

## United Nations Development Programme Project Document

**Project Title:** *Green Banking for Inclusive Growth and Sustainable Development*

**UNDAF Outcome(s):** Improved national and sub-national capacities contribute to formulating macro-level socio-economic policies and plans to promote inclusive growth, sustainable human development, social and economic welfare and the prevention of poverty.

**Expected CPD Outcome(s):** Improved national and sub-national capacities contribute to formulating macro-level socio-economic policies and plans to promote inclusive growth, sustainable human development, social and economic welfare and the prevention of poverty.

**Expected CPAP Output(s):** Capacities of relevant organisations to incorporate human development criteria (including basic development needs, local participation and capability development systems) into macroeconomic planning is further improved.

**Implementing Partner:** Bank Keshavarzi of Iran (Agriculture Bank of Iran);

Iran faces challenges in equitable and sustainable economic growth ("inclusive growth"). The Government of the Islamic Republic of Iran's 5<sup>th</sup> Development Plan (2011-2015) intends to achieve "growth with justice", and the current UNDP-Government of Iran Country Programme (2012-2016) supports the institutional strengthening of macro-economic and sector planning systems and procedures to achieve this – and towards the development of an improved local development model that can achieve inclusive growth outcomes. This includes support to monetary and fiscal initiatives, including development banking and finance – especially those which improve the lives of the poor and sustain their natural resources base. A focused mainstreaming and integration approach makes up the strategy – to further support improved macro-planning, employment generation, social protection, local level economic development and resource allocation targeting. Within a capacity development framework, UNDP will support the Bank Keshavarzi of Iran, the national *development bank for natural resources and agriculture development*, and support its objective to improve its "green" banking and credit procedures and practices (i.e. those that can help ensure both inclusive growth and sustainable development outcomes in the sector and at the local level – and integrate "development" and "banking"). The project is a research and development approach to institutional capacity strengthening; it will initially assess the Standard Operating Procedures of the Bank from an inclusive growth and sustainable development perspective; revise and improve the SoP's as necessary; pilot and test the new SoP's in three provinces; prepare all the necessary documentation required to institutionalise; establish a Centre of Excellence for the Bank on this approach; disseminate the best practices nationally. This project will be under the responsibility and implementation management of the Bank Keshavarzi of Iran, with UNDP TRAC resources and cost sharing resources from the Bank. This project document describes the responsibilities for the activities that can lead to such institutional strengthening.

Programme Period:	2012-2016	AWP budget:	2013-2016
Key Result Area (Strategic Plan):	Inclusive Growth	Total allocated resources:	
Atlas Award ID:	_____	• Regular UNDP	USD 125,000.00
Start date:	September 2013	• Cost Sharing	
End Date:	December 2016	(Bank Keshavarzi)	IRR 19,915,000,000*
PAC Meeting Date:	August 2013	• Unfunded budget:	0.00
Management Arrangements:	NIM	• In-kind Contributions:	0.00
		*IRR 19,915,000,000 equivalent to USD 803,250.92 at the UN Exchange rate of September 2013	

**Agreed by Bank Keshavarzi:**

**Dr. Mohammad Talebi Chairman/Managing Director**

**1 Mehr 1392 (23/9/2013)**

**Agreed by United Nations Development Programme:**  
**Mr. Gary Lewis, Resident Representative**

**23/9/2013 (1 Mehr 1392)**

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## **I. SITUATION ANALYSIS**

### **Background**

Iran faces challenges in equitable and sustainable economic growth (i.e. “inclusive growth”). The Government of the Islamic Republic of Iran’s 5<sup>th</sup> Development Plan (2011-2015) intends to achieve “growth with justice”, and the UNDP–Government of Iran cooperation framework supports the institutional strengthening of macro-economic and sector planning systems and procedures to achieve this – and towards the development of an improved local development model that can achieve inclusive growth outcomes. This includes support to monetary and fiscal initiatives, including development banking and finance – especially those which improve the lives of the poor and sustain their natural resources base.

UNDP’s Country Programme Document (CPD) for 2012-2016 and its’ Action Plan (CPAP) emphasise an inclusive growth and capability poverty reduction approach based on sustainable human development concepts, with three main components: macro-level inclusive growth planning; inter-sector level social protection and capability poverty reduction strategies; and integrated resource management for inclusive growth and development at the district level. A focused mainstreaming and integration approach makes up the strategy – to further support the 5<sup>th</sup> Plan’s development processes that aim to improve macro-planning, employment generation, social protection, local level economic development and resource allocation targeting.

Within a capacity development framework, UNDP will support the Bank Keshavarzi of Iran, the national development bank for natural resources and agriculture development, and support its objective to improve its “green” banking and credit procedures and practices that help ensure inclusive growth and sustainable development outcomes.

The Bank Keshavarzi of Iran is a government corporate entity, specializing in agricultural and natural resource financing and funding: established 80 years ago and dealing in savings and loans (mobilized through both private and farming sources) and also public fiscal funding that is earmarked or targeted to various groups or for various development purposes. The agricultural sector in Iran has about 15% of GDP, and the Bank provides up to 70% of its loan financing: in 2011 this was equivalent to about \$12 billion per annum. Given that out of the nearly 1.7 million persons that receive loans yearly from the Bank, about 70% receive loans of less than \$5,000, as such it may be considered a pro-low income and pro-poor type of funding institution.

This project will be implemented under the overall leadership, responsibility and management of the Bank.

### **The 5<sup>th</sup> Development Plan Goals**

Sustainable development strategies aimed at creating sustainable employment and protection of natural resources and have been highlighted in articles 184, 185, and 194 of the National 5<sup>th</sup> Five Year Development Plan (FYDP), some of which include the following:

#### Regional Development

Article 184 - in order to realize the objectives of Article 50<sup>th</sup> of the Constitution Law, an Environmental Strategic Assessment System, at national, regional and subjective levels, has been developed and implemented based on the following:

- ✦ General strategies of regional development, considering the cumulative effects of these strategies;
- ✦ The environmental development effect indicators and eco-system capacity indicators;
- ✦ Use of regional and national sustainability indicators;
- ✦ Monitoring of the regional and sector development programmes and projects;
- ✦ Empowerment programmes and enabling conditions and mechanisms for Environmental Strategic Assessment System.

Article 185 - in order to make the optimal use of natural and basic resources, the Environmental Sustainability Indicator System will be developed and implemented by the second year of the program within the framework of the following items:

- ✦ Development of Sustainability Indicators National Model;
- ✦ Establishment of the data bank and Sustainability Indicators Information;
- ✦ Setting sustainability indicators and quantification of indicators for the programme years;
- ✦ Setting sustainability terms and criteria to control balancing of the environmental burden and to control the development effects on natural and human environment;

#### Rural Development

Article 194 – The government should support the following initiatives aimed at improving the rural situation in terms of policy-making, planning, steering, supervising and coordinating among the executive entities; promoting living standards of rural population and farmers, reducing inequalities among rural, nomad and urban societies:

- ✦ Improvement of rural development indicators and providing modern services and preparing the rural services priority programme with reward to regional and local conditions;
- ✦ Supporting the development of industrial agriculture and rural industries, with emphasis on development of clusters and industrial chains as well as small and medium enterprises whose inputs and production factors are mostly in the rural areas;
- ✦ Supporting the handicrafts and tourism industries and establishing local markets with priority on centers of rural districts if they have development capabilities;
- ✦ Continuous technical and professional education of rural people aimed at empowerment to offer and use modern services and participation in industrial activities and improving products quality;
- ✦ Organizing and launch of small and medium entrepreneurship and employment activities in production and servicing areas in rural areas through offering financial and credit incentives;
- ✦ Providing credit facilities, lending administered funds <sup>1</sup>, providing interest subsidy and reduction of service charges aimed at developing rural households' employment with priority over local and domestic methods and strengthening consolidating management of crop lands through partnerships with legal entities in order to prevent splitting the small lands.

In order to achieve the above-mentioned objectives, and for achieving the I. R. Iran's and UNDP's joint country programme goals, a research and development initiative of deriving a model for inclusive growth and sustainable development, with emphasis on social justice and pro-poor growth, will be undertaken, as well as design and implementation of pilot projects for conditional payments and credits in selected areas. The Bank Keshavarzi of Iran intends to design joint projects with UNDP aimed at playing significant roles in

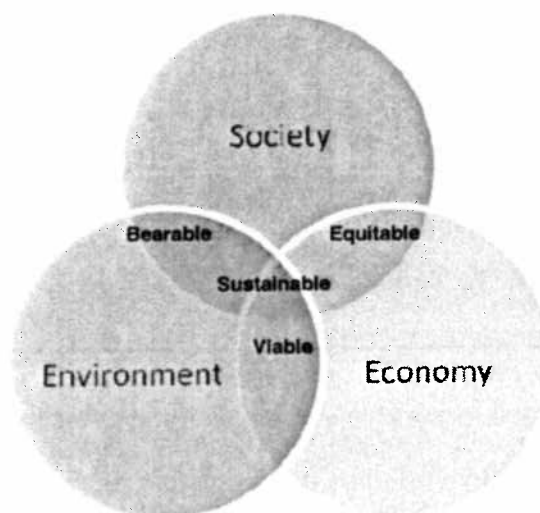
<sup>1</sup> Funds provided by other organizations to the banks, which are only distributors of the funds to customers introduced by the supplying organizations – and according to specified procedures.

presenting a model for sustainable development and creating sustainable employment through financial and credit mechanisms.

