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06 November 2019

Dear Ms. Wiesen,

Subject: NDC Implementation – Vietnam. ATLAS BU: VNM10 - Project No.: 00121739 - Outputs No.: 00117634

In line with the decision by the Project Board of UNDP NDC Support Programme, I am pleased to inform you that an amount of 581,100 USD (inclusive of GMS) was approved for the project “Accelerating Private Sector Engagement in NDC Vietnam” (Output 00117634). The objective of the project is to advance the private sector engagement to finance, support and implement technically sound and financially viable risk-informed mitigation and adaptation actions in Viet Nam NDC. Expected outcomes are: (i) Productivity and Competitiveness of Agriculture Sectors and its supply chains are advanced with sustainable resilient low emission innovations; (ii) Strengthening Platform for Private Sector Innovation and Investments to support technology transfer and track contributions of NDC targets; (iii) Sustainable finance mechanisms established to scale up NDC mitigation and adaptation actions; (iv) Policies and Incentives created to advance private sector engagement in investment opportunities in national plans.

This letter serves as a delegation of authority to manage the contribution of 581,100 USD on behalf of UNDP NDC Support Programme, BPPS. This is in addition to the 1,620,000 USD allocated to the Output 00117633, reference made to the Allocation Letter dated 25 October 2019, and the 221,400 USD previously allocated to the Output 00091340, reference made to the letter dated 22 January 2018. The total fund under the NDC Support Programme for Vietnam is therefore 2,422,500 USD.

Upon submission of the required documents, funds will be issued to cover the related activities and associated GMS via cash transfer (GLJE). Kindly note that the Programme is not in a position to increase the project budget above the amount already approved. Therefore, any over-expenditure on this project will have to be covered by your Country Office using other resources. The applicable GMS for the cost sharing contribution is 7% and the distribution should follow the updated UNDP GMS policy.

Ms. Caitlin Wiesen
UNDP Resident Representative, Vietnam

Cc: Ms. Sitara Syed, Deputy Resident Representative, UNDP Vietnam
Ms. Bui Viet Hien, Programme Officer, UNDP Vietnam
Mr. Rebecca Carman, NDC SP Programme Manager OIC, BPPS
Ms. Susanne Olbrisch, Climate Change Technical Specialist, BPPS
Ms. Srilata Kammila, Head of Adaptation, UNDP Regional Hub for Asia
Ms. Milou Beerepoot, Regional Energy & CCM Specialist, UNDP Regional Hub for Asia



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We would like to take the opportunity to draw your attention to the following:

- The funds provided by the European Commission must be administered according to the European Union's revised Pillar-Assessed Grant or Delegation Agreement (PAGODA2). Non-compliance with PAGODA2's General Conditions and other requirements may lead to costs being declared ineligible by the EU. A guidance note on compliance with PAGODA2 is provided in Annex I below.
- Any changes to the project objectives and outcomes, and related budget revisions, should be discussed with the NDC Support Programme Manager, and prior approval obtained. In this regard, please forward any suggested modifications to Ms. Fabiane Fleisch (fabiane.fleisch@undp.org) with copy to ndcs@undp.org.
- Projects will be audited in accordance with UNDP Financial Regulations and Rules and Audit policies.
- The NDC Support Programme is funded by multiple donors as a contribution to the NDC Partnership. Please use the Programme's visibility guidance to ensure all donors are appropriately acknowledged.

In conclusion, I would like to assure you of my personal commitment, and that of my team, to support the successful implementation of this project. We look forward to continued collaboration with your office and thank you for your support.

Yours sincerely,

A handwritten signature in black ink that reads "S. Gold".

Stephen Gold

Global Team Leader

Climate Change, BPPS, UNDP



Annex I

NDC SUPPORT PROGRAMME GUIDANCE FOR NATIONAL PROJECTS RECEIVING EU FUNDS

As the recipient of EU funds, the NDC Support Programme global support unit based in UNDP HQ is responsible for all contractual obligations to the EU, including timely reporting and financial management and oversight, in line with the agreement that has been signed with DG-DEVCO. Nonetheless, UNDP Country Offices with national projects that benefit from these EU funds should pay attention to key obligations related to EU grants to ensure that no issues arise regarding project delivery or cost eligibility.

