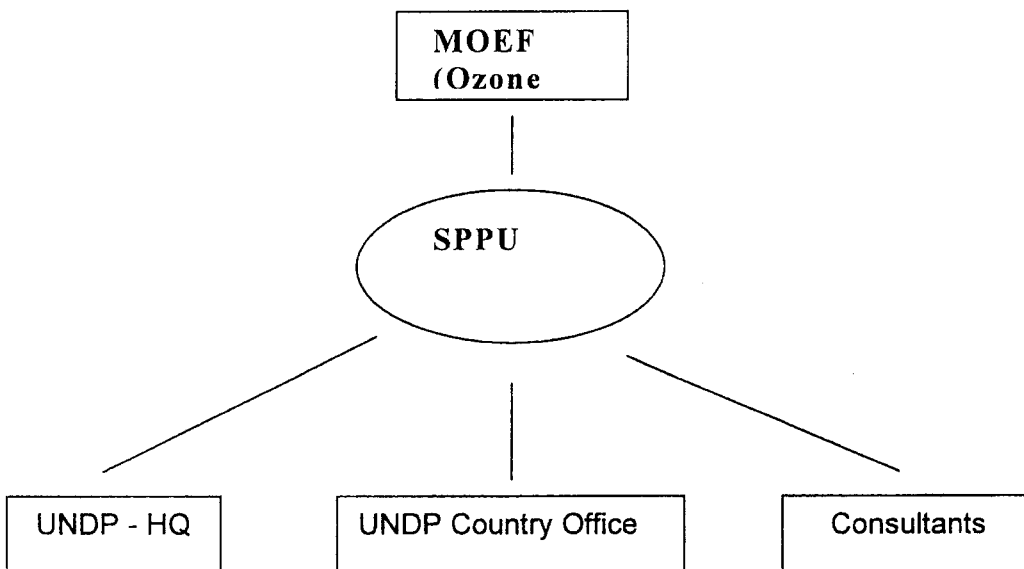
the project and links stipulated annual CFC phase-out targets to annual funding tranches. The funding includes provisions for incremental costs for Investments, Technical Support and Policy & Management Support.

The main characteristics of the Sector Phase-out Plan in the Foam Sector in India are as follows:

- The responsibility for meeting the agreed annual CFC phase-out and consumption levels in the Foam Sector rests with GOI.
- It incorporates reporting mechanisms for GOI (MOEF/Ozone Cell) for disbursement of agreed annual funding tranches. In accordance with the agreement, Annual Implementation Programs will need to be developed for each calendar year and submitted to the last ExCom meeting in the preceding year. Through its endorsement of the Annual Implementation Programs and subject to achievement of agreed annual targets in the preceding year, ExCom will approve and release the annual grant tranches.
- It incorporates verification of achievement of annual CFC phase-out and consumption targets in the Foam Sector and that the associated policy actions, technical support and training activities have been carried out according to the Annual Implementation Program.

### 1.3 ROLES AND RESPONSIBILITIES OF STAKEHOLDERS

This section outlines the roles and responsibilities of respective stakeholders in the implementation of the Foam Sector Phase-out Plan. The major stakeholders which will be involved in the implementation, are as in the following diagram:



#### 1.3.1. Short description / definition of the stakeholders.

##### A) Ministry of Environment and Forests (MOEF)

MOEF is the designated ministry responsible for implementation of Montreal Protocol in India. MOEF – through its Ozone Cell -- will carry out its responsibilities within the following institutional framework:

- ◆ Empowered Steering Committee: Chaired by the Secretary, MOEF, for coordination at the national level for meeting India's obligations under the Montreal Protocol supported by three standing committees:
- ◆ Technology and Finance Standing Committee (TFSC): For providing policy and technical guidance, direction and oversight to the overall Montreal Protocol program.
- ◆ Standing Committee for Small Scale Industry (SCSSI): Entrusted with advising on ODS phase-out and compliance by the crucial small industries sector
- ◆ Standing Committee for Monitoring and Evaluation (SCME): For advising on and monitoring of implementation.

B) Sector Phase-out Plan Unit (SPPU): To be established under the Ozone Cell (MOEF), with the assistance of UNDP, for management and coordination of the Sector Phase-out Plans. The detailed terms of reference for the staff for constituting the SPPU are attached as Annex-2. The SPPU will facilitate implementation of Sector Phase-out Plans.