### **Bank Keshavarzi of Iran's Mandate**

The Bank Keshavarzi of Iran's (hereafter referred to as the Bank) mandate in rural, natural resources and agricultural development is the allocation of resources and credit to those activities which are directly or indirectly related to natural resources, agriculture and the environment. Financing such activities, and in a manner to ensure sustainability and prevent environmental damage and natural resources depletion, could simultaneously raise economic income growth, help rural employment and social development, and ensure sustainable development. The project's objective is to enhance the Bank's credit system role and improve its resource allocation to ensure inclusive growth and sustainable development outcomes. This will be undertaken through the use of indicators of natural resources and environment protection, and their appropriate evaluation and cost-benefit procedures, in the Bank's credit policies, regulations, and procedures, as well as the actual credit allocation process. The concepts and models will be piloted in local sites, and the Bank has selected Markazi, North Khorassan and Zandjan provinces as the pilot sites. To the extent possible, the work at these pilot sites will also be linked to ongoing UNDP projects at those sites.

The realization of inclusive growth and sustainable development is an important goal of society, and most countries. Chief among the factors involved in achieving sustainable development are the economy and the environment. Inclusive growth realization would mean the adoption of policies and strategies which are aimed at inclusivity and poverty reduction, and also lead to participation of all individuals involved in the growth process. Given the importance of realizing inclusive growth and sustainable development outcomes, all sectors and institutions need to strive to achieve this objective.



Iran's agriculture sector activities are related to the environment and the natural resources. The Bank, as the main supplier of financial resources and credits that are needed in the agriculture sector, is annually engaged with more than 1.5 million people requiring finance in the sector - and provides them with such financial facilities. The financial resources distributed in the sector, by March 20, 2013<sup>2</sup>, amounted to more than Rials 165 Trillion (at the current official 25,000 \$/Rials (approximate) rate this is equivalent to about \$7 billion). This has played a significant role in the development of the natural resources and agriculture sector.

<sup>2</sup> The Bank's financial year (1391 Iranian Calendar) corresponds to the period of March 20, 2012 to March 20, 2013.

Moreover, the Bank, with more than 1800 branches nationwide, of which around 1000 are located in rural areas, has managed to establish a systematic interaction with people in rural and less-developed areas. Many of the rural and agricultural users, who have been granted the Bank's financial facilities, are involved in small business enterprises. As a whole: about 95% of Bank's facilities in terms of number of loans are provided to this category: or more than 50% in terms of financial volume; and each on average equaling less than Rials 200 million<sup>3</sup> (or about \$8,000).

Such significant potential, both in terms of financial resources distribution in the sector and in terms of having close cooperation with poor rural society and agricultural operators, well indicates the effective role the Bank can play to achieve sustainable development and inclusive growth in the rural and agriculture sector. Further, the Bank's mission is to create a distinctive banking service in a sustainable manner in order to meet the customers' needs and help their productivity, and especially all those organizations, enterprises and people involved in one way or another with the agriculture sector and associated sectors and industries.

Although the Bank implements its programmes, according to its social and mandated responsibilities, in order to protect the environment and to generate income for poor and low-income rural people, nevertheless, and in order to improve on its development related role, the Bank intends to improve its planning and procedures in order to enable it to take more effective steps towards sustainable development and inclusive growth outcomes.

In collaboration with UNDP, and given the Bank's aim to improve its effective role in sustainable development of the rural and agriculture sector, and the inclusion of "green banking" principles and standards in its financial facilities and process, a joint project is undertaken to support the required institutional capacity development. This will enable BANK to further support growth and development, and to also protect natural resources and the environment for the future generations: helping create employment in agriculture and rural areas, and optimize on the use of natural resources leading. These will help rise in productivity and promotion and participation in economic growth.

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<sup>3</sup> Within 2012-2013, Bank financial facilities granted to the agriculture sector amounted to Rls. 165,000 billion.

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## II. STRATEGY

Iran faces challenges in sustainable and inclusive growth: the Government's 5<sup>th</sup> Development Plan (2011-2015) intend to achieve "growth with justice" (or inclusive growth) in order to alleviate this problem – and to do it through a number of actions, including the development and ratification of a new localized inclusive growth model and support to rural and regional development. An institutional strengthening approach towards improved, sustainable human development based, planning systems and procedures has been adopted – and their complementary distribution and allocation mechanisms. This includes those for the banking and finance sectors.

The specific strategy and approach adopted by UNDP in the CPAP is to support the development of such a new model – and to introduce procedures and methods which are able to integrate planning systems (inter-sector, and macro-meso-micro), and to establish their coordination procedures and standard operating mechanism (including necessary software). Given the gaps in economic efficiencies and sustainability that exist, support to such processes will prove useful for ensuring inclusive growth outcomes. Within a capacity development framework, UNDP will support the Bank Keshavarzi of Iran, the national development bank for natural resources and agriculture development, and support its objective to improve its "green" banking and credit procedures and practices that help ensure inclusive growth and sustainable development outcomes.

Given that the Bank provides half the value of its loans to small users (small farmers – to the extent of 1.5 million persons), the positive outcome of this project would impact significantly on agricultural sector GDP. As the sector consists mainly of small farmers, albeit that they have a minor proportion of sector GDP, it is expected that Bank improvement in loans towards better practices and techniques in the sector (those that can meet the principles set out below in the next section) will prompt more income and employment, and subsequently more investments for small farmers. The current long term average sector GDP growth rate of 5% may even be stimulated further – and also for a better sustainability outcome.

Also, given that half of loans of Bank go to larger users (i.e. medium and large sized agricultural enterprises and derivative industries) the possibility of undertaking Corporate Social Responsibility and Public-Private-Partnerships also exist in this initiative – and BANK may also adopt such principles in its loan giving criteria.

### **Inclusive Growth and Sustainable Development – Principles and Criteria**

The principles of inclusive growth, sustainable development and capability development suggest that a necessary condition for addressing both poverty reduction and human development over a long period is sustained inclusive economic growth, accompanied by sustainability, alongside local level capability development. For this purpose, *economic growth* should:

- ✓ result in sustained income growth;
- ✓ lead to more equity and efficiency in the use of natural resources – and less waste and destruction;
- ✓ result in productive employment that can generate value added – through local level mechanisms that may also be clustered and networked;
- ✓ be pro-poor, as it should proportionally benefit the poor groups more than it benefits the higher income groups;

- ✓ not lead to a general worsening of income inequality (and preferably reduce inequality – a strong condition);
- ✓ Improve local access to basic social services, in order to maximize opportunities for the poorer (through public goods investments and private social responsibility mechanisms).

The key criteria determining whether programmes/projects (and their relevant resource allocation) and credit and financing provision will achieve their envisaged outcomes are as follows:

1. improved institutional strengthening – through better operating procedures and coordination mechanisms at all levels (including for banking and finance credits);
2. improved capacity at the central, provincial and district level for integrated planning and resource/credit distribution and allocation, for improved inclusive growth outcomes;
3. programmes and projects that contribute to higher, pro-poor economic growth at the local level – and better credit allocation to them;
4. improved local level planning and budgeting – preferably through participatory processes;
5. empowerment of citizens in terms of greater participation in processes, as well as more share in the benefits of local economic growth;
6. contributing to better integrated natural, human and financial resources management;
7. contributing to improved natural resources and environment outcomes and reduced carbon emissions;
8. contributing to productive employment generation with higher value added;
9. facilitating local access of poor and vulnerable groups to productive resources (e.g. access to information, land, financing, inputs and markets);
10. facilitating local access of poor and vulnerable groups to human capital services and infrastructure (to education, skills, health and social protection);
11. contributing to reduction in income inequality at the local level;

The above criteria have to be met partially in the selection of projects if they are to be considered as “inclusive growth and sustainable” outcome orientated. In addition to meeting some of the above criteria, projects should not contravene any of these criteria. For example, a project supporting decentralization to local districts but damaging the local environment would not be eligible.

These criteria make up main pillars of this project document, and the Bank should incorporate them into all the knowledge development, capacity development and piloting processes that it is undertaking – especially for its new and improved credit allocation criteria (the subject of the capacity development work being undertaken).

Given the sensitive nature of agricultural production, especially for national food security, the trade-offs in this sector between optimal growth and sustainability are significant. One of the challenges that this project intends to overcome is to assess the role of the Bank vis-a-vis optimal growth rates and sustainable development in the sector. A further challenge would be the approach to use of “collateral” per se in micro-credit operations (as well as individual and group based approaches) – and especially the Bank’s SoP for this. Again, the clear trade off in development banks, between “banking” per se and “development”, will also be a challenge which the project intends to meet.

## **General Project Outputs and Activities**

In order to meet these objectives and strategies the following five outputs and general activities are envisaged for the joint project.

