

**STANDARD LETTER OF AGREEMENT BETWEEN
THE UNITED NATIONS DEVELOPMENT PROGRAMME AND
MINISTRY OF INTERIOR AND FEDERAL AFFAIRS
ON THE EXECUTION OF STABILIZATION SUPPORT PROJECT
WHEN UNDP SERVES AS EXECUTING ENTITY**

Your Excellency,

1. Reference is made to the consultations between officials of the **United Nations Development Programme** (hereinafter referred to as “UNDP”) and officials of **Ministry of Interior and Federal Affairs (MoIFA)**, with respect to the realization of activities by the *MoIFA* in the Execution of the project Community Security, *Project Number TBD, Titled: Stabilization Support Project*, as specified in Attachment 1: Project Document, to which UNDP has been selected as executing entity.
2. In accordance with the Project Document and with the following terms and conditions, we confirm our acceptance of the activities to be provided by the *MOIFA* towards the project, as specified in Attachment 2: Description of Activities (hereinafter referred to as “Activities”). Close consultations will be held between the *MoIFA* and UNDP on all aspects of the Activities.
3. The *MOIFA* shall be fully responsible for carrying out, with due diligence and efficiency, all Activities in accordance with its Financial Regulations and Rules.
4. In carrying out the activities under this Letter, the personnel and sub-contractors of the *MOIFA* shall not be considered in any respect as being the employees or agents of UNDP. UNDP does not accept any liability for claims arising out of acts or omission of *MOIFA* or its personnel, or of its contractors or their personnel, in performing the Activities or any claims for death, bodily injury, disability, damage to property or other hazards that may be suffered the *MOIFA* and its personnel as a result of their work pertaining to the Activities.
5. Any subcontractors, including NGOs under contract with the *MOIFA* shall work under the supervision of the designated official of the *MoIFA*. These subcontractors shall remain accountable to the *MoIFA* for the manner in which assigned functions are discharged.
6. Upon signature of this Letter, UNDP will make payments to the *MOIFA* according to the schedule of payments specified in Attachment 3: Schedule of Activities, Facilities and Payments.
7. The *MOIFA* shall open an account with the financial services provider identified by UNDP in the name of the grant or project or activity. No other contributions are to be received in that specific account. The account must have a minimum of two signatories. In the event of change of any of the signatories, the *MOIFA* and the financial services provider undertake to notify UNDP immediately. UNDP reserves the right to request a bank statement from the *MOIFA* or, if necessary, from the financial services provider, for scrutiny and authentication.
8. The *MOIFA* shall not make any financial commitments or incur any expenses which would exceed the budget for the Activities as set forth in Attachment 3. *MoIFA* shall regularly consult with UNDP concerning the status and use of funds and shall promptly advise UNDP any time when the *MoIFA* is aware that the budget to carry out these Activities is insufficient to fully implement the project in the manner set out in the Attachment 2. UNDP shall have no

obligation to provide the *Government* with any funds or to make any reimbursement for expenses incurred by the *MOIFA* in excess of the total budget as set forth in Attachment 3.

9. The *MOIFA* shall submit a cumulative financial at the end of the quarter. The report will be submitted to UNDP through the UNDP Country Director or UNDP Resident Representative within 30 days following those dates. The format will follow the standard UNDP expenditure report [a model copy of which is provided as Attachment 4]. UNDP will include the financial report by the *MOIFA* in the financial report for the Stabilization Support project.

10. The *MOIFA* shall submit such progress reports relating to the Activities as may reasonably be required by the project manager in the exercise of his or her duties.

11. The *MOIFA* shall furnish a final report within three months after the completion or termination of the Activities, including a list of non-expendable equipment purchased by the *MOIFA* and all relevant audited or certified financial statements and records related to such Activities, as appropriate, pursuant to its Financial Regulations and Rules.

12. Equipment and supplies that may be furnished by UNDP or procured through UNDP funds will be disposed as agreed, in writing, between UNDP and the *MOIFA*.

13. Any changes to the Project Document which would affect the work being performed by the *MOIFA* in accordance with Attachment 2 shall be recommended only after consultation between the parties.