C) UNDP-HQ / UNDP-CO: As the implementing agency for the Foam Sector Phase-out Plan, UNDP will be implementing the programme using the Direct Execution Modality (DEX). It's

Montreal Protocol Unit in New York has been actively involved in the project preparation phase, will guide the overall implementation process, guide the UNDP Country Office whenever needed, finalize / submit the yearly progress reports and defend them at the meetings of the Executive Committee of the Multilateral Fund, to obtain the subsequent funding tranches of the programme. UNDP's Country Office located in New Delhi will liaise closely with the SPPU to carry out the implementation of the project activities.

### 1.3.2. Role of the Stakeholders.

The role of each of the stakeholders in each of the anticipated project implementation activities is provided in the following table. Each stakeholder's involvement is indicated as high "h", medium "m" or low "l". The stakeholder bearing responsibility for a given activities is indicated with a capital "H".

ACTIVITY	MOEF	UNDP-HQ	UNDP-CO	SPPU	Con
Ownership of the programme and leader of the programme, all monitoring functions	H				
Setting up operational procedure for participation of recipient enterprises	H			l	
Overall responsibility for monitoring and supervision of implementation activities with the assistance of UNDP	H	h		h	
Project Preparation Activities, business planning, plan visits of consultants, negotiate with MLF Secretariat and ExCom, liaise with MOEF.	m	H	l		
Inform MLF Secretariat and ExCom about status in yearly progress report for MLF	m	H	l		
Obtain funding from MLF Treasurer, finalization of prodoc, negotiating implementation arrangements	l	H	l		
Drafting TOR's and managing for SPPU and consultants	l	H	l		
Managing of SPPU activities and consultants		m	H		
Cooperation with UNDP-Experts		l	l	H	
Recruitment International consultants		H	l		
Recruitment National consultants / payments of nat. personnel / F10		H	H		
Obtain signatures for prodocs / yearly tranches	m	m	H		
Process budget revisions		m	H		
Organize/participate in supervision missions, monitoring meetings / standing committees / TPR's	h	l	H	h	
Enforcement of the ODS Regulations in relation to this project	H			m	
Supervision of other activities, such as public information and awareness initiatives, training programs, as needed.	m			H	
Provide advice and resolve eligibility issues related to MLF	l	H			
Establishing mechanism of RC participation in the Sector phase-out Plan and in determining the sequence of RC participation	l		l	H	
Provide Technical advise to recipient enterprises on industrial conversion process					
Carry out visits at these enterprises on a regular basis and report on progress				H	
Preparation of specifications, terms of reference and vendor shortlists			l	H	
Preparation of Invitations to Bid (ITBs), carrying out international/local competitive bidding exercises for equipment/services + opening of bids			H	h	
Finalization of vendor selections, evaluation of bids/vendors			h	H	
Submission of documentation related to procurement-preparation			l	H	
Contracts Committee (local or HQ depending on size)		H	m		
Issuance of Purchase Orders & payment to vendors / recipients			H	h	
Arranging customs clearance of internationally procured equipment			H	l	
Ensuring local distribution of equipment to the recipient enterprises			l	m	
Ensuring implementation of the Local Works needed to install equipment				l	

Ensuring production start-up with CFC-free technology, Test Trials				l	
Monitoring and supervising enterprise-level CFC phase-out and baseline equipment disposal, including any required inspection visits to RCs				h	
Carrying Out payments for incr. Operational costs if applicable			H	l	
Collection of official affidavits/SOC upon respective enterprise phaseout protocols	l			H	
Arranging verification audits of Annual Implementation Programs		H	l	h	
Providing inputs for preparation of Annual Implementation Programs / progress reports to UNDP		m	l	H	
Review of yearly progress reports, and action plans, negotiate with MLF Secretariat and ExCom on obtaining next funding tranche, finalization of yearly prodoc corresponding to tranche.	l	H	l	h	
Cooperating with supervision and audit verification teams or with independent reviewers appointed by ExCom, to verify the findings of the audits	h	m	l	H	

H: high involvement and having lead responsibility for the activity concerned

h: high involvement

m: medium involvement

l: low involvement

### 1.3.3 Role of the Recipient Enterprises

While the recipient enterprises are not considered as a stakeholder in carrying out the implementation of the project per sé, they also play a key-role as the recipient of the project activities. The obligations and responsibilities of each of the recipient enterprises participating in the Sector Phase-out Plan will include the following:

