



LETTER OF AGREEMENT | MEMORANDUM OF UNDERSTANDING

BETWEEN

THE UNITED NATIONS DEVELOPMENT PROGRAMME (UNDP) *in the framework of the implementation of the Annual Work Plan (AWP) financed by UNDP and approved under the Country Programme 2017-2021*

And

THE STATE SECRETARY FOR TRADE AND INDUSTRY
(hereafter called the Implementing Partner)

I. PREAMBLE

Reference is made to the United Nations Assistance Framework Programme Country Action Plan (AP-UNDAF) signed by the Government Coordinating Authority and the Resident Coordinator of the United Nations System, hereafter referred to as UNDP, in January 2017 regarding the modality of implementation of development projects, and on this date, to the project document:

“00125689 – Agribusiness for Export - Promotion of Agribusiness for Export”

The purpose of the letter of agreement | memorandum of understanding is to record the agreement signed between the implementing partner and UNDP for the activities to be carried out, the responsible partner institutions, the expected timetables and contributions of the various partners involved, in the modalities of request for disbursement of funds, provision of services by UNDP, and how to comply with funding requirements, accounting, reporting, and auditing procedures.

The implementing partner, Directorate of Commerce represented by His Excellency the State Secretary for Trade and Industry, shall assume responsibility for implementing the UNDP assistance with regard to those services and means described in the Annual Work Plan (AWP) as part of the PAP-UNDAF (UNDP).

II. RESPONSIBILITY

1. The implementing partner acknowledges that it is accountable for all activities, whether directly performed by it or by another organization on its behalf. It is therefore responsible for ensuring the proper supervision and management of activities.

2. The implementing partner acknowledges that it is responsible for all funds made available to it for the implementation of the activities that are part of the Annual Work Plan (AWP). The implementing partner is not financially responsible for funds it does not receive or authorize.

3. The implementing partner acknowledges that it has custodial responsibilities for all equipment, vehicles, and other products entrusted to it, whether acquired directly by the implementing partner through funds provided by UNDP or acquired directly by the UNDP representative on its behalf.

III. THE FUNDS PROVIDED BY THE UNDP

4. Expenditure for the implementation of activities will be in accordance with the amount of financial assistance of USD 1,500,000 stipulated in the Project Document, subject to the availability of funds, and to changes that may be agreed periodically during the year between UNDP and the implementing partner. Expenditure can be made according to one of three mechanisms – direct transfer of funds, reimbursement, or direct payment. In all cases, the implementing partner agrees to engage the expenditure in accordance with the TSP.

5. List of Authorized Personnel: In order for UNDP to accept requests from the implementing partner for disbursement of funds or direct transfer of funds, it must receive a request, which will be made using the Funds Authorization and Expenditure Certificate (FACE) form signed by the implementing partner's official authorized to do so, certifying the need for the fund, that it is reasonable and in accordance with the TSP, and the accuracy of the information included in that request. The following individuals are authorized by the implementing partner to engage expenditures, request disbursement or direct transfers of funds, and certify reports of expenditures and activities related to the TSP funded by UNDP:

- Indicative person 1 – Jorge Bonfim, Director of Commerce
- Indicative person 2 –, Director of the Administrative and Financial Directorate of the

Secretariat of Trade and Industry

6. To request the disbursement of expenses to UNDP, the implementing partner must submit the FACE form with the list of activities for the quarter to which the disbursement request refers, according to the format provided by UNDP, which is also the TSP monitoring tool. Requests are made as defined in paragraph 13 of this document. The UNDP representative will authorize the disbursement request provided that: (a) the request is within the programming and budgetary limits authorized and (b) the certification is signed and dated by one of the authorized officials mentioned above.

7. If the implementing partner is unable to use the fund disbursement method described in the previous paragraph, it may request UNDP to transfer the fund directly according to the TSP, and in accordance with UNDP's contributions provided for in the TSP. Each transfer will be based on the financial requirements of the following quarter. The transfer amount will consider, among other things, the amount unused in the previous period and current progress on the work plan. All requests for direct transfers of funds must be made using the FACE form which will include the activities of the quarter immediately preceding that covered by the forward request. All requests for direct transfers of funds will be prepared in accordance with FACE. Requests will be made as defined in paragraph 13 of this document. The UNDP representative will accept the request for direct fund transfer provided that:

(a) the activities in the preceding quarter have been carried out as planned,

(b) the request is within the authorized budgetary limits and

(c) the certification is signed and dated by one of the authorized officials mentioned above.

8. The first instalment can be made as soon as the TSP and this letter of agreement have been signed by authorized officials of UNDP and the implementing partner. The second and subsequent instalments will not be released until the authorized UNDP programmed officer agrees that the handover has taken place satisfactorily, as evidenced by receipt of the FACE form and the completed Work Plan Tracking Instrument for that quarter. The implementing partner must submit its request for the direct transfer of funds to UNDP at least two weeks before the funds are needed.