14. For any matters not specifically covered by this Letter, the Parties would ensure that those matters shall be resolved in accordance with the appropriate provisions of the Project Document and any revisions thereof and in accordance with the respective provisions of the Financial Regulations and Rules of *MOIFA* and UNDP.

15. The arrangements described in this Letter will remain in effect until the end of the project, or the completion of activities of *MOIFA*) according to Attachment 2, or until terminated in writing (with 30 days' notice) by either party. The schedule of payments specified in Attachment 3 remains in effect based on continued performance by the *MOIFA* unless it receives written indication to the contrary from UNDP.

16. Any balance of funds that is undispersed and uncommitted after the conclusion of the Activities shall be returned within 90 days to UNDP. The balance of funds should also be returned in case the project is closed or is terminated early at the request of either of the parties.

17. Any amendment to this Letter shall be effected by mutual agreement, in writing,

18. All further correspondence regarding this Letter, other than signed letters of agreement or amendments thereto should be addressed to:

*George Conway,
Country Director
UNDP Somalia
UNCC Compound, Airport Road, Mogadishu*

19. The *MOIFA* shall keep the UNDP Country Director/Resident Representative fully informed of all actions undertaken by them in carrying out this Letter.

20. UNDP may suspend this Agreement, in whole or in part, upon written notice, should circumstances arise which jeopardize successful completion of the Activities.

21. Any dispute between the UNDP and the *MOIFA* arising out of or relating to this Letter which is not settled by negotiation or other agreed mode of settlement, shall, at the request of either party, be submitted to a Tribunal of three arbitrators. Each party shall appoint one arbitrator, and the two arbitrators so appointed shall appoint a third arbitrator, who shall be the chairperson of the Tribunal. If, within 15 days of the appointment of two arbitrators, the third arbitrator has not been appointed, either party may request the President of the International Court of Justice to appoint the arbitrator referred to. The Tribunal shall determine its own procedures, provided that any two arbitrators shall constitute a quorum for all purposes, and all decisions shall require the agreement of any two arbitrators. The expenses of the Tribunal shall be borne by the parties as assessed by the Tribunal. The arbitral award shall contain a statement of the reasons on which it is based and shall be final and binding on the parties.

22. If you are in agreement with the provisions set forth above, please sign and return to this office two copies of this Letter. Your acceptance shall thereby constitute the basis for the *MOIFA*'s participation in the execution of the project.

Yours sincerely,

Signed on behalf of UNDP

George Conway, Country Director

Signed on behalf of the *MOIFA*

Dr. Ismail Jumale, Permanent Secretary, MoIFA

Date: _____

Attachment 1

ATTACHMENT 1: PROJECT DOCUMENT EXTRACT

Please refer to the signed project document for the “Support to the Federal Government of Somalia in Stabilization in Newly Recovered Areas” Programme.

Project Description:

The project will support the FGS in its stabilization efforts in the newly recovered areas, through establishment of caretaker and interim local administrations capable of leading an inclusive dialogue towards the formation of governance structures and promoting reconciliation.

Project Outputs and key Activities:

Caretaker Administration is established in the 25 newly recovered areas that will oversee the peaceful establishment of interim local administration through inclusive dialogue process, including through empowerment of youth and women; initial law enforcement presence in newly recovered areas ensured.

Budget Support Component

As per the signed project document, the enabler (component 3) will be implemented through direct budget support to the government. Implementing partner will be the MoIF. The fund transferred from PBF will go through the SDRF – UNMPTF national window, thus enabling transparency and coordination of the fund at the highest level of the government. The use of this modality will take advantage of the arrangements already in place between the Multi-Partners Trust Fund Office (MPTF Office) and the Ministry of Finance of Somalia for the functioning of the National window, and the exception agreed between PBSO and MPTF Office to channel PBF resources through the government systems. Specific operating procedures will be put in place for the disbursements to be made at the district level (including petty cash rules). Expenditure will follow the processes in place with the Central Bank, developed with the assistance of SFF. Arrangement for oversight and accountability of the funds, including the possibility of using an external fiduciary agent, mirroring the SFF arrangements will be put in place and agreed upon, ahead of the funds being channelled through the UNMPTF national window.

