
Dear Mr. Kinyua,

We refer to consultations between the Government of Kenya and UNDP regarding provisions of support services by the UNDP country office for nationally managed programmes and projects. Following the signing of the GOK/UNDP Country Programme Action Plan 2009-2013, in March 2009, UNDP has been providing services during programme/project implementation to Implementing Partners in support of nationally executed country programme. These services relate mostly to administrative transactions, which UNDP performs at the request of the Implementing Partners. Implementation Support Services (ISS) are provided by UNDP Kenya in the implementation of Regular (TRAC Target Resources Assigned from Core - funds allocated directly from UNDP) and Other Resource (provided from other forms of funding) funded programmes and projects (i.e. costs directly related to the delivery of programmes/projects), as contained in the attached Letter Of Agreement.

The UNDP/UNFPA Executive Board (EB) decision 2007/8 directs UNDP to adopt recovery of indirect costs on third party contributions and trust funds. While the EB decision does not elaborate on the Implementation Support Services (ISS) element of the current cost recovery policy, feedback from Country Offices and donors over the last several years of policy implementation suggests that the recovery of ISS through the suggested Universal Price List (UPL) should be phased out. In particular, UNDP Country Offices have repeatedly indicated that the recovery of UPL-based fees for transactional services through the UNDP Financial system (ATLAS) billing module has proven overly laborious when compared to the actual amount recovered.

Mr. Joseph Kinyua  
Permanent Secretary  
Minister of Finance  
Treasury Building  
Nairobi
For all projects Regular and Other Resource-funded projects alike, UNDP is required to recover the cost for providing ISS on the basis of actual costs or transaction fees. These costs are an integral part of project delivery, and hence will be charged to the same budget line as the project input itself.

Further, donors have complained of potential risk of double charging and UNDP country offices have resulted to consulting the Government on an easier way of managing the ISS cost recovery. It is in this background that we request the Government’s consent to charge a single amount of 4% which is equivalent to the UPL based on actual under each project.

If you are in agreement with the provisions set forth under the attached list of activities that are being provided by UNDP Kenya to implementing partners under government programme execution (NEX), please forward a signed copy of this letter for our records. Upon your signature, this letter shall constitute the agreement between UNDP and the Government of Kenya for the provision of support services by the UNDP country office under the GOK/UNDP CPAP 2009-2013.

Thank you for the continuous collaboration and we endeavour to sustain our support.

Yours sincerely,

[Signature]

Alfredo Teixeira
Resident Representative, a.i

1. Reference is made to the signing of the GOK/UNDP Country Programme Action Plan 2009-2013, in March 2009, following which UNDP has been providing services during programme/project implementation to Implementing Partners in support of nationally executed country programme. These services relate mostly to administrative transactions, which UNDP performs at the request of the Implementing Partners. Implementation Support Services (ISS) are provided by UNDP Kenya in the implementation of Regular (TRAC – Target Resources Assigned from Core – funds allocated directly from UNDP) and Other Resource (provided from other forms of funding) funded programmes and projects (i.e. costs directly related to the delivery of programmes/projects).

2. The UNDP Country Office will provide, as will be agreed within the respective Annual Workplan with the designated Implementing Partners, the following support services for the activities of the projects.

   a) Payments, disbursements and other financial transactions
   b) Recruitment of staff, project personnel, and consultants
   c) Procurement of services and equipment, and disposal/sale of equipment
   d) Organization of training activities, conferences, and workshops, including fellowships
   e) Travel authorizations, visa requests, ticketing, and travel arrangements
   f) Shipment, custom clearance, vehicle registration, and accreditation

3. The procurement of goods and services and the recruitment of project personnel and consultants by the UNDP country office shall be in accordance with the UNDP regulations, rules policies and procedures. Support services described in paragraph 2 are detailed in the Attachment hitherto. If the requirements for support services by the country office change during the life of the project, this letter of Agreement will be revised with mutual agreement of the UNDP Resident Representative and the designated institution.

4. The relevant provisions of the UNDP Standard Basic Assistance Agreement (the “SBAA”) between the Government of Kenya and UNDP, signed on 17th January 1991, including the provision on liability and privileges and immunities, shall apply to the provisions of such support services. The Government shall retain overall responsibility for the nationally managed programme or project through its designated institution.
5. 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 SBAA.