1. Output 1 - Study, Model Design and SoP Development  
To produce a technical document to identify the gap between the present situation and the optimal situation:
  - Produce the Technical Study Document (2013);
  - Evaluate the Document (2013);
  - Conference / Workshop / South-South Cooperation (SSC) (2013 and 2014)
2. Output 2 - Design and development of a model for credit provision based on green banking concepts and criteria:
  - Design the Bank's integrated model for credit provision based on green banking concepts and criteria (Quarters 1 & 2, 2014);
  - Initiate SSC for comparative study on E-banking for microcredit (Quarters 2 , 3 & 4 2014);
3. Output 3 - Establish a Monitoring and Evaluation System (M&E):
  - Establish an M&E mechanism (Quarter 1, 2014)
4. Output 4 – Implementation of the proposed model in three pilot sites (North Khorassan, Markazi and Zandjan Provinces):
  - Implementation (3<sup>rd</sup> and 4<sup>th</sup> Quarters, 2014 and 1<sup>st</sup>, 2<sup>nd</sup> 3<sup>rd</sup> Quarters, 2015)
5. Output 5 - Assessment of results and production of a policy/programming document (for replication and up-scaling):
  - Assessment of results (Quarter 4, 2015 and Quarter 1, 2016);
  - Production of a policy/program document (Quarter 2 and 3, 2016)
  - Ratification by the Bank's Board of Directors
  - National Seminar for dissemination of results
  - Establishment of a *Center of Excellence*
  - Production of a *Special Report*

## **Pilot Site Selection**

The Bank has selected Markazi, North Khorassan and Zandjan provinces as the three pilot implementation sites of the project. Having the required potential for production of some agricultural products, these provinces are low-income and have the minimum required agricultural production.

In 2012-2013, the Bank granted 51,254 credit facilities to the value of Rials 3,859 billion in Zandjan, granted 28,103 credit facilities to the value of Rials 1,505 billion in North Khorassan and granted 52,774 credit facilities to the value of Rials 5,341 billion in Markazi. The number of credit facilities allocated to Zandjan, North Khorasan and Markazi provinces is 2.8% ,1.5% and 2.83% respectively of the total number of credit facilities granted by the Bank, while in terms of value are 2.3% ,0.9% and 3.2% . It is to be noted that most credit facilities granted in these three provinces are categorized as "micro credit".

Statistics for Markazi production shows that the province is ranked 2nd for cut flower cultivation, 2nd for production of flower and ornamental plants, trees and shrubs, 3th for production and cultivation of water irrigation bean, 4th for production of caviar, 6th for



production of layer chicken units, 7th for production of grape and 8th for the capacity of layer chicken units.

Statistics for North Khorassan production indicate the province is ranked 3<sup>th</sup> for production of cherry, 4<sup>th</sup> for onion, 5<sup>th</sup> for cotton, 5<sup>th</sup> for warm water fish, 7<sup>th</sup> for saffron, the 7<sup>th</sup> for medical plants, the 10<sup>th</sup> for cold water fish, the 13<sup>th</sup> for barely, 14<sup>th</sup> for wheat .

Zandjan is ranked 2nd for production of figs, 7th for production of rain-fed figs, 12th for pomegranates, 11th for persimmons, 3rd for huckleberry, 4th for hazelnuts, 10th for walnuts and Russian olive (*Elaeangus*), 12th for almonds, 9th for strawberry, 5th for grapes, 11th for cherry, 2nd for apricot, 6th for pear and 8th for apple. In farming, the province also holds 10th ranking for production of canola, 13th for alfalfa, 6th for watermelon, 11th for tomatoes, 7th for onion, 3rd for potatoes, 7th for lentils, 4th for beans and 13th for wheat. In terms of livestock and poultry products, the province is ranked 6th for poultry incubation products and 11th for broilers chicken.

The above-mentioned are only indications of some agricultural potential of the three provinces. With regard to such features and that North Khorassan and Zandjan are among the less-developed provinces, and given their potential capacities for growth in the agriculture sector, with due consideration of the three objectives in sustainable development and inclusive growth (i.e. economic growth, environment protection and welfare promotion for low-income people), the two provinces have been chosen as the sites for pilot implementation. Beside, another province, Markazi, is selected because of significant economic potential and the extent of Bank credit distributed in agriculture production there.

### **Project Exit Strategy**

As stated above, the strategy adopted for this project is to support the development of the new model and operating procedures by introducing procedures and methods which are able to integrate planning systems with credit allocation and project selection methods. Once done, and pilot tested at both national level Bank institutions and District level Bank institutions, one can utilise the methodology. This basic model and framework and SoP, once achieved by 2016, may also be included in the next Bank institutional planning process.

The project activities will ensure that the model and framework and SoP are consolidated by 2016 and the groundwork then established for incorporation into the Bank's national strategic planning and institutional framework.

### III. RESULTS AND RESOURCES FRAMEWORK

**Expected CPD Outcome(s):** Improved national and sub-national capacities contribute to formulating macro-level socio-economic policies and plans to promote inclusive growth, sustainable human development, social and economic welfare and the prevention of poverty.

**Expected CPAP Output(s):** Capacities of relevant organisations to incorporate human development criteria (including basic development needs, local participation and capability development systems) into macroeconomic planning is further improved.

**Applicable National 5<sup>th</sup> Plan Objectives:** Economic Growth with Social Justice (through growth with employment and improved human development index) ; also Articles 184, 185 and 194 of the Plan

**Partnership Strategy:** Bank Keshavarzi of Iran and UNDP work together towards advocating for inclusive growth and human development outcomes, criteria and instruments.

**Project Title and ID:** *Green Banking for Inclusive Growth and Sustainable Development*

### GREEN BANKING FOR INCLUSIVE GROWTH AND SUSTAINABLE DEVELOPMENT

OUTPUTS	ANNUAL OUTPUT TARGETS (YEARS)	ACTIVITIES	RESPONSIBLE PARTIES	YEAR			BUDGET
				2013	2014	2015	
<p><b>Output 1:</b> To produce a technical document to identify the gap between the present situation and the optimal situation.</p> <p><b>Indicator 1:</b> Improvement in the quality of standard operating procedures (SOP) ; by inclusion of inclusive growth and sustainable development indicators.</p>	<p>1. Produce the Technical Study Document (2013);</p> <p>2. Evaluate the Document (2013);</p> <p>3. Conference / Workshop / South-South Cooperation (SSC)</p>	<p><b>Activities</b></p> <ol style="list-style-type: none"> <li>1. Prepare terms of references;</li> <li>2. Identify indicators;</li> <li>3. Identify consultants;</li> <li>4. Study the existing situation;</li> <li>5. Study the optimal situation;</li> <li>6. Undertake the synthesis;</li> <li>7. Produce the draft document;</li> <li>8. Evaluate the</li> </ol>	<p>Bank Keshavarzi UNDP</p>	<p>X</p>			<p><b>BANK and UNDP</b></p> <p><b>Bank Keshavarzi</b> 717,000,000 Rials</p> <p><b>UNDP:</b> 10,000 USD (International and Local Consultants) 6,000 USD (Workshops) 9,000 USD (SSC)</p>

<p><b>Indicator 2:</b> Percentage of credit provision and processes that are undertaken electronically.</p>		<p>document; 9. Produce the final document; 10. Initiate two workshops; 11. Organize South-South information exchange visits</p>					
<p><b>Output 2:</b> Design and development of a model for credit provision based on green banking concepts and criteria;  <b>Indicator 1:</b> Utilizing inclusive growth and sustainable development indicators.  <b>Indicator 2:</b> The model incorporates E-banking concepts and criteria;</p>	<p>1. Design the Bank's integrated model for credit provision based on green banking concepts and criteria (Quarters 1 &amp; 2, 2014); 2. Initiate SSC for comparative study on E-banking for microcredit (Quarters 2, 3 &amp; 4 2014);</p>	<p><b>Activities</b> 1. Prepare terms of references; 2. Identify and select consultants; 3. Undertake comparative studies of similar models; 4. Select a model; 5. Localize the model; 6. Produce a software; 7. Identify implementation mechanisms; 8. Assess and evaluate; 9. Inform the Bank's Board of Directors; 10. Undertake workshops; 11. Organize SSC exchange visits; 12. Organize SSC Conference</p>	<p>Bank Keshavarzi UNDP</p>	<p><b>X</b></p>			<p><b>Bank Keshavarzi:</b> 4,553,500,000 Rials  <b>UNDP:</b> 15,000 USD (International and Local Consultants) 10,000 (Workshops) 10,000 (SSC)</p>
<p><b>Output 3:</b> Establish a Monitoring and Evaluation System (M&amp;E);</p>	<p>1. Establish an M&amp;E mechanism (Quarter 1, 2014)</p>	<p><b>Activities</b> 1. Prepare terms of references; 2. Identify and select</p>	<p>Bank Keshavarzi UNDP</p>	<p><b>X</b></p>			<p><b>UNDP:</b> 5,000 USD (M&amp;E support)</p>