Regarding this contribution

The PBF funding through the UNMPTF national window is currently (as of 24-03-15) being finalized in New York. However, there is an urgent need for support to proceed, to ensure relevance to the ongoing and immediate needs of the stabilization process.

In order to bridge delays in the first financial transfers from the PBF, the UNDP Somalia Country Office is advancing a first month loan, to enable the project activities to proceed in line with the agreed project document and work plan.

These funds amount to USD 100,000, equivalent to one month apportionment of the overall 18 month budget for the programme.

These funds are provided as an advance and loan to the Ministry of Interior, and will be replenished to UNDP upon receipt of the PBF funds.

These funds will be transferred and utilized in line with the agreed financial procedures agreed for the PBF / MPTF national window, as annexed in **Attachment 5**, which describes the process whereby the funds channeled through treasury will be spent, including the financial procedure and oversight roles.

Attachment 2

2.1 DESCRIPTION OF ACTIVITIES

| Activity |
|--|
| 1. Formation and Capacitating of Caretaker Administrations (CA) and police deployment |
| 1.1 MIF, MNS, MJC joint consultations with district MPs/elders to agree on composition & nomination of a Caretaker Administration (CA) |
| 1.2 Mobilizing of CA to Mogadishu |
| 1.3 Training of CA at police training academy |
| 1.4 MNS deployment of police & intelligence forces |
| 1.5 FGoS / UNSOM conduct joint security assessment |
| 1.6 Deployment of CA to districts and transport of humanitarian assistance from government |
| 1.6.1 Project Office running cost |
| 1.7 Running Costs for CA (not including salaries - see HR requirements) |
| 1.8 Public awareness of the role and responsibilities of the CA |
| 1.8.1. Specific awareness raising materials are developed and printed for women (Out of the \$7,500 the total of \$2,500 is allocated for this purpose) |
| 1.9 Consultations to select District Peace & Stability Committee (DPSC) |
| 1.10 MIF, CA, and implementing partners (IP) to conduct training for DPSCs |
| Subtotal 1 |
| 2. Formation and Capacitating of Interim Local District Administrations (IA) |
| 2.1 MIF / CA / DPSC conduct consultations to choose delegates who will select Interim Local District Administration (IA) |
| 2.2 Wider community consultations |
| 2.3 Host conference (50-75 delegates, including MPs, elders, clerics, youth, women, political leaders, etc.) - IA to be comprised of 9 individuals (4 community selected / 5 nominated) |
| 2.3.1. Specific dialogue sessions designed only for women for political empowerment and participation (minimum 50 women / dialogue / district). Out of the \$187,500 the total of \$40,000 will be allocated |
| 2.4 1-week induction training for IA |
| 2.5 Reconciliation and ongoing public awareness - Out of the \$900,000 |
| 2.5.1. Trauma Healing session targeting only women (minimum 20 women / district) - \$50,000 |
| 2.5.2. Dialogue session for women on primary needs (minimum 30 women / district) - \$25,000 |
| 2.5.3. Traditional story-telling among women (minimum 30 women / district) - \$ 25,000 |
| 2.6 training and deployment of command officers |
| 2.7 training of field training officers |
| 2.8 training of community security officers |
| 2.9 Running Costs for IA - (not including salaries - see HR requirements) |
| Subtotal 2 |
| 3. Human Resource Needs |
| 3.1 Provision of a Local Governance Technician (MIF liaison for each district) and community liaison per district |
| 3.3 3 profiles to assist MoIF with overall stabilisation work + 1 project manager for PBF. |
| 3.3.1 administrative assistant to support clerical and administrative duties. |
| 3.4 technical assistance to Ministry of Public Works on developing conflict-sensitive infrastructure projects |
| 3.5 Caretaker Administrations (7 persons x 2 months) |
| 3.6 Interim Administrations (9 persons x 6 months) |
| Subtotal 3 |
| 4. Formation of Interim Local Administrations |