6. The UNDP country office shall submit quarterly progress reports on the support services provided to the Government of Kenya.

7. Any modification of the present arrangements shall be effected by mutual written agreement of the parties hereto.

Mr. Joseph Kinyua  
Permanent Secretary  
Ministry of Finance

Acneas Chuma  
Resident Representative  
UNDP

Date: ______________

Date: ______________
Attachment

DESCRIPTION OF UNDP COUNTRY OFFICE SUPPORT SERVICES

1. As explained above the following activities are currently being undertaken on behalf of implementing partners. The analysis of these activities covers the amount of time and human resources undertaken to process those transactions. A charge of 4% on expenditures incurred would justify processing of implementing partners transactions according to the UNDP Global policy on cost recovery. This fee, the Implementing Support Services from UNDP programming guidelines, forms part of project implementation and it is an integral part of project costs.

The UNDP country office shall provide support services for the Country Programme as described below:

<table>
<thead>
<tr>
<th>Support Services</th>
<th>Schedule for the Provision of the Support Services</th>
<th>Cost to UNDP of Providing such Support Services</th>
<th>Amount and Method of Reimbursement of UNDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Identification and/or recruitment of project personnel and consultants including payments, disbursements and other financial transactions</td>
<td>As agreed in the Annual Workplan (AWP) from inception to closure of the project</td>
<td>Implementation Support Services (ISS)</td>
<td>4% of expenditures incurred</td>
</tr>
<tr>
<td>2. Organization of training activities, conferences, and workshops, including fellowships</td>
<td>As agreed in the Annual Workplan (AWP) from inception to closure of the project</td>
<td>Implementation Support Services (ISS)</td>
<td>4% of expenditures incurred</td>
</tr>
<tr>
<td>3. Procurement of goods and services and disposal/sale of equipment</td>
<td>As agreed in the Annual Workplan (AWP) from inception to closure of the project</td>
<td>Implementation Support Services (ISS)</td>
<td>4% of expenditures incurred</td>
</tr>
<tr>
<td>4. Travel, visa requests, ticketing, Shipment, clearance, vehicle registration, and accreditation</td>
<td>As agreed in the Annual Workplan (AWP) from inception to closure of the project</td>
<td>Implementation Support Services (ISS)</td>
<td>4% of expenditures incurred</td>
</tr>
</tbody>
</table>
3. Description of Functions and Responsibilities involved:
   The management of the Support to Country programme Action Plan (CPAP),
   which is under the National Execution (NEX) modality, meaning that the programme is
   managed and executed by the Government of Kenya, Ministry of Finance as the
   Implementing Partner.

3.1 Managerial Function and Responsibilities of the Ministry of Finance:
3.1.1 Ensure expected results from the project are achieved.
3.1.2 Ensure that the outputs are produced through effective process
   management and use of UNDP funds.
3.1.3 Together with UNDP prepare quarterly progress reports.
3.1.4 Ensure provision of in-kind contribution at Central Government.
3.1.5 In collaboration with UNDP arrange and manage CPAP component
   Quarterly Technical and CPAP Annual programme review meetings.
3.1.6 Maintain an up-to-date inventory of equipment acquired and disposed of.

3.2 Financial Functions and Responsibilities of the Ministry of Finance:
3.2.1 Verify that disbursements do not exceed the available funds or the amount
   allocated to each approved Activity.
3.2.2 Review and approve of Combined Delivery Reports (CDR) submitted bi-
   annually by UNDP.
3.2.3 Ensure audit of the project is done at least once during the implementation
   cycle

3.3 Managerial Functions and Responsibilities of UNDP:
3.3.1 Arrange review meetings chaired by the Permanent Secretary of Ministry
   of Finance or his/her representative.
3.3.2 Prepare review meeting report within three weeks of the meeting.
3.3.3 Monitor progress of the project
3.3.4 Arrange for terminal evaluation in consultation with Ministry of Finance

3.4 Financial Functions and Responsibilities of UNDP:
3.4.1 Process direct payments related to project expenditure in accordance with
   the Annual Workplan activities
3.4.2 Review and collate request from the Ministry of Finance.
3.4.3 Provide Government with financial up-dates, including the CDRs on
   quarterly basis.
3.4.4 Monitor budget and ensure that it is kept up-to-date.
3.4.5 Prepare and sign annual mandatory budget revisions in consultation with
   Government.