<p><b>Output 4:</b> Implement the proposed model in three pilot sites (Markazi, North Khorassan, and Zandjan Provinces);</p>	<p>1. Implementation (3<sup>rd</sup> and 4<sup>th</sup> Quarters, 2014 and 1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup> Quarters, 2015)</p>	<p>consultants; 3. Produce an M&amp;E mechanism and operating procedure; 4. Undertake workshops</p>	<p>Bank Keshavarzi UNDP</p>	<p><b>Activities</b> 1. Establish pilot implementation mechanism; 2. Implement work planning and time schedule; 3. Training; 4. Reporting (Performance, Lessons learned, ...); 5. Monitoring; 6. Evaluation and assessment (Mid-term Review); 7. Seminars; 8. Organize SSC exchange visits</p>	<p>Bank Keshavarzi UNDP</p>	<p><b>Bank Keshavarzi:</b> 10,449,500,000 Rials <b>UNDP:</b> 10,000 USD (International and Local Consultants) 10,000 (Mid Term Review) 5,000 (SSC) 5,000 USD (Workshops)</p>
<p><b>Output 5:</b> Assessment of results and production of a policy/programming document (for replication and up-scaling)</p>	<p>1. Assessment of results (Quarter 4, 2015 and Quarter 1, 2016); 2. Production of a policy/program document (Quarter 2 and 3, 2016) 3. Ratification by the bank's Board</p>	<p><b>Activities</b> 1. Preparation of terms of reference; 2. Selection of a consultant; 3. Production of an assessment report; 4. Production of a policy/program document 5. Pre-requisites for the</p>	<p>Bank Keshavarzi UNDP</p>	<p><b>Bank Keshavarzi</b> 4,195,000,000 Rials <b>UNDP:</b> 10,000 USD (Consultants) 10,000 USD (SSC - Center of Excellence) 10,000 USD (Special Report)</p>	<p><b>X</b></p>	<p><b>X</b></p>

	of Directors 4. National Seminar for dissemination of result 5. Establishment of a center of excellence; 6. Production of a special report	bank's board of directors' approval; 6. Organize a national seminar; 7. Programming for establishment of a center of excellence; 8. Programming for preparation of a special report						<u>Bank Keshavarzi:</u> <b>19,915,000,000 Rials</b> <u>UNDP:</u> <b>\$ 125,000</b>
<u>Total</u>								

#### IV. ANNUAL WORK PLAN (AWP) AND BUDGET

As above table, a final and completed ToR, work-plan including annual work plans for each year, set of foreseen activities to achieve outputs and time schedule will be jointly agreed between UNDP and the Bank in the first weeks of work. The implementing partner will undertake to implement the proposed work-plan within the time-schedule established and agreed following the signature of this project document. The implementing partner will engage with UNDP and other national counterparts (including the CPAP Poverty Outcome Board) as necessary, to ensure a timely and efficient performance.

The AWP budget cycle of 2013-2016 is foreseen in the table above. A total resource of \$1,280,000 is required: of which UNDP TRAC resource are expected to be \$125,000 and the Bank's resources are expected to be \$ 803,250.92 (at the current UN rate of exchange for Sept 2013). The expected annual resource provision envelope is currently set at:

SOF	Year 1	Year 2	Year 3	Year 4	Total
BANK - Rials	717,000,000	7,104,500,000	7,898,500,000	4,195,000,000	19,915,000,000
UNDP - USD	\$ 25,000	\$ 50,000	\$ 20,000	\$ 30,000	\$ 125,000

The resources foreseen from the Bank will be in terms of the above Rial amount (IRR 19,915,000,000) and will not be subject to variation due to foreign exchange rates' change in the future. The resources will be undertaken as donor *cost sharing*. Execution modalities for this Cost Sharing resources will be made between UNDP and the Bank in the form of a standard cost-sharing agreement in order to establish mechanisms for this purpose after the signature of the project document. The project NPD (whose mandate is set out below) is responsible for the implementation of the project and ownership of all such pooled resources of USD 125,000 from UNDP and IRR 19,915,000,000 from Bank Keshavarzi – and all project activities and expenditures will only be instructed for payment through the approval and signature of the NPD. Upon project document signature, the Bank will provide the NPD's signature for UNDP's records. All funds expenditures will be undertaken according to NIM procedures.



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## V. MANAGEMENT ARRANGEMENTS

The project is funded by UNDP's TRAC fund and Bank Keshavarzi of Iran, and is managed through a *National Implementation (NIM)* modality - managed directly by the Bank. Following discussions with national partners (of the CPAP Poverty Outcome Board) as well as with the designated implementation partner, it has been agreed that the implementation of activities will be undertaken by the Bank and in coordination with UNDP. Through this project document the implementation of the activities foreseen in the RRF (and Workplan) as in section III and IV will be undertaken.

The management structure will be "*Project Board*" based (as defined in UNDP processes) which will be composed of UNDP, Bank and Ministry of Foreign Affairs. Other national entities of relevance may also be included in the Project Board (including the CPAP Outcome Board members such as MoJA and DoE). The Project Board Members will be designated and will hold regular meetings to discuss the trend of project performance and make strategic guidance. At least two Project Board meetings will be held annually.

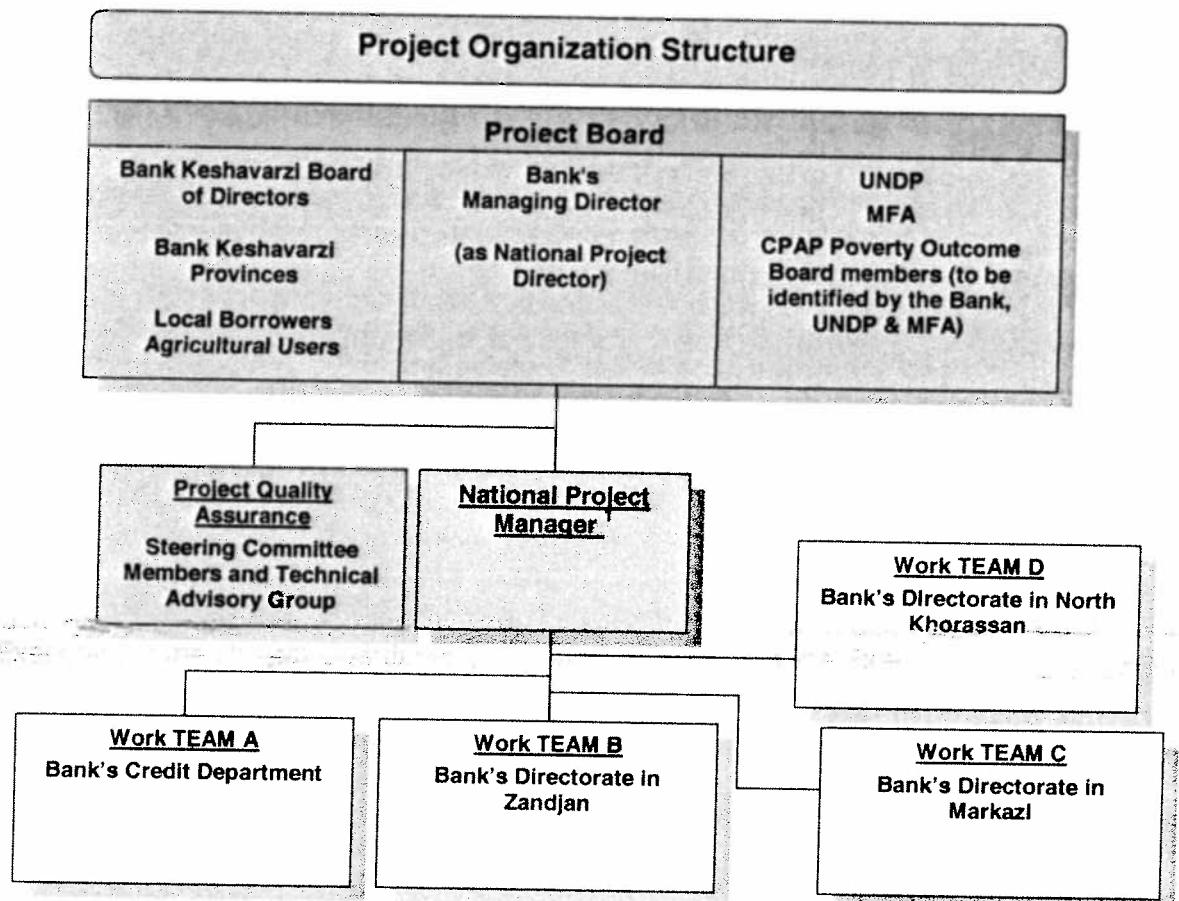
The National Project Director (the Bank's Managing Director) will be enabled responsibility for the implementation of the activities, and a National Project Manager (NPM) will be designated to undertake workplan implementation activities to ensure timely outputs. The Bank's Managing Director has the executive responsibility of the project, as NPD – and in this particular project, given the Bank's structure, will also be supported by the Bank's Board of Directors. The NPD will act as the Executive of the Project Board.

The NPM is responsible for implementing and monitoring the execution of the project work plan - and must regularly report to the NPD and Project Board authorities – and obtain their guidance and recommendations. The following chart clarifies the structure of management oversight.

The project will also have Work Teams that are to operate based on the working processes and activities defined in the project document. Each may be led by a focal point. They are expected to report to the NPM.

Parties may suggest amendments to any part of this agreement which will be applied and effective upon written agreement of all parties with the amendments.





1. The project manager is designated as Mr Hamid Mirzaei, Manager of BANK's Credit Department – who has been designated with regard to the required credit specialties and the skills he has.