4.1 Assessments and awareness creation on formation of Interim Local District Administrations

4.1.1. Specific dialogue for women for political empowerment and participation (minimum 50 women / dialogue / district). Out of the \$250,000 the total of \$50,000 is allocated

4.2 District-wide reconciliation conference

4.3 Conduct initial district consultative meeting to select delegates (100/150)

4.4 Conduct District Conference - selection of District Council (21/27) & election of DC/Deputies

Attachment 3

1.1 Scheduled of Activities, Facilities and Payments (1 month, April 2015)

| Activity | Unit | # of Unit | Cost/Unit | Unit2 | Total Government | One month cost to be advanced through this LOA |
|--|----------|-----------|-------------|---------------------------------------|------------------|--|
| 1. Formation and Capacitating of Caretaker Administrations (CA) and police deployment | | | | | | |
| 1.1 MIF, MNS, MJC joint consultations with district MPs/elders to agree on composition & nomination of a Caretaker Administration (CA) | | | | | | |
| 1.2 Mobilizing of CA to Mogadishu | | | | | | |
| 1.3 Training of CA at police training academy | | | | | | |
| 1.4 MNS deployment of police & intelligence forces | | | | | | |
| 1.5 FGoS / UNSOM conduct joint security assessment | | | | | | |
| 1.6 Deployment of CA to districts and transport of humanitarian assistance from government | lumpsum | Lumpsum | lumpsum | lumpsum | \$150,000.00 | \$8,000 |
| 1.6.1 Project Office running cost | lumpsum | Lumpsum | lumpsum | lumpsum | \$42,900.00 | \$2,300 |
| 1.7 Running Costs for CA (not including salaries - see HR requirements) | months | 8 | \$ 5,000.00 | districts x 20 | \$800,000.00 | \$40,000 |
| 1.8 Public awareness of the role and responsibilities of the CA 1.8.1. Specific awareness raising materials are developed and printed for women (Out of the \$7,500 the total of \$2,500 is allocated for this purpose) | district | | \$ 2,500.00 | 62,500 - 55,000 (SSF) net total 7,500 | | - |
| 1.9 Consultations to select District Peace & Stability Committee (DPSC) | | | | | | |

| | | | | | | |
|---|----------|----|--------------|-----------------------------|---------------------|-----------------|
| 1.10 MIF, CA, and implementing partners (IP) to conduct training for DPSCs | each | 20 | \$ 5,000.00 | | | |
| Subtotal 1 | | | | | \$992,900.00 | \$50,300 |
| 2. Formation and Capacitating of Interim Local District Administrations (IA) | | | | | | |
| 2.1 MIF / CA / DPSC conduct consultations to choose delegates who will select Interim Local District Administration (IA) | | | | | | |
| 2.2 Wider community consultations | | | | | | |
| 2.3 Host conference (50-75 delegates, including MPs, elders, clerics, youth, women, political leaders, etc.) - IA to be comprised of 9 individuals (4 community selected / 5 nominated) 2.3.1. Specific dialogue sessions designed only for women for political empowerment and participation (minimum 50 women / dialogue / district). Out of the \$187,500 the total of \$40,000 will be allocated | district | 20 | \$ 7,500.00 | | | |
| 2.4 1-week induction training for IA | district | 20 | \$5,000 | | | |
| 2.5 Reconciliation and ongoing public awareness - Out of the \$900,000 2.5.1. Trauma Healing session targeting only women (minimum 20 women / district) - \$50,000 2.5.2. Dialogue session for women on primary needs (minimum 30 women / district) - \$25,000 2.5.3. Traditional story-telling among women (minimum 30 women / district) - \$ 25,000 | district | 18 | \$ 50,000.00 | | | |
| 2.6 training and deployment of command officers | officers | 2 | | per district (15 districts) | | |