- Designating a contact person for the project
- Undertaking to be available for interacting and cooperating with Ozone Cell/SPPU and UNDP
- Providing all documentation and declarations as may be required by MOEF for participation in the Sector Phase-out Plan in the prescribed format
- Agreeing to the specifications, terms of reference and vendor shortlists prepared by UNDP/SPPU experts
- Preparing the sites and completing all required local works for installation of equipment procured and provided to the enterprise under the terms of participation in the Sector phase-out Plan
- Ensuring the installation and commissioning of all equipment and services including all changes to the production operations for ensuring phase-out of CFCs, in cooperation with the suppliers and in accordance with the terms of reference provided
- Undertaking to irrevocable phase-out of CFCs upon completion of the project and in accordance with the agreed schedule
- Ensuring that the CFC-based baseline equipment replaced under the project is irrevocably rendered unusable with CFCs
- Undertaking to maintain production and other related records and make them available for review and verification as may be required
- Providing inputs to SPPU and UNDP for preparing project completion reports as may be required Accepting supervision/inspection teams from SPPU/MOEF, relevant government agencies and UNDP, as well as designated experts and verification/audit teams
- Complying with all laws and regulations related to the Montreal Protocol promulgated by GOI including the ODS (Regulation) Rules
- Participating in workshops/meetings as called for by SPPU/UNDP

## 2. OPERATIONAL PROCEDURES

### 2.1 ANNUAL IMPLEMENTATION PROGRAMS

#### 2.1.1 Preparation

For each year of the duration of the Sector Phase-out Plan, UNDP, in cooperation with the SPPU, will prepare an Annual Implementation Program for the calendar-year period and following its review and clearance by Ozone Cell/MOEF, will submit it to the last ExCom meeting of the preceding year. Upon approval by ExCom, the annual grant tranche will be transferred from the MLF to UNDP. Disbursement of funds from UNDP will be subject to release of funds from MLF. The Annual Implementation Program will include:

- Review of the preceding year's Annual Implementation Program, detailing realization of CFC phase-out targets, progress of implementation of all activities and status of disbursements



- Monitoring indicators
- Details of activities proposed to be carried out
- Amounts and schedule of disbursements
- Request for funding allocation from annual grant tranche
- Confirmation by UNDP that the preceding year's targets have been satisfactorily met

### 2.1.2 Inputs from SPPU

SPPU will provide the following inputs to UNDP for the Annual Implementation Programs:

#### Reporting for the preceding year:

- Actual CFC phase-out achieved at enterprise level
- Agreed remedial actions for the current year, in the event CFC phase-out targets in the preceding year were not met
- Report on all other activities undertaken

#### Planning for the current year:

- CFC phase-out expected from participating enterprises
- Annual grant tranche for the year and budget estimates for each of the activities
- Projected disbursement schedules and amounts
- Monitoring Indicators

### 2.1.3 Verification and certification

#### By Ozone Cell/MOEF

Ozone Cell/MOEF will commission independent technical auditors, such as Chartered Engineers or similar authorized entities to verify and certify that all project inputs have been provided at enterprise level, the agreed CFC phase-out has been established and all other obligations have been met by the recipient enterprise(s). The terms of reference for such audit will be developed in consultation with UNDP.

#### By UNDP

UNDP shall carry out final inspection, verification and certification of the project inputs at enterprise level to establish completion of all activities and disposal of replaced CFC-based equipment and to establish that the agreed CFC phase-out has been achieved. UNDP shall also carry out independent verification and certification of all other activities envisaged in the annual implementation program.

## **2.2 PROCUREMENT**

The international and local procurement of equipment and services required in the implementation of the Foam Sector Phase-out Plan, jointly by UNDP and SPPU, through an integrated Procurement Support Group comprising of designated representatives and experts

from SPPU and UNDP. The procurement procedures are described in more detail in Annex-3. The respective distribution of responsibilities for procurement activities would be as below:

#### 2.2.1 SPPU Responsibilities

- Preparation and finalization of terms of reference, scope, specifications of and vendor short-lists for equipment & services to be procured, in consultation with the respective recipient enterprises and with the support of designated UNDP technical experts
- Objective and transparent techno-commercial evaluation of bids received from the vendors and recommendation of the technically acceptable vendor offering the lowest prices

#### 2.2.2 UNDP Responsibilities

- Issuance of Invitations to Bid to the short-listed vendors as advised by SPPU
- Opening of Bids and sending the bids to SPPU for evaluation
- Issuance of Purchase Orders/Contracts to the selected vendors
- Effecting payments to the selected vendors in accordance with the terms of the purchase orders/contracts, upon authorization by SPPU
- Arranging customs clearance and delivery of internationally procured equipment to the respective recipient enterprises

### **2.3 DISBURSEMENT**

The disbursement of the funding for the Foam Sector Phase-out Plan is governed by the agreement between GOI and the Executive Committee (UNEP/OzL.Pro/ExCom/37/71). The flow of funds for the implementation of the Foam Sector Phase-out Plan is summarized below:

#### 2.3.1 From MLF to UNDP

Upon ExCom approval of the Annual Implementation Program, the approved grant tranche for each year will be transferred from the MLF to UNDP subject to fund availability at MLF. This will include all project funds covering the incremental capital costs for the investment and policy & management support components, the approved incremental operating costs and agency fees.