9. Since the UNDP Offices will be called upon to provide many of the services required during project execution, the mode of use of funds will be that of Request for Direct Payment, authorizing UNDP to make partial or full payment for the activities foreseen in the PAT.

BANKING OPERATION ARRANGEMENTS

IV. BANKING OPERATION ARRANGEMENTS

10. If the transfer of funds to the implementing partner becomes effective, UNDP encourages the implementing partner to maintain a separate bank account in a reputable bank of its choice for the entire TSP it will execute. UNDP acknowledges, however, that due to local regulations and in the interest of administrative efficiency, this may not always be possible.

11. For this purpose, UNDP will transfer the funds to the respective bank accounts to be opened exclusively for the Agribusiness for Export project, to be indicated later by the partner.

12. All interest earned on funds provided by UNDP must be reported and disbursed back to UNDP on an annual basis, preferably at the same time as the submission of the Annual Use of Funds Report and the Annual Disbursement Report and in any case no later than 90 days after the end of the year.

V. ACCOUNTING AND FINANCIAL REPORTING

13. Expenditure: Upon acceptance of the stipulated terms and conditions and as per the budgets contained in the annual work plans, the implementing partner will disburse funds in the amounts specified in the budget, subject to the following:

a. Expenditure for personnel services, as may be provided in the budget, will not exceed the rates applicable in the United Nations system in the country for comparable functions.

b. Income and other allowances funded by UNDP assistance (e.g. the daily subsistence allowance (Perdiem) shall not exceed the maximum rates agreed by the UN Country Team at the local level.

c. Equipment and contracts for provision of services as provided for in the TSP should be made in accordance with procedures established by UNDP, unless the implementing partner applies its own competitive bidding procedures.

d. The amount of funds to be provided to an implementing partner under the terms of the TSP shall be agreed upon by UNDP and the implementing partner and shall constitute an expenditure limit for which UNDP will transfer or disburse the implementing partner. The implementing partner assumes responsibility for the successful implementation of activities within the scope of the budget agreed in the AWP.

14. The implementing partner agrees to maintain a complete set of financial files clearly identifying all funds received and disbursed by the implementing partner as part of the TSP. The implementing partner should ensure that an adequate system of internal controls is in place that will allow UNDP to rely on the integrity and transparency of the financial reports issued. Financial management of the TSP will be in accordance with the implementing partner's financial rules and regulations, if it has them, otherwise it will be in accordance with those of UNDP. All original documentation supporting disbursements made by the implementing partner from UNDP transfers should be kept permanently in the implementing partner's files to ensure that audit verification is possible. This documentation includes purchase orders, supplier invoices, contracts, leases, proofs of payment, tickets, petrol coupons, payroll records, petty cash receipts, and other supporting items and items.

15. Within 15 days of the close of each quarter and within 15 days of the end of the calendar year, the implementing partner will submit to the UNDP Representative a FACE form that lists the disbursements made by the implementing partner during the quarter and the follow-up mechanism of the Work Plan. The report will also indicate the unanticipated balance. All amounts indicated in the report will be prepared in accordance with the FACE format, and will include amounts, currencies as well as payment instructions.

16. All financial reporting to UNDP will be executed by the implementing partner in the currency in which the fund was transferred. The implementing partner is not required to convert transactions into US dollars or any other currency.

17. The implementing partner shall submit all reports to UNDP either in English or in French or in Portuguese.

VI. OTHER CONTROLS

18. UNDP will review the FACE and other financial reports submitted by the implementing partner. Outstanding items for clarification of certain requirements and those suspended or rejected will be brought to the implementing partner's attention.

V. OPERATIONAL MONITORING AND MANAGEMENT REPORTS

19. The programme/project is executed in a national implementation modality to ensure true ownership by national institutions. Therefore, with UNDP support, the implementing partner will be responsible not only for the effective use of allocated resources, but also and above all for achieving the results targeted in the TSP. Consequently, the management of the programme/project will also be the responsibility of this implementing partner.

Transparent management of the programme/project, based on respect for the principles of accountability and accountability, should be ensured by a team consisting of:

Programme/Project Committee: This is the group responsible for making major decisions regarding the management of the programme/project. The final decision making of this group is essentially divided into three functions: i) executive, representing the management of the programme/project and UNDP; ii) main provider of directives on the fallibility of the programme/project; and iii) main beneficiary to ensure the realisation of the programme/project benefits.

Programme/Project Director: Responsible for the day-to-day management and decision-making on behalf of the Committee. His/her main responsibility is to ensure that the expected results are achieved.

Programme/Project Assurance: This is the responsibility of the Programme/Project Committee members. Monitoring and follow-up functions are carried out at this level and independently.

To facilitate the implementation of the activities programmed under the programme/project framework, UNDP and the implementing partners commit to find necessary mechanisms to ensure continuous programme/project monitoring and evaluation and to:

- a. Jointly prepare all work plans;
- b. Organize monthly, quarterly and final meetings to (i) review and analyze the status of programme/project progress; (ii) prepare the review of annual activities and formulation of the TSP for the following year
- c. Organize quarterly joint meetings with government guardians in related areas of intervention
- d. Submit quarterly, annual and/or final management reports in English or French or Portuguese.