| | | | | | | |
|---|----------|----|--------------|-----------------------------|---------------------|---------------|
| 2.7 traininf of field training officers | officers | 8 | | per district (15 districts) | | |
| 2.8 training of community security officers | officers | 35 | | per district (20 districts) | | |
| 2.9 Running Costs for IA - (not including salaries - see HR requirements) | | | | | | |
| Subtotal 2 | | | | | | - |
| 3. Human Resource Needs | | | | | | |
| 3.1 Provision of a Local Governance Technician (MIF liaison for each district) and community liaison per district | months | 18 | \$ 750.00 | 2 per district x 20 | \$540,000.00 | 30,000 |
| 3.3 3 profiles to assist MoLF with overall stabilisation work + 1 project manager for PBF. | each | 1 | | 18 months | \$333,000.00 | 18,500 |
| 3.3.1 administrative assistant to support clerical and administrative duties. | each | 1 | \$ 1,200.00 | 18 | \$21,600 | 1,200 |
| 3.4 technical assistance to Ministry of Public Works on developing conflict-sensitive infrastructure projects | months | 8 | | | | |
| 3.5 Caretaker Administrations (7 persons x 2 months) | | | | | | |
| 3.6 Interim Administrations (9 persons x 6 months) | | | | | | |
| Subtotal 3 | | | | | \$894,600.00 | 49,700 |
| 4. Formation of Interim Local Administrations | | | | | | |
| 4.1 Assessments and awareness creation on formation of Interim Local District Administrations 4.1.1. Specific dialogue for women for political empowerment and participation (minimum 50 women / dialogue / district). Out of the \$250,000 the total of \$50,000 is allocated | district | 20 | \$ 10,000.00 | | | |
| 4.2 District-wide reconciliation | district | 18 | \$ | | | |

| | | | | | | |
|---|--|--|-----------|--|------------------------|-------------------|
| conference | | | 20,000.00 | | | |
| 4.3 Conduct initial district consultative meeting to select delegates (100/150) | | | | | | |
| 4.4 Conduct District Conference - selection of District Council (21/27) & election of DC/Deputies | | | | | | |
| Subtotal 4 | | | | | | |
| | | | | | | |
| TOTAL | | | | | \$ 1,887,500.00 | \$ 100,000 |

Attachment 4

MODEL UNDP EXPENDITURE REPORT

Period _____

| EXPECTED CP OUTPUTS And indicators including annual targets | PLANNED ACTIVITIES <i>List all activities to be undertaken during the year towards stated outputs</i> | Planned Budget | | Payments and Expenditures | | |
|--|---|-----------------------|--------|---------------------------|--------------|---------|
| | | Budget Description | Amount | Payments received | Expenditures | Balance |
| | | | | | | |
| | | | | | | |
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| | | Total | | | | |

Attachment 5:

United Nations Peace building Support Office (PBSO) Peace building Fund (PBF) Financial Procedures

Section 1: Introduction

1. The PBF support to stabilisation focuses on addressing the critical gaps of the overall needs for the newly recovered areas, with a strong focus on the areas which are critical to ensure the basic presence of the government in these areas and its capacity to conduct the dialogue process leading to the establishment of local governments, as well as complementary support to the urgent need of ensuring law enforcement agents are in place in these locations. This would be accompanied by an initial assistance on the development of conflict-sensitive infrastructure projects.
2. The project will support the capacity of the Ministry of Interior and Federalism in its coordination and oversight role of stabilisation activities. It will also cover needs at the district level. The project covers all the 25 districts to be recovered through the military offensives. The activities to be covered are described in the project document, signed by the UN and Ministry of Interior and Federalism on 19 November 2014.
3. PBF activities will be implemented by the UN and by the Ministry of Interior and Federalism. Part of the allocation (USD 1.15 million) is to be channeled through treasury.
4. The present document describes the process whereby the funds channeled through treasury will be spent, including the financial procedure and oversight roles. The funds will be overseen by the same processes developed through the work of the Somalia special Funding Facility (SFF), and procedures developed by the World Bank.