#### 2.3.2 From UNDP to SPPU

The approved funding tranche for each year, covering the Policy and Management Support Component in the Foam Sector Phase-out Plan, would be disbursed by UNDP to SPPU in accordance with UNDP financial rules and procedures, upon submission by SPPU to UNDP, the required requisitions for activities to be undertaken by SPPU under the Foam Sector Phase-out Plan. The salaries of SPPU staff and SPPU capital and operational expenses shall be disbursed by UNDP in accordance with the contractual terms and applicable UNDP rules and procedures.

#### 2.3.3 From UNDP to Suppliers

UNDP will effect payments to international and local suppliers of equipment and services, procured under the Foam Sector Phase-out Plan, in accordance with the agreed contractual terms and in line with procurement procedures for the Foam Sector Phase-out Plan detailed in Annex-3, upon endorsement by SPPU.

#### 2.3.4 From UNDP to Recipient Enterprises

All eligible reimbursements of expenses and eligible incremental operating costs as approved in the Foam Sector Phase-out Plan, shall be disbursed directly by UNDP to the recipient enterprises, upon receiving an endorsement from SPPU that the endorsed amounts are reasonable and eligible and that the required supporting documentation in accordance with the agreed terms between Ozone Cell/MOEF and the recipient enterprises has been provided and reviewed.

### **3. MONITORING & REPORTING**

The Ozone Cell/MOEF will have the overall responsibility for monitoring the implementation of the Foam Sector Phase-out Plan. The monitoring indicators for outputs at the national and enterprise levels would be as below:

#### **3.1 NATIONAL LEVEL MONITORING INDICATORS**

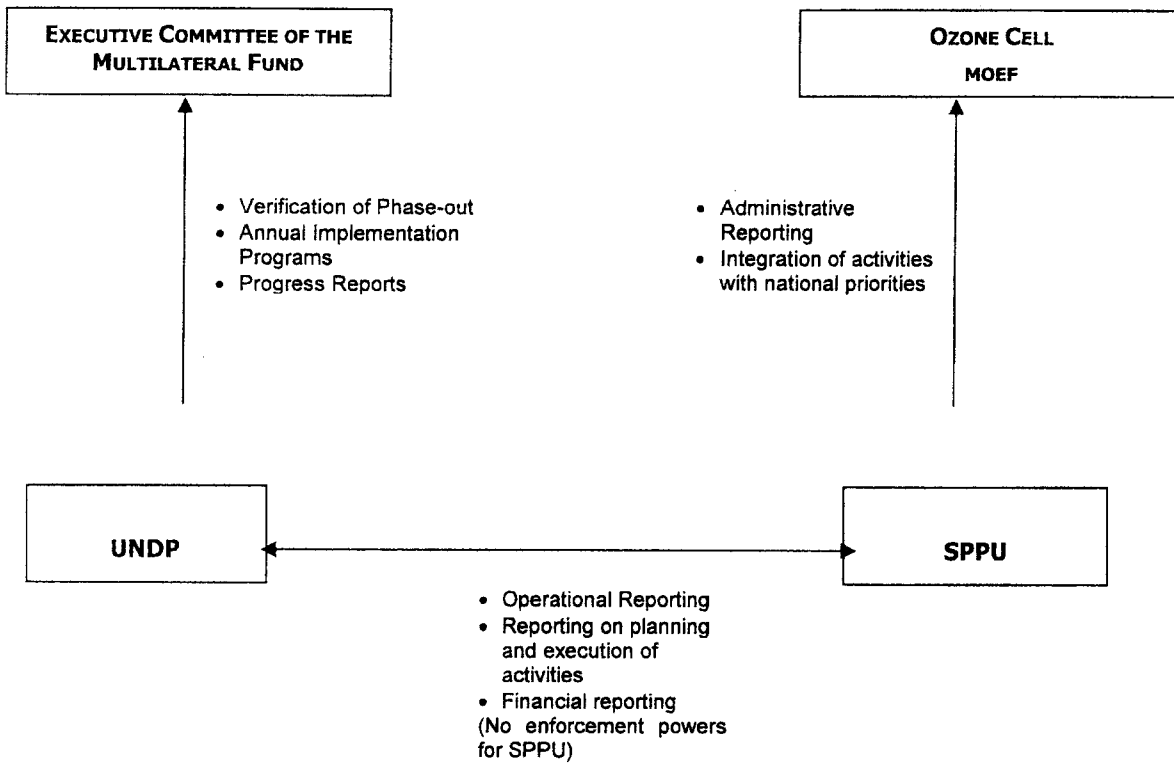
- Annual domestic production level of CFCs
- Annual domestic consumption of CFCs in the Foam Sector
- Annual maximum permissible consumption level of CFCs in the Foam Sector
- Annual CFC phase-out targets as prescribed in the Annual Implementation Program
- Annual CFC phase-out actually achieved in the Foam Sector
- Annual fund disbursements from the Sector Phase-out Plan
- Data reporting obligations under Article-7 of the Montreal Protocol
- Promulgation of any new policies and regulations pertaining to the Foam Sector phase-out Plan
- Implementation status and effectiveness of policies and regulations pertaining to the Foam Sector Phase-out Plan