Monitoring and evaluation will make it possible to:

- Know the progress made, the problems encountered and the effectiveness facing the programme/project being implemented.
- To know to what extent the project is achieving the expected results,
- –Suggest improvements/adjustments if necessary.

Some baseline indicators will be defined in the TSP to allow measuring progress and comparing more clearly the pre- and post-project situation. All indicators and targets will be determined in consultation with implementing partners to ensure their consistency and relevance and translated into an annual M&E plan.

To facilitate the implementation of the annual M&E plan, the implementing partner will agree with UNDP that periodic reviews will be conducted of all financial records and that procedures and standards of these institutions will be applied. However, to ensure a participatory process, it will be advisable to jointly define the M&E mechanisms that could be, among others, reports, surveys, and meetings.

One month before the end of the programme/project, a Final Tripartite Meeting (RTF) should take place with the participation of representatives from the Government, UNDP and other partners involved in the implementation/execution of the programme/project. Responsibility for this task is entrusted to the Programme/Project Guarantee), charged with drafting an evaluation report to be submitted to the RTF.

VII. FINANCIAL GUARANTEE

20. UNDP conducts the following assurance activities, some in common with the implementing partner and other UN agencies, to ensure that funds provided to the implementing partner have been received, spent, and then reported in the implementing partner's internal control system for activities agreed with UNDP:

- Periodic on-site reviews of the implementing partner's financial records for fund transfers, comprising spot checks;



- Annual audits of the implementing partner's internal controls for the management of fund transfers.
- Other audits.

21. Spot checks are on-site reviews of the implementing partner's financial records for fund transfers in order to verify the soundness of controls and the accuracy of financial records for fund transfers. On-site reviews may be undertaken by UNDP staff or external consultants, strictly following the standards and procedures developed. An extraordinary audit reviews substantive weakness in the implementing partner's system of internal controls in the management of transferred funds. It should be done as expeditiously as possible after the weakness has been identified. Unless specific circumstances do not permit, these audits will follow the scope and procedures established for scheduled audits.

22. Other audits: UNDP reserves the right to request an audit as it is responsible for all funds it receives from donors. Such audits will be monitored by the UNDP country office in close collaboration with the implementing partner.

23. Selection of auditors to undertake the audits: Audit services will be undertaken by private sector audit firms that will examine the operations of the NGO as implementing partner.

VIII. CLOSURE OF THE AWP

24. The implementing partner is responsible for notifying the UNDP Representative when it considers that all operational activity of the final TSP is complete and recommends that it be terminated. Notification to the UNDP Representative should be in the form of a letter that includes a Final Status of Funds Report and Expenditure Report certified by the auditors or designated implementing partner official (in case of no audit), regarding all UNDP progress and expenditure not previously reported. All financial reports must be issued by the due date and by the closing date.

25. Financial reports should be clearly marked "FINAL" and disbursement of all transfers from UNDP indicated on the reports should be attached (or transmitted in another mutually acceptable manner), with interest, if any, indicated separately.

IX. UNUSED FUNDS

26. All funds previously transferred to the implementing partner during the AWP that are not used must be returned to UNDP upon completion or before submission of the final report.

X. AMENDMENTS to the BUDGET

27. Any changes to the budget contained in the TSP that will affect the work done by the implementing partner, and in particular the financial aspects of the TSP, will be allowed only after consultation with the UNDP Representative or his designated representative. Amendments to the TSP budget must be agreed between the implementing partner and UNDP.

XI. AMENDMENTS TO THE FINANCIAL TERMS AND CONDITIONS

28. All amendments to these arrangements will be made by mutual agreement through a supplementary letter of understanding. For all matters not specifically covered by this letter of agreement or the TSP and its revisions, the appropriate provisions of the financial regulations and UNDP rules, mutatis mutandis, will apply. Any further correspondence regarding the accounting,

financial reporting and auditing arrangements referred to in this agreement, including the TSP and the Letter of Agreement or any amendments thereto, should be addressed to UNDP.

XII. NON-PERFORMANCE

29. In the event of non-compliance with the provisions of this Memorandum of Understanding, the parties will rely on a prior termination mechanism followed by termination. Accordingly, the UNDP Representative will notify the implementing partner in writing that the agreement is being terminated and ask him to reimburse UNDP for all funds that have been received by the implementing partner and not yet disbursed for the purposes indicated in the TSP. The officially authorized certifying official will be responsible for ensuring that all funds sent to the implementing partner have either been spent on the AWP, or have been returned to the UNDP Representative.

IN WITNESS WHEREOF, the undersigned, being duly authorized, have signed this Letter of Agreement in Sao Tome, Sao Tome and Principe.

For the implementing partner

Name: **Eugenio António Sacramento da Graça**

Title: State Secretary for Trade and Industry,



15/02/2021

For UNDP

Name: **Katarzyna Wawiernia**

Title: Resident Representative

15/02/2021