Section 2: Expenditures Eligible for Financing by the Fund

The following expenditure items are eligible for financing by the PBF for the whole duration of the project, initially envisaged for 18 months from release of funds. The release of funds will be considered as the date the funds are credited in the account of the Central Bank of Somalia (CBS):

A. Recurrent Costs

1. **Salaries or consultants remunerations for technical experts** under key institutions to address the capacity gaps identified by the Ministry of Interior, as per project document:

- a. Ministry of Interior
- b. District level community liaison officers

2. **District Administration eligible expenses** incurred within the limits established in the Ministry of Interior budget

- Payment to District offices will be based on a set of budget items totaling \$5000, as per attached standard budget for districts, predetermined and approved by the Ministry of Interior.
- The breakdown of the \$5000 per month per district includes \$1,500 for non-expendable equipment, \$500 for expendable supplies, and \$3000 for fuel and vehicle operating costs.
- The Ministry of Interior will provide a budget template with approved list of items eligible to be covered under the PBF. This includes office supplies and/or equipment as needed. Equipment will be limited to no more than 30% of the monthly allotment, and could be used for office items such as computers and/or printers. Supplies include expendable office supplies. Running costs includes fuel costs for vehicles.

Section 3: Financial Management Procedures

3.1 Financial management guidelines for Salaries & Expenses

The budget and payment process for salaries and expenses will be based on the established system in the Ministry of Finance and aligned to the SFF procedures, which is as follows:

Step 1: Ministry/Agency submits proposed payroll and expenses to the Director of Budget

Step 2: The Director of Budget cross-checks to budget before authorizing the payment

Step 3: Ministry/Agency submits an expenditure warrant to the Accountant General, requesting payment against the authorized pay list.

Step 4: The Accountant General submits the expenditure warrant to Auditor General for verification before approving the warrant

Step 5: Ministry/Agency submits a payment voucher to the Accountant General against the approved warrant and pay list. There are two signatories to the payment voucher at the Ministry/Agency level: the Director General and the Director of Administration & Finance

Step 6: Accountant General signs against the payment voucher, authorizes payment.

3.2 Payment system for Salaries

Payments will be processed by the CBS. Initially, payments will be processed via check by the CBS, until such time that commercial banks can be used as payment agents (targeting January 2015).

Step 1: Ministry of Finance submits approved payment voucher to CBS for processing

Step 2: CBS Director of Accounting reviews payment voucher and authorizes funds to be transferred from the Single Treasury Account to the Ministry of Interior account

Step 3: Ministry of Interior issues checks based on the payment voucher to technical experts for salary payments

In January 2015, the salary payments will be deposited into the local commercial bank accounts of the technical experts rather than issuing checks.

3.3 Payment system for District Administrations Expenses (\$5000)

Payment to District offices will be based on a set of budget items totaling \$5000, predetermined and approved by the Ministry of Interior.

Step 1: Ministry of Finance submits approved payment voucher to the Central Bank of Somalia (CBS) for processing

Step 2: CBS Director of Accounting reviews payment voucher and authorizes funds to be transferred from the Single Treasury Account to the Ministry of Interior account

Step 3: Funds (\$5000) are transferred from the Ministry of Interior account to the district administration account held in a local commercial bank (Hawala branches).

Step 4: District Commissioner and Deputy District Commissioner to held signatures of the district account, can authorizes payments of the district account.

| Category | Budget p/ Month | Budget p/Two months | Total budget 20 Districts |
|---|-----------------|---------------------|---------------------------|
| Office Equipment <ul style="list-style-type: none">• Computers• Printers• Furniture (desks, chairs, fridge, Air Conditioners, file cabinets• Generator (as required)• Safety deposit (for petty cash)• Camera (for evidence/reporting)• Fax machines (for reporting, where this no | \$1,000.00 | \$2,000.00 | \$200,000.00 |