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## VI. MONITORING FRAMEWORK AND EVALUATION

In accordance with the programming policies and procedures outlined in the UNDP rules and regulations the project will be monitored through the following:

### Within the Year

- On a quarterly basis, a project progress Quality Assessment shall record progress towards the completion of key results, based on quality criteria and methods captured in the Quality Management table below.
- A project Issue Log shall be prepared (and activated in UNDP Atlas and updated by the National Project Manager) to facilitate tracking and resolution of potential problems or requests for change.
- Based on the initial risk analysis submitted (see annex 1), a project Risk Log shall be activated in Atlas and regularly updated by reviewing the external environment that may affect the project implementation.
- Based on the above information a Quarterly Progress Reports (QPR) shall be submitted by the National Project Manager to the Project Board through the Project Quality Assurance process, using the standard report format available in UNDP.
- a project Lesson-learned Log shall be reported and regularly updated to ensure on-going learning and adaptation within the organization, and to facilitate the preparation of the Lessons-learned Report at the end of the project
- a Monitoring Schedule Plan shall be kept and updated to track key management actions/events that are required to ensure that the project succeeds.

### Annually

- Annual Review Report. An Annual Review Report shall be prepared by the National Project Manager and shared with the Project Board and the CPAP Outcome Board. As minimum requirement, the Annual Review Report shall consist of the UNDP standard format for the QPR, but covering the whole year, with updated information for each above element of the QPR, as well as a summary of results achieved against pre-defined annual targets of outputs.
- Annual Project Review. Based on the above report, an annual project review (Project Board) shall be conducted during the fourth quarter of the year or soon after, to assess the performance of the project and appraise the Annual Work Plan (AWP) for the following year. In the last year, this review will be a final assessment. This review is driven by the Project Board and may involve other stakeholders as required. It shall focus on the extent to which progress is being made towards outputs, and that these remain aligned to appropriate outcomes.

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## **VII. LEGAL CONTEXT**

All Legal issues related to this project will be referred to and addressed in the Legal Annex (Annex I of this Agreement).

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## **VIII. ANNEXES**

- Annex I: Standard Legal Text
- Annex II: Letter of Agreement between UNDP and Government of Iran for the Provision of Support Services
- Annex III: UNDP Cost Recovery Policy
- Annex IV: UNDP Local Price List (LPL)
- Annex V: Environment and Social Screening Summary

## ANNEX I

### Standard Annex to Project Document for use in countries which are not parties to the Standard Basic Assistance Agreement (SBAA)

#### Standard Text: Supplemental Provisions to the Project Document: The Legal Context

##### General Responsibilities of the Government, UNDP and the Implementing Partner

1. The Government, assuming its overall responsibility, shall designate the Government Co-operating Agency named in the cover page of this document (hereinafter referred to as the "Co-operating Agency") which shall be directly responsible for the implementation of the Government contribution to the project.
2. The Project Document, and the term as used in this Annex, includes the Country Programme Action Plan (CPAP), signed by the Government of Iran (the Government) on (signing date of the current CPAP), and the Annual Work Plan (AWPs), together with this Annex attached to the AWPs.
3. UNDP project activities shall be carried out in accordance with the relevant and applicable resolutions and decisions to the competent UNDP organs, and subject to the availability of the necessary funds to UNDP. In particular, decision 2005/1 of 28 January 2005 of UNDP's Executive Board approved the new Financial Regulations and Rules and, along with them, the new definitions of 'Executing Entity'<sup>4</sup> and 'Implementing Partner'<sup>5</sup> enabling UNDP to fully implement the new Common Country Programming Procedures resulting from the UNDP simplification and harmonization initiative.
4. All phases and aspects of the project shall be governed by and carried out in accordance with the relevant and applicable resolutions and decisions of the competent United Nations organs and the principles embedded in UNDP's Financial Regulations and Rules, and in accordance with UNDP's policies and procedures for such projects, and subject to the requirements of the UNDP Monitoring, Evaluation and Reporting System.
5. The Co-operating agency shall remain responsible for its part in UNDP-assisted development projects and the realization of their objectives as described in the Project Document.
6. Assistance under the Project Document is provided for the benefit of the Government and the people of the Islamic Republic of Iran. The Co-operating Agency shall bear all imputable risks of operations in respect of this project.

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<sup>4</sup> Executing Entity shall mean, for UNDP programme activities carried out under the harmonized operational modalities established in response to General Assembly resolution 56/201, the entity that assumes the overall ownership over and responsibility for UNDP programme activities and the acceptance of accountability for results, and shall normally be the programme country Government.

<sup>5</sup> Implementing Partner shall mean, for UNDP programme activities carried out under the harmonized operational modalities established in response to General Assembly resolution 56/201, the entity to which the Administrator has entrusted the implementation of UNDP assistance specified in a signed document along with the assumption of full responsibility and accountability for the effective use of UNDP resources and the delivery of outputs, as set forth in such document.

7. The Co-operating Agency, in accordance with the Project Document, shall provide to the project the national counterpart personnel, training facilities, land, buildings, equipment and other required services and facilities.
8. The UNDP undertakes to complement and supplement the Co-operating Agency participation and will provide through the Implementing Partner the required expert services, training, equipment and other services within the funds available to the project.
9. Upon commencement of the project the implementing Partner shall assume primary responsibility for project implementation and shall have the status of an independent contractor for this purpose. However, that primary responsibility shall be exercised in consultation with UNDP and in agreement with the Co-operating Agency. Arrangements to this effect shall be stipulated in the Project Document as well as for the transfer of this responsibility to the Co-operating Agency or to an entity designated by the Co-operating Agency during the implementation of the project.
10. Part of the Co-operating Agency's participation may take the form of cash contribution to UNDP. In such cases, the Implementing Partner will provide the related services and facilities and will account annually to the UNDP and to the Co-operating Agency for the expenditure incurred.

**(a) Participation of the Government**

1. The Co-operating Agency shall provide to the project the services, equipment and facilities in the quantities and at the time specified in the Project Document. Budgetary provision, either in kind or in cash, for the Co-operating Agency's participation so specified shall be set forth in the Project Budgets.
2. The Co-operating Agency shall, as appropriate and in consultation with the Implementing Partner, assign a director for the project on a full-time basis. He shall carry out such responsibilities in the project as are assigned to him by the Co-operating Agency.
3. The estimated cost of items included in the Co-operating Agency contribution, as detailed in the project budget, shall be based on the best information available at the time of drafting the project proposal. It is understood that price fluctuations during the period of execution of the project may necessitate an adjustment of said contribution in monetary terms; the latter shall at all times be determined by the value of the services, equipment and facilities required for the proper implementation of the project.
4. Within the given number of work-months of personnel services described in the Project Document, minor adjustments of individual assignments of project personnel provided by the co-operating Agency may be made by the co-operating Agency in consultation with the Implementing Partner, if this is found to be in the best interest of the project. UNDP shall be so informed in all instances where such minor adjustments involve financial implications.
5. The Co-operating Agency shall continue to pay the local salaries and appropriate allowances of national counterpart personnel during the period of their absence from the project while on UNDP fellowships.
6. The Government shall defray any customs duties and other charges related to the clearance of project equipment, its transportation, handling, storage and related expenses within the country. It shall be responsible for its installation and maintenance, insurance, and replacement, if necessary after deliver to the project site.

7. The Co-operating Agency shall make available to the project – subject to existing security provisions and national laws and regulations – any published and unpublished reports, maps, records and other data, which are considered necessary to the implementation of the project. Such reports, maps, records and other data shall be exclusively used for the implementation of the project. In cases when the Co-operating Agency, due to security provisions or national laws and regulations, does not make available reports, maps, records and other data considered necessary to the implementation of the project, UNDP and the Government may decide to modify or redesign the project or components thereof.
8. Unless otherwise agreed by the Parties in each case, patent rights, copyright and other similar rights to any discoveries or work resulting from UNDP assistance in respect of this project shall belong to the UNDP. Unless otherwise agreed by the Parties in each case, however, the Government shall have the right to use any such discoveries to work within the country free of royalty and any charge of similar nature.
9. The Co-operating Agency undertakes to assist all project personnel in finding suitable housing accommodation at reasonable rents.
10. The services and facilities specified in the Project Document which are to be provided to the project by the Co-operating Agency by means of a contribution in cash shall be set forth in the Project Budget. Payment shall be made in accordance with the Schedule of Payments in the Project Document.
11. Payment of the above-mentioned contribution on or before the dates specified in the Schedule of Payments is a prerequisite to commencement or continuation of project operations.

**(b) Participation of the UNDP and the Implementing Partners**

1. The UNDP shall provide to the project through the Implementing Partner the services, equipment and facilities described in the Project Document Budgetary provision for the UNDP contribution as specified shall be set forth in the Project Budgets.
2. The Implementing Partner shall consult with the Co-operating Agency and UNDP on the candidature of the Project Manager<sup>6</sup> who, under the direction of the Implementing Partner, will be responsible in the country for the Implementing Partner's participation in the project. The Project Manager shall supervise the experts and other entity personnel assigned to the project, and the on-the-job training of national counterpart personnel. The Project Manager shall be responsible for the management and efficient utilization of all UNDP-financed inputs, including equipment provided to the project.
3. The Implementing Partner, in consultation with the Co-operating Agency and UNDP, shall assign international staff and other personnel to the project as specified in the Project Document, select candidates for fellowships and determine standards for the training of national counterpart personnel.
4. Fellowships shall be administered in accordance with the fellowships regulations of the Implementing Partner.
5. The Implementing Partner may, in agreement with the Co-operating Agency and UNDP, implement part or the entire project by subcontract. The selection of subcontractors shall

be made, after consultation with the Co-operating Agency and UNDP, taking into account the Implementing Partner's procedures.