#### **3.2 ENTERPRISE LEVEL MONITORING INDICATORS**

- Baseline CFC consumption figures for enterprises with ongoing (under implementation) conversion projects under the Montreal Protocol
- Baseline CFC consumption figures for enterprises participating in the Sector Phase-out Plan
- CFC phase-out targeted at enterprise levels, in the Annual Implementation Programs
- CFC phase-out achieved at enterprise level

#### **3.3 ADMINISTRATIVE REPORTING**

The following figure illustrates the proposed administrative reporting mechanism:



## ATTACHMENT

### FORMAT FOR PARTICIPATION AGREEMENT WITH RECIPIENT ENTERPRISES TO BE COVERED UNDER THE FOAM SECTOR PHASE-OUT PLAN

Ozone Cell  
Ministry of Environment & Forests  
New Delhi, India

Dear Sirs,

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#### I. PHASE-OUT OF CFCs IN THE MANUFACTURE OF (SUB-SECTOR) FOAM

In connection with the above we hereby confirm the following:

- 1) a) We presently consume polyurethane chemicals in our production of (sub-sector) foam. We procure these chemicals mainly from local chemical suppliers who have been helping and advising us regarding the usage of these chemicals to enable us to maintain the properties of our end products and meet our customer's requirements economically. We understand that these polyurethane chemicals contain CFCs, which have to be phased out in future, as per international agreements.
  - b) We have been assured by our chemical suppliers that they will be able to supply us the alternative chemicals that will give us the desired quality of end products. We understand that our present technology and process may not be suitable for working with the alternative chemicals and that we may be eligible to receive equipment suitable for handling the alternative chemicals, which may be made available to us under the supervision of MOEF/UNDP.
  - c) We are agreeable to participate in a group/sectoral project covering enterprises similar to us producing foam, with the aim of phasing out CFCs. Under this project, we understand that we may be eligible to receive equipment, trial materials, training, technical assistance, etc.
  - d) We agree to accept the equipment and selected conversion technology recommended by UNDP/MOEF as per specifications to be developed by them. We also agree that MOEF/UNDP may make any required technical decisions affecting the technology selection, to ensure that project objectives are achieved and the selected technology can be applied in accordance with established industrial standards and practices for operation and environmental & occupational safety.
  - e) We understand and accept that the Government of India and UNDP will make a determination of the amount of funding we will be eligible to receive, in order to effect phase-out of CFCs.
- 2) We confirm the following baseline information about our enterprise:

Consumption of CFC-based chemicals: \_\_\_\_\_ MT (for CY 2000)  
Baseline equipment/process: Hand-mixing/Low-pressure dispenser/High-pressure dispenser  
Date of Establishment/Registration:  
Date of commencement of commercial production:  
Name of Proprietor/Partner/Managing Director:  
**Address of Registered Office/Proprietor/Partner:**  
Address of factory where CFC phase-out will be implemented:

- 3) We hereby undertake:
- a) To bear any costs required for successful conversion to fully CFC-free technology over and above the approved funds.
  - b) To discontinue the use of CFCs and to dispose all redundant baseline equipment replaced under the project, upon project completion and to allow monitoring inspections by Government of India and/or UNDP or their designated representatives during project implementation and after project completion, to verify the same.

- c) To assume all liabilities which may arise throughout the conversion process.