- A key reference is the **EU Pagoda2 Manual** (January 2017), which describes the EU's Pillar-Assessed Grant or Delegation Agreement (PAGoDA) template.
- Many of these elements are summarized in the EU's **General Conditions**, a key document listing all general managerial, financial, reporting and other requirements of the EU. UNDP must ensure full compliance with these conditions and some of the requirements need also to be respected by UNDP's partners (grant recipients, contractors). Non-compliance may lead to costs being declared ineligible and recovered by the EU.

The UNDP Brussels office has highlighted several points that are particularly relevant for COs¹:

1. **Visibility.** A longstanding issue for the EU is the lack of visibility under many UNDP projects.
 - As the NDC Support Programme is a multi-donor programme, joint visibility guidelines apply and the EU logo is displayed alongside the other programme donors (please refer to our **visibility guidance**). This does not change the need to adequately reflect the support of the EU and other donors. In December 2017, the UNDP Brussels office prepared a **toolkit** in English and French that includes best practice examples (attached).
 - In January 2018, the EU released a **Communications and Visibility guidance manual** that all new EU-funded projects are expected to use. Beyond use of the logo, there has been a request from the EU delegations to be more engaged by COs and kept informed about project progress beyond contractual obligations.
 - UNDP has also updated its **Communications toolkit** to help COs improve communication of results, which provides some helpful tips.
2. **Reporting & results:**
 - National projects need to contribute to global programme's reporting efforts, as failure to comply with reporting obligations can lead to termination of the funding agreement, refusal to pay any outstanding amount and recovery of any amount unduly paid. To the extent possible, the global

¹ Please alert the Global Support Unit if you would like to be connected to another CO with experience implementing an EU-funded project under Pagoda2 for additional suggestions/exchange of experience.



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support unit will seek to align any contractual reporting obligations with annual reporting timelines and will keep COs apprised if any other timelines arise.

- The EU places a strong emphasis on results-based management and expects projects to achieve the targets articulated in the results framework. Close attention should be paid to proposed targets in the national project document to confirm the results are measurable and achievable.
- When documenting challenges that have arisen during project implementation, it is important to also describe what measures have been taken to overcome or address the challenges. National projects should also include examples of visibility of the EU.

3. **Project implementation modality.** The choice of implementation modality is the CO's decision, but it is generally recommended that UNDP use DIM modality or "full CO support to NIM" for EU-funded projects (i.e., no transfer of funds to Implementing Partners). This is because there have been problems with EU verifications where funds were transferred or advanced to governments in the past. Should UNDP choose to work with partners, they are considered as a "grant beneficiary" and article 2 of the EU's General Conditions apply, namely:

**Art. 2.4 of
the GCs**

The Organisation undertakes to ensure that the obligations stated in this Agreement under **Articles 2.6, 5-Conflict of interests, 7-Data protection, 8-Communication and Visibility, 16-Accounts and archiving and Article 17-Access and financial checks** apply, where applicable, to all Contractors and Grant Beneficiaries.

In other words, this implies that the grant beneficiary will need to make relevant supporting documents available in the event that the EU wishes to undertake a verification to check the eligibility of costs. Non-compliance with the terms of the contract may result in costs being considered ineligible by the EU, and UNDP would be required to return the funds.

4. **Eligible costs** are described on pp 46-50 of the Pagoda2 Manual. In particular, **costs that are administrative in nature** need to fulfill the EC's eligibility conditions for direct costs (Article 18.1 of the General Conditions), i.e.:

**Art. 18.1
of the GCs**

"The **eligible direct costs** of the project² are costs that meet all the following criteria:

- a) they are necessary for carrying out the project, directly attributable to it, arising as a direct consequence of its implementation and charged in proportion to the actual use;
- b) they are incurred in accordance with the provisions of this Agreement.
- c) they are actually incurred by the Organisation, i.e. they represent real expenditure definitely and genuinely borne by the Organisation, without prejudice to Article 18.5;
- d) they are reasonable, justified, comply with the principle of Sound Financial Management and are in line with the usual practices of the Organisation regardless of their source of funding;

² EU language of the "Action" has been adapted here to refer to the project document.