6. All material, equipment and supplies which are purchased from UNDP resources will be used exclusively for the implementation of the project, and will remain the property of the UNDP in whose name it will be held by the Implementing Partner. Equipment supplied by the UNDP shall be marked with the insignia of the UNDP and of the Implementing Partner.
7. Arrangements may be made, if necessary, for a temporary transfer of custody of equipment to local authorities during the life of the project, without prejudice to the final transfer.
8. Prior to completion of UNDP assistance to the project, the Co-operating Agency, the UNDP and the Implementing Partner shall consult as to the disposition of all project equipment provided by the UNDP. Title to such equipment shall normally be transferred to the Co-operating Agency, or to an entity nominated by the Co-operating Agency, when it is required for continued operation of the project or for activities following directly there from. UNDP may, however, retain title to part or all of such equipment in accordance with UNDP regulations and rules.
9. At an agreed time after the completion of UNDP assistance to the project, the Co-operating Agency and the UNDP, and if necessary the Implementing Partner, shall review the activities continuing from or consequent upon the project with a view to evaluating its results.
10. UNDP may release information relating to any investment oriented project to potential investors, unless and until the Co-operating Agency has requested the UNDP in writing to restrict the release of information relating to such project.

#### **Rights, Facilities, Privileges and Immunities**

1. In accordance with the Convention on the Privileges and Immunities of the United Nations of 1946, given effect to by the Act of 4 March 1973 of the Iranian National Assembly, and the Agreement between the United Nations Special Fund and the Government of Iran Concerning Assistance from the Special Fund, signed by the Minister of Foreign Affairs 6 October 1959, the officials of UNDP and other United Nations organizations associated with the project shall be accorded rights, facilities, privileges and immunities specified in said Convention and Agreement.
2. (a) Should the Parties agree to involve "Persons Performing Services" in this project in accordance with Article 8(3) of the Agreement between the United Nations Special Fund and the Government of Iran Concerning Assistance from the Special Fund, signed on 6 October 1959, the expression "persons performing services" as used in this Article of this Annex includes UN Volunteers, operational experts, Implementing Partners, their employees and contractors, implementing or assisting in the implementation of UNDP assistance to a project, other than Government nationals employed locally. Any agreement between the parties to involve persons performing services has to be approved in accordance with the Iranian national procedures.
  - (b) The expression "persons performing services" does not extend to cover nationals and the residents in the territory of Iran.
  - (c) The privileges and immunities are accorded to the officials of UNDP and other relevant UN organizations associated with the projects in the interest of the United Nations and

not for the personal benefit of the individuals themselves. The Secretary-General shall have the right and duty to waive the immunity of any official in any case where, in his opinion, the immunity would impede the course of justice and can be waived without prejudice to the interest of the United Nations. The United Nations shall cooperate at all times with the appropriate authorities of the Islamic Republic of Iran to facilitate the proper administration of justice, secure the observance of police regulations and prevent the occurrence of any abuse in connection with the privileges, facilities and immunities referred to above.

3. (a) For purposes of the instruments on privileges and immunities referred to in the preceding parts of this Article:
  - i. All papers and documents relating to a project in the possession or under the control of the persons referred to in sub-paragraph 2(a), above, shall be deemed to be documents belonging to UNDP, the United Nations or the Specialized Agency concerned, as the case may be; and
  - ii. Equipment, materials and supplies brought into or purchased or leased by those persons within the country for purposes of a project shall be deemed to be property of UNDP, the United Nations or the Specialized Agency concerned, as the case may be.
4. The Cooperating Agency shall ensure:
  - a. Prompt clearance of experts and other persons performing services in respect of this project; and
  - b. The prompt release from customs of:
    - i. Equipment, materials and supplies required in connection with this project; and
    - ii. Property belonging to and intended for the personal use or consumption of the personnel of the UNDP, its Implementing Partners, or other persons performing services on their behalf in respect of this project, except for locally recruited personnel.
5. Nothing in the Project Document shall be construed to limit the rights, facilities, privileges or immunities conferred in any other instrument upon any person, natural or juridical, referred to hereunder.
6. The Co-operating Agency shall facilitate the project implementation under the provisions of the Project Document.

#### **Suspension or termination of activities**

1. Following mutual consultation with the Co-operating Agency, UNDP may by written notice to the Co-operating Agency and to the Implementing Partner concerned suspend any project activities, if in the judgment of UNDP, any circumstances arise which interferes or threatens to interfere with the successful completion of the project or the accomplishment of its purposes.
2. The procedure for suspension and termination of a project are as follows:
  - a. Suspension: During the period of suspension, the Parties may consult and try to resolve the problems by corrective measures. If the problems are resolved, the project activities may be resumed. The UNDP Resident Representative



confirms to the Parties the date for resuming such activities. However, UNDP may directly terminate a project, in cases it deems as force majeure.

b. Termination: A project may be terminated only after a period of suspension. If neither party has been able to reach a resolution of the problem within a reasonable period of time, either party may recommend the project's termination. Unspent TRAC1 or TRAC2 funds from a terminated project may be reprogrammed, taking into account the outstanding obligations of the terminated project. The Implementing Partner proceeds with the steps required for financial completion.

3. The UNDP Resident Representative takes the necessary steps regarding suspension or termination of a project and confirms it in writing to the parties concerned, in consultation with the national coordinating authority and the Implementing Partner.

## ANNEX II

### Letter of Agreement between UNDP and Government of Iran for the Provision of Support Services

Dear ... (the NPD),

1. Reference is made to consultations between officials of the Government of Iran and officials of UNDP with respect to the provision of support services by the UNDP country office for nationally managed programmes and projects. UNDP and the Government hereby agree that the UNDP country office may provide such support services at the request of the Government through its institution designated in the relevant programme support document or project document, as described below.
2. The UNDP country office may provide support services for assistance with reporting requirements and direct payment. In providing such support services, the UNDP country office shall ensure that the capacity of the Government-designated institution is strengthened to enable it to carry out such activities directly.
3. The UNDP country office may provide, at the request of the designated institution, the following support services for the activities of the programme/project:
  - Identification and/or recruitment of project and programme personnel;
  - Identification and facilitation of training activities;
  - Procurement of goods and services including customs clearance;
  - Travel Management Services;
  - Financial Record Management;
  - ICT Services
  - Logistical support to Event Organizations
4. The provision of support services as per paragraph 3 above by the UNDP country office shall be in accordance with the UNDP regulations, rules, policies and procedures. Support services described in paragraph 3 above shall be detailed in an annex to the programme support document or project document. If the requirements for support services by the country office change during the life of a programme or project, the annex to the programme support document or project document is revised with the mutual agreement of the UNDP resident representative and the designated institution.
5. The relevant provisions of the Legal Annex to Project Documents including the provisions on liability and privileges and immunities, shall apply to the provision of such support services. The Government shall retain overall responsibility for the nationally managed programme or project through its designated institution. The responsibility of the UNDP country office for the provision of the support services described herein shall be limited to the provision of such support services detailed in the annex to the programme support document or project document.

6. Any claim or dispute arising under or in connection with the provision of support services by the UNDP country office in accordance with this letter shall be handled pursuant to the relevant provisions of the Legal Annex to Project Documents.
7. The manner and method of cost-recovery by the UNDP country office in providing the support services described in paragraph 3 above shall be specified in the annex to the programme support document or project document.
8. The UNDP country office shall submit progress reports on the support services provided and shall report on the costs reimbursed in providing such services, as may be required.
9. Any modification of the present arrangements shall be effected by mutual written agreement of the parties hereto.
10. If you are in agreement with the provisions set forth above, please sign and return to this office two signed copies of this letter. Upon your signature, this letter shall constitute an agreement between your Government and UNDP on the terms and conditions for the provision of support services by the UNDP country office for nationally managed programmes and projects.

Yours sincerely,

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Signed on behalf of UNDP

***Resident Representative***

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National Project Director for  
(Title of the Project)

Attachment

**DESCRIPTION OF UNDP COUNTRY OFFICE SUPPORT SERVICES**

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1. In accordance with the provisions of the letter of agreement signed on *[insert date of agreement]* and the project document, the UNDP country office shall provide support services for the Project as described below.
2. Support Services to be provided:

Support services (insert description)	Schedule for the provision of the support services	Cost to UNDP of providing such support services (where appropriate)	Amount and method of reimbursement of UNDP (where appropriate)
1.As described in point 2 of Annex L	As per workplan of official request of Implementing Partner	As per Annual Price List of Annex N	As per ISS arrangements described in Annex N
2.			
3.			

## ANNEX III

### UNDP Cost Recovery Policy

The following outlines the UNDP Cost Recovery Policy for Regular Resources<sup>7</sup> and Other Resources<sup>8</sup> as approved by the Executive Board in its 98/2 and 2007/18 Decisions.