***This letter may be treated as our formal application and confirmation of our baseline data, for seeking assistance from the Multilateral Fund of the Montreal Protocol for phasing out of CFCs in our manufacturing process.***

**(Signed)**

**Authorized Signatory**

## ATTACHMENT

### TERMS OF REFERENCE FOR SPPU STAFF

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#### 1. NATIONAL PROGRAMME MANAGER

*The mandate of the Sector Phase-out Plan Management & Coordination Unit (SPPU) would be to assist the Ozone Cell, Ministry of Environment and Forests (MOEF) and UNDP for implementation of the Foam Sector Phase-out Plan, involving CFC phase-out at CFC-consuming enterprises in the Foam Sector, through a combination of Investment and Policy & Management Support components, and to facilitate achievement of the CFC phase-out schedule in the Foam Sector in India, in accordance with the agreement between GOI and MLF Executive Committee (UNEP/OzL.Pro/ExCom/37/71, Annex-VII). UNDP is the designated implementing agency for this project and will provide the required technical and infrastructural support for the implementation of the Sector Phase-out Plan. The Coordinator of the SPPU will have overall operational responsibility for the implementation of the Foam Sector Phase-out Plan.*

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#### Duties and responsibilities

*The Coordinator will be responsible for regular review and implementation of the Foam Sector Phase-out Plan and is expected to discharge the following functions:*

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- Supervise the implementation of the Foam Sector Phase-out Plan under the guidance of Director, Ozone Cell and UNDP.
- Work in close coordination with UNDP experts and recipient enterprises
- Act as an interface between UNDP, MOEF and other relevant organizations/departments on activities relating to the SPPU.
- Assist Ozone Cell in verification of baseline CFC consumption levels and CFC phase-out at the enterprise level
- Prepare periodic reports for the Ozone Cell to be submitted to various stakeholders including MOEF and UNDP
- Assist Ozone Cell in implementation and enforcement of policies and regulations as per the ODS (Regulation) Rules, 2000.
- Assist UNDP in preparing the Annual Implementation Programs
- Manage and monitor activities performed by the other SPPU professional and general staff.
- Perform other duties within the purview of the project as assigned by Ozone Cell/UNDP.

#### Qualifications and Experience

- A Master's degree in Environment/Life Sciences, Engineering or Chemistry is required. A Doctoral or Management degree is desirable.
- Minimum fifteen years working experience in Government, Public Sector, Multilateral Organizations or NGOs is required.
- Minimum ten years experience in management and administration of environmental projects and activities.

- Thorough knowledge and understanding of the Montreal Protocol financial mechanism and the Multilateral Fund policies, guidelines and procedures.

Salary

Negotiable based on qualifications and experience

Duration

One year (renewable)

Location

New Delhi, India



**2. OPERATIONS ASSISTANT**

(Terms of reference to be developed)

**3. OFFICE ASSISTANT**

(Terms of reference to be developed)

## **ATTACHMENT**

### **PROCUREMENT PROCEDURES**

The following is a brief description of the elements of the procedural regime, which would be followed for international and local procurement of equipment and services required for the implementation of the Foam Sector Phase-out Plan:

#### **INTRODUCTION**

The procurement activities will be carried out by UNDP supported by an integrated Procurement Support Group (PSG). The PSG team will comprise of the following:

- Coordinator of the SPPU
- One designated UNDP staff experienced in procurement
- One designated UNDP international technical expert
- One designated UNDP national technical expert
- One designated UNDP program staff

The Procurement Support Group will assist the SPPU in arranging the international and local procurement of equipment and services required for executing the Foam Sector Phase-out Plan in a transparent and accountable manner. The various procurement actions will be initiated upon signature of the project document by GOI and UNDP and receipt by UNDP of the annual disbursement tranche from MLF

#### **INTERNATIONAL PROCUREMENT**

- The technical requirements of conversion to non-CFC technology at each enterprise, would be assessed by UNDP experts. Based on the same, the scope, technical specifications of the equipment and short-list of vendors would be developed by UNDP experts. A minimum of five reputed international vendors from a minimum of three countries will be short-listed. The specifications shall be clear and unambiguous to the maximum extent possible and shall incorporate the most cost-effective technical options, required for effecting CFC phase-out. The PSG will endorse the specifications and vendor short-lists.
- Concurrence of the recipient enterprises, to the specifications and vendor short-lists may be obtained by SPPU to the extent possible.
- The SPPU will formally forward the specifications and vendor short-lists to UNDP's procurement office.

- UNDP's procurement office will issue the Invitations to Bid (ITB) to the short-listed vendors, and may at its discretion to additional vendors. The vendors shall be provided a minimum of 21 days from the date of issuance of the ITB for submitting the bids. No extensions to the date for submitting the bids will be granted under any circumstances, except Force Majeure.
- On the stipulated date of submission of the Bids, the UNDP procurement office shall conduct a public opening of bids and forward the bids to the PSG.
- The PSG will then prepare a report consisting of an objective and independent techno-commercial evaluation, analysis and comparison of the bids received and recommendation of the successful bidder. The technically acceptable bidder offering the lowest prices shall be recommended. Some of the factors to be considered in such an evaluation are, the compliance of the bid with the specifications, reliability of the supplier with regard to product quality, industry reputation and financial stability, local availability of spare parts and service, etc.
- The SPPU will formally forward the bid evaluation report(s) along with recommendations to UNDP's procurement office.
- UNDP's procurement office will issue the purchase order/contract to the recommended vendor.