| | | | |
|---|-------------------|--------------------|--|
| access to internet) | | | |
| <ul style="list-style-type: none"> • Mobile phones | | | |
| Office Supplies <ul style="list-style-type: none"> • Papers, file folders, note pads, binding folders, envelopes, post-it notes • General ledger templates, invoice templates, purchase order templates • Pens, pencils, highlighters • Staplers, paper clips, ink, etc. • Business cards • SIM cards, airtime | \$500.00 | \$1,000.00 | |
| Gas (fuel for transport) | \$1,000.00 | \$2,000.00 | |
| Utilities <ul style="list-style-type: none"> • Water • Electricity • Internet, telecommunications • Rent of office space (as required) | \$1,000.00 | \$2,000.00 | |
| Administration Support <ul style="list-style-type: none"> • Training • Logistical support • Travel • Car rental | \$1,000.00 | \$2,000.00 | |
| Miscellaneous (patty cash): Supplies, non-personal items, meals and /or light refreshments for meetings, emergency needs | \$500.00 | \$1,000.00 | |
| Total | \$5,000.00 | \$10,000.00 | |

3.4 Processing Payments at the District Administrations

3.4.1 Delegation of Authority:

- Level of Authorities for payments and signatories for approving expenditures and issuing checks to vendors have been identified
- Names and signatories on District Administration account held in local commercial bank are being established (See step 3)
- Secretariat District Local Government or/and District Deputy Commissioner will be trained in financial procedures and responsible for processing and reporting on expenditures

3.4.2 Expenditure Procedures

- Expenditures will be approved and executed based on the prepared and approved budget
- General Ledgers will be maintained at the District level for basic book keeping to record all transactions
- Payments of running costs will be authorized to vendors with supporting documentation, i.e. invoices
- Payments will be made via check, to reduce the reliance on cash transaction and limit cash handling to petty cash, when possible
- Records will be maintained to track the authorization of transactions and the dates of authorization. The persons indicated must possess the necessary authority granted in accordance with the established financial authority regulations; and
- The dates the transaction will be posted to the books of account and the persons responsible for that posting.
- Regular (monthly) expenditure reporting in line with budget.

3.4.3 Basic Procurement

- Basic procurement procedures to be followed for the purchase of eligible items in the budget, e.g. equipment, fuel, etc.
- Procurement procedures to be followed will be single source selection as the budget is limited to \$5000, which is below the threshold of “shopping goods”. In addition, the districts are operating in an environment where there is not much selection of competition.

3.4.4 Petty Cash

- Petty cash will be capped at \$500 dollars. Rules of petty cash are established in each district.
- Petty cash will be issued to Secretariat District Local Government. If such position is not available then issued to District Deputy Commissioner by the district commissioner.
- Petty cash will be kept in safe deposit box. A ledger will be maintained to track petty cash spending.
- A reconciliation of the petty cash is to be documented monthly by each district, and last day of the calendar month. This is to reconcile the total amount of petty cash issued to the amount of cash on hand.
- Show cross reference numbers to all the related documentation such as cheque numbers & bank accounts, supplier invoices received, purchase orders, delivery notes, invoices issued;

The above financial procedures will have been reviewed and approved by the Ministry of Finance, in coordination with the Ministry of Interior.

3.5 Financial reports

Financial reporting will be done according to the process and regularity envisaged in the project document. The financial reports will be integrated in the expenditure reporting of the Treasury Single Account produced by the Accountant General

Section 7: Monitoring

7.1 Monitoring

The Ministry of Interior is responsible for expenditure verification at the District Administration level. These will take place as spot check paper-based verification. Paper-based verification will involve reviewing documentation for expenditures, and ensuring that procedures have been followed.

The Ministry Of Finance (MOF) will have oversight of the fund and the overall expenditure and reporting. The monitoring role of the MOF is as follows:

- 1) As part of the country PFM systems, the MOF will receive the payment vouchers outlining the expenditure of the funds from the MIOF for approval. The Budget Director of the MOF will receive the payment voucher and review it against the budget prior to approval. Once approved by the Budget Director, the payment voucher will be submitted to the Accountant General for review and release of funds to MIOF.
- 2) The MOF will receive and review monthly expenditure reports on fund activity
- 3) The MOF will conduct periodic spot checks of expenditures

Section 8: Evaluation & Audit

8.1 Annual Audit

The execution of the PBF will be audited as part of the function of the Auditor General, as it is being channeled through the country systems, including treasury.