#### *Background*

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In its decision 98/2, UNDP's Executive Board (EB) recognized the importance of Other Resources as a mechanism to enhance the capacity and supplement the regular resource base of UNDP. The Board requested UNDP to develop, implement and manage all Other Resource funded activities in an integrated, transparent, flexible and accountable manner. In recognizing the increasing level of UNDP Other Resources, accounting now for around 75 per cent of Total UNDP Resources, the Executive Board in discussions on the 2000-2001 as well as 2002-2003 support budgets, clearly indicated that Other Resources do need to cover the full cost of the services being provided to Other Resources funded programmes as well as to contribute to the overall costs of UNDP's operations.

As a multi-funded organization UNDP continues to make the case that Regular Resources provide the funding for the organization's base structure and the additional costs associated in the delivery of regular resources funded programmes. All costs associated with the delivery of Other Resources funded programmes at the country and headquarters levels are to be fully covered through cost recovery mechanisms.

The new revised cost recovery policy from Regular and Other Resources takes into consideration that:

- The costs associated with the delivery of services to programmes above the base structure shall be borne by the relevant funding sources (Regular & Other Resources) within each programme;
- Generally, there are two categories of services provided to programmes; the first of which includes general oversight, management, and quality control, while the second category includes direct services in the context of implementation; and,
- Other Resources-funded programmes benefit from UNDP's global operations (which include strategic initiatives, policy development and corporate systems) and hence should contribute to them.

#### *The policy*

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The policy reflects two types of recovery that will be applied to the two categories of services defined below. This policy supersedes all previous policies and guidelines, whether corporate, regional or unit/country specific:

#### *General Management Support (GMS):*

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Projects funded from Regular Resources are not subject to GMS fees, as these resources already pay for the basic structure of UNDP, which is designed to provide these services. For programmes funded wholly or partially from Other Resources, the recovery for these services, which are not directly attributable to project inputs or activities, is through a **percentage fee**. The Executive Board decision 2007/18 on cost recovery which the Board recently adopted at its Annual Session (11-22 June 2007) directs UNDP to adopt a rate of 7 per cent for the recovery of indirect general management support (GMS) costs for new third party

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<sup>7</sup> Regular resources are defined as the resources of UNDP that are co-mingled and untied. These will include voluntary contributions, contributions from other governmental, intergovernmental or non-governmental sources and related interest earnings and miscellaneous income. Example: TRAC

<sup>8</sup> Other Resources are defined as the resources of UNDP, other than Regular Resources, which are received for specific programme purposes, consistent with the policies, aims and activities of UNDP and for the provision of management and other support services to third parties. Examples: GEF and GFATM funds, Government Cost Sharing, Contributions from Bilateral Donors, Contributions from Private Sector

contributions and trust funds. The basic 3 per cent recovery rate of indirect support costs for all government cost sharing is maintained for the time being.

GMS encompasses general oversight and management functions of UNDP HQ and CO units, and include the following specific services:

- Project identification, formulation, and appraisal
- Determination of execution modality and local capacity assessment
- Briefing and de-briefing of project staff and consultants
- General oversight and monitoring, including participation in project reviews
- Receipt, allocation and reporting to the donor of financial resources
- Thematic and technical backstopping through Bureaus
- Systems, IT infrastructure, branding, knowledge transfer

### ***Implementation Support Services (ISS):***

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These are services provided mostly by Country Offices in the implementation of Regular and Other Resource-funded and projects (i.e. costs directly related to the delivery of programmes), and include:

- Payments, disbursements and other financial transactions
- Recruitment of staff, project personnel, and consultants
- Procurement of services and equipment, including disposal
- Organization of training activities, conferences, and workshops, including fellowships
- Travel authorization, visa requests, ticketing, and travel arrangements
- Shipment, custom clearance, vehicle registration, and accreditation

For all projects, **regular and Other Resource-funded projects** alike, units are required to recover the cost for providing Implementation Support Services (ISS) on the basis of **actual costs or transaction fee**. These costs are an integral part of project delivery.

## ANNEX IV

### UNDP Iran Local Price List for Services to NIM Projects

<i>Service</i>	<i>Cost \$</i>	
<b>Financial Management/Payment Process</b>		
Issuance of a cheque for collection at UNDP Finance	23.59	*
Issuance of a cheque for transfer to Tejarat Bank	22.25	
Pay cycle only ( UNFPA and GFATM & Radio Room)	12.69	*
Cheque Cancellation	2.44	
Reissuance of a cheque	26.03	
AR Deposit	21.35	*
GLJE Creation and approval	21.67	
GLJE approval	4.38	
AP Journal (APJV)	14.13	
Approve requisition	4.27	
Approve PO	7.01	
Budget Revision	21.67	
Financial Record Management/per Voucher	10.98	
<b>HR Services</b>		
<b>Selection/recruitment process per SC (including Adv., Short listing and interviewing)</b>	371.37	*
Advertisement (20%)	74.27	*
Short Listing (40%)	148.55	*
Interviewing (40%)	148.55	*
<b>Staff HR &amp; Benefits Administration &amp; Management</b> ( onetime fee, per staff. Service incl. contract issuance, UNJPF/MIP enrollment, payroll setup - Starting 2006 this price applies to the separation process as well)	128.77	*
<b>Recurrent personnel management services: Staff Payroll &amp; Banking Administration &amp; Management 9 (per staff, per calendar year)</b>	288.75	*
Payroll validation, disbursement (35%)	101.06	*
Performance evaluation (30%)	86.63	*
Extension, promotion, entitlements (30%)	86.63	*
Leave monitoring (5%)	14.44	*
Contract management per SC	277.60	
Selection/recruitment process per FT	371.37	*
Contract management per FT	283.50	
LP issuance/renewal.	23.86	*
<b>Consultant recruitment</b>	145.21	*
Advertising (20%)	29.04	*
Short-listing & selection (40%)	58.08	*
Contract issuance (40%)	58.08	*
Consultant Recruitment Process. + Written Exam	203.29	
Computer based exam center rent.	100.00	
Computer based exam center rent. + Admin.	150.00	
Employment Letter	2.95	
Language Proficiency Exam	159.47	
Interns Management	43.38	*

<b>Procurement Services</b>	
<b>Procurement process involving local CAP (and/or ITB, RFP requirements)</b>	<b>333.8</b> *
Identification & selection (50%)	166.9 *
Contracting/issue purchase order (25%)	83.45 *
Follow-up (25%)	83.45 *
<b>Procurement not involving local CAP 7,10,11 (low value procurement)</b>	<b>133.07</b> *
Identification & selection (50%)	66.54 *
Contracting/issue purchase order (25%)	33.27 *
Follow-up (25%)	33.27 *
Transfer of project assets (vehicle)/per case	131.23
Transfer of project assets (equipment)/per case	73.68
Logistical support to organizing events/event (within UNDP office)/excluding cost of event itself (tea/coffee, refreshments, meals, stationery, equipment etc)*	
Logistical support to organizing events/event (out of UNDP office)/excluding cost of event itself (tea/coffee, refreshments, meals, stationery, equipment etc)*	
<b>Travel Services</b>	
Visa request per Note Verbal	14.62
Outgoing Visa Issuance (Full Process including Note Verbal)	41.76
Incoming Visa Issuance (Full Process including Note Verbal)	49.07
Ticket booking and purchasing per ticket (Local) (or Reissuance / Cancelation)	7.31
Ticket booking and purchasing per ticket (International) (or Reissuance / Cancelation)	14.62
Travel authorization per person	21.75 *
Hotel reservation (per reservation)	14.62
DSA Calculation (80% Advance)	7.31
F10 settlement	19.94 *
Admin. Home Leave Allowance	21.93
Reassignment / Relocation Allowance /Lumpsum	29.24
Reassignment / Relocation /shipment arrangement	29.24
Education Grant	14.62
<b>General Services</b>	
Vendor profile ( Creation or Modification)	12.17 *
Issuing the UN ID ( UN ID, UN LP,etc)	23.86 *
Advertisement (Not received from UNDP HR)	74.27 *
MFA ID card	14.29
Disposal of equipment	169.90 *
Custom Clearance	118.57
Issuance of Permission (i.e. Tax Exemption, Plate, License, Satellite License)	34.74
Shipment Arrangement	29.24
Donation (including custom clearance)	59.98
Event Organization (Outside Office)	426.14
MFA coordination (for vehicles)	48.31

\* The prices are based on UPL



## ANNEX V

### Environment and Social Screening Summary

**Name of Proposed Project:** *Green Banking for Inclusive Growth and Sustainable Development*

#### **A. Environmental and Social Screening Outcome**

- Category 1. No further action is needed
- Category 2. Further review and management is needed. There are possible environmental and social benefits, impacts, and/or risks associated with the project (or specific project component), but these are predominantly indirect or very long-term and so extremely difficult or impossible to directly identify and assess.
- Category 3. Further review and management is needed, and it is possible to identify these with a reasonable degree of certainty. If Category 3, select one or more of the following sub-categories:
- Category 3a: Impacts and risks are limited in scale and can be identified with a reasonable degree of certainty and can often be handled through application of standard best practice, but require some minimal or targeted further review and assessment to identify and evaluate whether there is a need for a full environmental and social assessment (in which case the project would move to Category 3b). See Section 3 of the Review and Management Guidance.
  - Category 3b: Impacts and risks may well be significant, and so full environmental and social assessment is required. In these cases, a scoping exercise will need to be conducted to identify the level and approach of assessment that is most appropriate. See Section 3 of Review and Management Guidance.