#### **LOCAL PROCUREMENT**

All procedures would be similar to international procurement with the following exceptions:

- The vendor short-list will comprise of a minimum of three reputed indigenous vendors
- The vendors shall be provided a period of minimum of fifteen days from the date of issuance of the ITB, for submission of bids

## **Annex IV**

### **Financial Management**

The key aspects of financial management of this projects are:

- 1 All expenditures are registered in the Combined Delivery Report (CDR) only  
A project accounting system to keep track of the current financial status, at all times would be set up by UNDP CO. Mechanisms for expenditure control and segregation of duties would be ensured by UNDP CO.
- 2 A system for handling outstanding obligations would be ensured.
- 3 Procedures for making payments and monitoring the performance of contractors would be recorded and ensured.
- 4 The UNDP Financial Rules and Regulations are fully applicable to DEX projects
- 5 Project approval and budgetary procedures for DEX are the same as for other projects.

### **Financial Reporting**

Country office would maintain records locally to reflect accumulated expenditures per budget line, budget balances and outstanding obligations. These records serve to monitor the project financial situation and to share financial information with other stakeholders. Under direct execution, project budgets and expenditures would be managed using ATLAS,<sup>8</sup> just like other UNDP projects. The country office would use ATLAS to keep track of the financial status of the project at all times, to control expenditure, to handle outstanding obligations, to make payments and to monitor the performance of contractors. ATLAS would provide information on the availability of funds, electronically transfers authorised payment and generates the proper payment instructions, and produces the Combined Delivery Report (CDR).

Combined delivery reports (CDR) would be prepared using ATLAS on the basis of payments directly by the UNDP CO, UNDP headquarters and expenditures reported by UN agencies on the Project Delivery Report (PDR).

Existing UNDP forms and formats for financial reporting and use at the UNDP CO level would be adapted to DEX projects. The report would, at a minimum, provide quarterly information on expenditures made by budget line against approved budgets and allotments and it would also show available balances.

The project manager would coordinate the preparation of financial reports with the finance section of the UNDP CO since this section administers the main sources of information, such as the monthly IOVs/DVs and the obligation records.

The Country Director or delegated authority (in this case the Programme Officer) would certify the CDRs.

The status of total expenditures till the month of December will constitute the official record of expenditure for the past year.

### **Accounting systems**

ATLAS would provide the management information system to ensure accuracy and transparency of financial information.

### **Mechanisms for expenditure control**

Under this project, the budget revisions are made at the UNDP CO and UNDP HQ is requested to provide the advance spending limit. UNDP CO would set up their own internal control mechanisms to make sure that budgets are not over or under spent and that expenditures are made properly, meaning that they correspond with the activities and the work plan. Detailed work plans would be kept updated so that staff members could perform the management and monitoring responsibilities assigned in DEX projects, and ensure an appropriate flow of expenditures.

UNDP expenditure control policy segregates authority between commitment of funds and verification of payments, and between verification of payments and disbursements. The control process covers three different actions:

The authority to **commit, verify** and **disburse** project funds is linked to the responsibility and the accountability for project results. UNDP CO has established internal procedure that distributes these actions among different managerial levels of the UNDP CO and within the project. ATLAS would be used to verify that sufficient funds are available prior to making payments, and to ensure the validity, consistency and integrity of financial data processed.

- the **commitment** of funds is the action that creates obligations against UNDP CO managed resources (for example a contract, a travel authorization or a memorandum of understanding). In this project the **commitment** document is prepared by the Project Manager/UNDP CO Procurement Unit in coordination with the administrative sections responsible for travel, procurement, and recruitment of personnel. The commitment is recorded in ATLAS when issuing the corresponding Travel Authorizations, Purchase Orders and Personnel Contracts;
- the **verification** of a payment is an authorization/request to disburse funds in compensation for services and/or goods, or to advance funds against expected services or goods. The programme officer ensures that the payment is justified and the information is accurate, and sends the disbursement request for processing of the payment through ATLAS; and
- the **disbursement** of funds or the "actual payment" or outflow of UNDP managed funds (by check or bank transfer) through ATLAS. The UNDP CO finance section initiates disbursement with the preparation of disbursement vouchers.