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- e) they are incurred during the Implementation Period with the exception of costs related to final report, final evaluation, audit and other costs linked to the closure of the project which may be incurred after the Implementation Period;
- f) they are identifiable and backed by supporting documents, in particular determined and recorded in accordance with the accounting practices of the Organisation;
- g) they are covered by one of the sub-headings indicated in the project budget and by the activities described in project document;
- h) they comply with the applicable tax and social legislation taking into account the Organisation's privileges and immunities."

5. For guidance on establishment of a **Project Office**, refer to pp 99 of the Pagoda2 Manual. UNDP Brussels has also shared examples from various projects (attached). To note:

"Where the implementation of the project requires the setting up, or the use of one or more project offices, the Organisation may declare as eligible direct costs the capitalised and operating costs of the structure if all the following conditions are fulfilled:

- a) **They comply with the cost eligibility criteria referred to in Article 18.1;***
- b) **They fall within one of the following categories:***



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- *costs of staff, including administration and management staff, directly assigned to the operations of the project office. The tasks listed in the project document, undertaken by staff assigned to the project office, will be directly attributable to project implementation..*
- *travel and subsistence costs for staff and other persons directly assigned to the operations of the project office;*
- *depreciation costs, rental costs or lease of equipment and assets composing the project office;*
- *costs of maintenance and repair contracts specifically awarded for the operations of the project office;*
- *costs of consumables and supplies specifically purchased for the operations of the project office;*
- *costs of IT and telecommunication services specifically purchased for the operations of the project office;*
- *costs of energy and water specifically supplied for the operations of the project office;*
- *costs of facility management contracts including security fees and insurance costs specifically awarded for the operations of the project office.*

c) The Organisation declares the eligible direct costs of the project office as actual costs or for staff costs on the basis of unit costs determined by the Organisation according to its usual accounting practice;

d) The Organisation declares as eligible only the portion of the capitalised and operating costs of project office which corresponds to the duration of the project, and

- *the rate of actual use of project office for the purposes of the project; or*
- *the rate of use of a project office for the purposes of the project, determined by the Organisation on the basis of a simplified allocation method, provided that the allocation method is compliant with the Organisation's usual accounting and management practices, applied in a consistent manner regardless of the source of funding, and based on an objective, fair and reliable allocation key.*

6. The EU is critical of UNDP's use of **direct project costs** for cost recovery. UNDP Brussels recommends that adequate monitoring mechanisms be established to transparently document and justify such costs (e.g. timesheets for part-time staff, etc). The templates in the EU's [financial management toolkit](#) may be helpful, but are not obligatory. COs are advised to avoid ISS/UPL, as these are considered as "additional overheads" by the EU and challenged by verification teams.

To assess eligibility: Direct costs are those costs which are necessary for the project to take place, incurred specifically for delivery of the project, and which derive as a direct consequence of the project. In other words, had the project not taken place, there would not be those costs. The 7% indirect costs, referred also as "remuneration" or "GMS", are costs that relate to general management and oversight functions of the



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organization as a whole, incurred in support of its activities, projects and programmes, and services provided, but cannot be traced unequivocally to specific activities, project or programmes (i.e., they are indirect).

FINAL CHECKLIST FOR PRODOC REVIEW

- Does the **strategy** explain how the **proposed project activities** will advance NDC implementation and climate actions (drawing upon the development context and theory of change)?
- Does the **strategy** refer to other relevant **UNDP projects** (especially any funded by the EU) and lessons learned as part of the rationale for the proposed interventions?
- Are the proposed **results** achievable in the proposed timeframe?
- Are direct project costs considered and articulated as part of the **resources required**?
- Are relevant initiatives of other **partners** documented, especially any projects funded by the EU? Does Prodoc describe how UNDP will engage/coordinate with these partners (as a guiding principle of the NDC Partnership)? Is there a strategy for engaging the national NDC Partnership focal point(s)?
- Does the prodoc explain how **knowledge** will be captured and **visibility** ensured? Has budget been provided for visibility and outreach efforts?
- Has the **local EU delegation** been consulted about the proposal?