# ENVIRONMENTAL AND SOCIAL SCREENING CHECKLIST

Name of Proposed Project: Building a Multiple-Use Forest Management Framework to Conserve Biodiversity in the Caspian Hyrcania

## QUESTION 1

Has a combined environmental and social assessment/review that covers the proposed project already been completed by implementing partners or donor(s)?

**Answer to Question 1: No**

## QUESTION 2

Do ALL outputs and activities described ONLY fall in the Project Document fall within the following categories?

1. Procurement (in which case UNDP's Procurement Ethics and Environmental Procurement Guide need to be complied with)
2. Report preparation
3. Training
4. Event/workshop/meeting/conference (refer to Green Meeting Guide)
5. Communication and dissemination of results

**Answer to Question 2: yes**

## QUESTION 3

Does the proposed project include activities and outputs that support upstream planning processes that potentially pose environmental and social impacts or are vulnerable to environmental and social change (refer to Table 3.1 for examples)? (Note that upstream planning processes can occur at global, regional, national, local and sectoral levels)

**Evaluation Result of Checklist Table 3.1: . . . . .Yes**

TABLE 3.1 EXAMPLES OF UPSTREAM PLANNING PROCESSES WITH POTENTIAL DOWNSTREAM ENVIRONMENTAL AND SOCIAL IMPACTS	
1. Support for the elaboration or revision of global-level strategies, policies, plans, and programmes. For example, capacity development and support related to international negotiations and agreements. Other examples might include a global water governance project or a global MDG project.	Yes
2. Support for the elaboration or revision of regional-level strategies, policies and plans, and programmes. For example, capacity development and support related to transboundary programmes and planning (river basin management, migration, international waters, energy development and access, climate change adaptation etc.).	Yes
3. Support for the elaboration or revision of national-level strategies, policies, plans and programmes. For example, capacity development and support related to national development policies, plans, strategies and budgets, MDG-based plans and strategies (e.g. PRS/PRSPs, NAMAs), sector plans.	Yes
4. Support for the elaboration or revision of sub-national/local-level strategies, policies, plans and programmes. For example, capacity development and support for district and local level development plans and regulatory frameworks, urban plans, land use development plans, sector plans, provincial development plans, provision of services, investment funds, technical guidelines and methods, stakeholder engagement.	Yes

#### QUESTION 4

Does the proposed project include the implementation of downstream activities that potentially pose environmental and social impacts or are vulnerable to environmental and social change?

**Evaluation Result of Checklist Table 4.1: No**

**TABLE 4.1 ADDITIONAL SCREENING QUESTIONS TO DETERMINE THE NEED AND POSSIBLE EXTENT OF FURTHER ENVIRONMENTAL AND SOCIAL REVIEW AND MANAGEMENT**

1. Biodiversity and Natural Resources	
1.1 Would the proposed project result in the conversion or degradation of modified habitat, natural habitat or critical habitat?	No
1.2 Are any development activities proposed within a legally protected area (e.g. natural reserve, national park) for the protection or conservation of biodiversity?	Yes
1.3 Would the proposed project pose a risk of introducing invasive alien species?	Yes
1.4 Would the proposed project pose a risk of introducing invasive alien species?	Yes
1.5 Does the project involve the production and harvesting of fish populations or other aquatic species without an accepted system of independent certification to ensure sustainability (e.g. the Marine Stewardship Council certification system, or certifications, standards, or processes established or accepted by the relevant National Environmental Authority)?	Yes (indirectly)
1.6 Does the project involve significant extraction, diversion or containment of surface or ground water? For example, construction of dams, reservoirs, river basin developments, groundwater extraction.	Yes(indirectly)
1.7 Does the project pose a risk of degrading soils?	Yes(indirectly)
2. Pollution	
2.1 Would the proposed project result in the release of pollutants to the environment due to routine or non-routine circumstances with the potential for adverse local, regional, and transboundary impacts?	Yes(indirectly)
2.2 Would the proposed project result in the generation of waste that cannot be recovered, reused, or disposed of in an environmentally and socially sound manner?	Yes (indirectly)
2.3 Will the propose project involve the manufacture, trade, release, and/or use of chemicals and hazardous materials subject to international action bans or phase-outs? For example, DDT, PCBs and other chemicals listed in international conventions such as the Stockholm Convention on Persistent	Yes (indirectly)

Organic Pollutants, or the Montreal Protocol.	
2.4 Is there a potential for the release, in the environment, of hazardous materials resulting from their production, transportation, handling, storage and use for project activities?	Yes (indirectly)
2.5 Will the proposed project involve the application of pesticides that have a known negative effect on the environment or human health?	Yes (indirectly)
3. Climate Change	
3.1 Will the proposed project result in significant greenhouse gas emissions? The Environment and Social Screening Procedure Guidance provides additional guidance for answering this question.	Yes (indirectly)
3.2 Is the proposed project likely to directly or indirectly increase environmental and social vulnerability to climate change now or in the future (also known as maladaptive practices)? You can refer to the Environment and Social Screening Procedure Guidance to help you answer this question. For example, a project that would involve indirectly removing mangroves from coastal zones or encouraging land use plans that would suggest building houses on floodplains could increase the surrounding population's vulnerability to climate change, specifically flooding.	Yes (indirectly)
4. Social Equity and Equality	
4.1 Would the proposed project have environmental and social impacts that could negatively affect indigenous people or other vulnerable groups?	No
4.2 Is the project likely to significantly impact gender equality and women's empowerment ?	Yes (indirectly)
4.3 Is the proposed project likely to directly or indirectly increase social inequalities now or in the future?	No
4.4 Will the proposed project have variable impacts on women and men, different ethnic groups, social classes?	No
4.5 Have there been challenges in engaging women and other certain key groups of stakeholders in the project design process?	No
4.6 Will the project have specific human rights implications for vulnerable groups?	No
5. Demographics	

5.1 Is the project likely to result in a substantial influx of people into the affected community (ies)?	Yes (indirectly)
5.2 Would the proposed project result in substantial voluntary or involuntary resettlement of populations? For example, projects with environmental and social benefits (e.g. protected areas, climate change adaptation) that impact human settlements, and certain disadvantaged groups within these settlements in particular.	Yes (indirectly)
5.3 Would the proposed project lead to significant population density increase which could affect the environmental and social sustainability of the project? For example, a project aiming at financing tourism infrastructure in a specific area (e.g. coastal zone, mountain) could lead to significant population density increase which could have serious environmental and social impacts (e.g. destruction of the area's ecology, noise pollution, waste management problems, greater work burden on women).	Yes (indirectly)
6. Culture	
6.1 Is the project likely to significantly affect the cultural traditions of affected communities, including gender-based roles?	No
6.2 Will the proposed project result in physical interventions (during construction or implementation) that would affect areas that have known physical or cultural significance to indigenous groups and other communities with settled recognized cultural claims?	No
6.3 Would the proposed project produce a physical "splintering" of a community? For example, through the construction of a road, powerline, or dam that divides a community.	No
7. Health and Safety	
7.1 Would the proposed project be susceptible to or lead to increased vulnerability to earthquakes, subsidence, landslides, and erosion, flooding or extreme climatic conditions? For example, development projects located within a floodplain or landslide prone area.	No
7.2 Will the project result in increased health risks as a result of a change in living and working conditions? In particular, will it have the potential to lead to an increase in HIV/AIDS infection?	No
7.3 Will the proposed project require additional health services including	No

testing?	
8. Socio-Economics	
8.1 Is the proposed project likely to have impacts that could affect women's and men's ability to use, develop and protect natural resources and other natural capital assets? For example, activities that could lead to natural resources degradation or depletion in communities who depend on these resources for their development, livelihoods, and well-being?	Yes (indirectly)
8.2 Is the proposed project likely to significantly affect land tenure arrangements and/or traditional cultural ownership patterns?	Yes (indirectly)
8.3 Is the proposed project likely to negatively affect the income levels or employment opportunities of vulnerable groups?	No
9. Cumulative and/or Secondary Impacts	
9.1 Is the proposed project location subject to currently approved land use plans (e.g. roads, settlements) which could affect the environmental and social sustainability of the project? For example, future plans for urban growth, industrial development, transportation infrastructure, etc.	Yes (indirectly)
9.2 Would the proposed project result in secondary or consequential development which could lead to environmental and social effects, or would it have potential to generate cumulative impacts with other known existing or planned activities in the area? For example, a new road through forested land will generate direct environmental and social impacts through the cutting of forest and earthworks associated with construction and potential relocation of inhabitants. These are direct impacts. In addition, however, the new road would likely also bring new commercial and domestic development (houses, shops, businesses). In turn, these will generate indirect impacts. (Sometimes these are termed "secondary" or "consequential" impacts). Or if there are similar developments planned in the same forested area then cumulative impacts need to be considered.	Yes (indirectly)