Disbursement vouchers would be committed (certified) and verified (approved) by the designated officers in accordance with UNDP's Financial Rules and Regulations. The functions of the committing (certifying) and verifying (approving) officers are outlined in UNDP Financial Rules and Regulations, Sec.

4.1 as follows:

The functions of the **committing (certifying) officers** are to ensure, ahead of the commitment, that :

- i. The activities to be financed are within UNDP's mandate and policies, and consistent with the project framework and workplans;
- ii. The level of the commitment is within allotted funds in the approved project budget. It is therefore linked to a fund allotment/allocation;
- iii. The commitment decision provides best value for money to the organization.

#### **Personal responsibility of committing (certifying) officers**

In the exercise of their authority, committing (certifying) officers are expected to show the

highest level of ethics and integrity. In addition, committing (certifying) officers are responsible for ensuring that the commitments of funds are properly documented (MOD, TA, contracts, other substantive documents, etc.), in accordance with the procedures on recording established by the Comptroller.

As stated in UNDP Financial Rules, all personnel of UNDP are responsible to the Administrator for the regularity of actions taken by them in the course of their official duties. Any personnel who takes any action contrary to these Financial Rules, or to the instructions which may be issued in connection therewith, might be held personally responsible and financially liable for the consequences of such action.

The functions of a **verifying (approving) officer** are to:

- i. Ensure that the payment is made against a recorded commitment entered into by an appropriate committing (certifying) officer;
- ii. Ascertain that all the goods or services for which payment is claimed have been delivered, according to the terms outlined in the commitment documents;
- iii. Avoid duplicate payments for the said goods and services;
- iv. Refuse the payment if there is any reason that he/she knows that should bar the payment.

### **Personal responsibility of verifying (approving) officers**

Verifying (approving) officers would not verify payments to themselves unless it is on record in the UNDP CO that there are no other verifying (approving) officers available at the time the payment is required.

The UNDP CD would assign the above roles in writing to the staff members (through, for example, an interoffice memorandum).

### **Outstanding obligations recording systems**

The country office would establish a system to follow up and monitor outstanding obligations. Obligations in DEX originate when a contract is signed with a contractor or provider of goods or services, or a person is recruited to work in a project. An obligation also originates when purchase orders are placed and when travel advances are made. All obligations would be recorded since they would become expenditures in the short term. A format to record obligations could be a spreadsheet containing columns to reflect the total amount of the obligation, the payments and the balance.

The project manager would coordinate with the administrative units of the country office on the follow up of disbursements against obligations and the maintenance of an

up-dated system for recording outstanding obligations. UNDP CO administrative units or sections that are managing recruitment, contracting and procurement for DEX projects might follow up and update outstanding obligations records.

### **Monitoring of payments and performance of contractors**

General accounting principles establish that contracts would be paid after work is satisfactorily completed and, in the case of procurement, once the goods are received in the specified place and condition. Payment of outstanding obligations against large contracts would be made in installments and subject to compliance with the requirements. These requirements are, for example, payments linked to performance and advance of works or other quality control criteria that the UNDP CO establishes and includes in the respective contracts. In the case of project consultants the payment of their honorariums might, for example, be linked to the submission of progress reports and the acceptance of their final report to ensure the quality of the product.

The project manager would monitor contracts signed with UN Agencies, NGOs and the private sector from both substantive and financial perspectives. Substantive monitoring in DEX consists of a technical assessment of the quality and relevance of the output. Since this requires expertise and sound judgement, the assistance of other stakeholders or United Nations agencies would be sought to better perform this function. For instance the draft final report prepared by a contractor or consultant could be sent to stakeholders for comments before making the final payment. Financial monitoring and substantive monitoring would be linked to ensure efficiency.

The substantive follow up of contracts is done according to the contract. The following are examples of how to include substantive monitoring in contracts:

- In contracts with NGOs or private companies, the Terms of Reference or Description of Services would include performance indicators such as deadlines, quantity and quality of outputs, major benchmarks in progress, etc. The project manager confirms compliance with the indicators in forwarding the request of payment. The final payment should be made upon receipt of the final report or satisfactory final delivery of the agreed goods or services.
- UN Agencies are paid by headquarters through their statements of expenditures. Country offices should review those statements to verify that amounts reported as expenditures correspond to the description of services included in the Letter of Agreement. The advance of works and the quality of the outputs would correspond to the amount spent for the reporting period.

The Administrative Unit, through the review of the contractor's accounting records, requests and reports would do the financial follow up. In the case of UN Agencies the project manager reviews their statements of expenditures.



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