UNITED NATIONS ENVIRONMENT PROGRAMME

Programme des Nations Unies pour l'environnement Programa de las Naciones Unidas para el Medio Ambiente

Программа Организации Объединенных Наций по окружающей среде برنامج الأمم المتحدة للبيئة

联合国环境规划署

UNEP

Policy Outline No.1/2011

UNEP PARTNERSHIP POLICY AND PROCEDURES

21 October 2011

UNEP PARTNERSHIP POLICY AND PROCEDURES

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Section 1: Introduction

Over the past few decades, increased recognition has been given to the important role played by partnerships in addressing global challenges. The UN Conference on Environment and Development placed partnerships between governments, the private sector and civil society as central to achieving global sustainable development. Successive United Nations conferences and summits have echoed this commitment and have called upon the United Nations to develop partnerships with the private sector, non-governmental organizations and civil society to enable them to contribute to the realization of internationally agreed development goals as well as the organization's goals and programmes.

It is increasingly apparent that environmental issues are too large to be addressed by any single entity but rather require the concerted efforts of all sectors of our increasingly interconnected global society. Partnerships offer a mechanism to foster such joint action as well as an opportunity for non-traditional actors to become involved in the work of the United Nations and to contribute towards the international environmental agenda. UNEP's longstanding commitment to addressing environmental issues through Partnerships has been instrumental in its successes. By tapping into the vast knowledge and expertise of the scientific community, UNEP has managed to keep the world informed of emerging environmental issues. By working with Governments, UNEP has helped shape environmental policy at the global, regional and national levels and enhanced capacity of States to deliver on their environmental commitments. By forging alliances with civil society and other non-state actors, UNEP has helped raise the profile of environmental issues and facilitated the adoption of new and innovative approaches to addressing environmental challenges. By working with the business community, UNEP has encouraged corporations to take greater responsibility for their environmental footprint and that of the partners with whom they do business. Clearly, it is only through the involvement of all actors that holistic solutions can be found for the environmental problems that plague the world today.

The potential benefits of forging partnerships are manifold and UNEP's ability to actively engage in partnerships is a sign of strength. The reasons for engaging in partnership include: achieving synergies through joint efforts, enhancing capacities and policy support, targeting transformational change and strategizing long-term partnering. Determining why to partner is the first initial step to be taken.

Attributes of UNEP's Partnerships

Within the United Nations, partnerships are commonly defined as voluntary and collaborative relationships between various parties, both public and non-public, in which all participants agree to work together to achieve a common purpose or undertake a specific task, and to share risks, responsibilities, resources and benefits.[1] UNEP should engage in a partnership when the partnership will multiply the results that would have ensued if UNEP was acting alone. This definition encompasses an enormous variety of partnerships, including international coalitions, community-based initiatives, time-bound projects, broad value-based frameworks for action, individual company commitments and multi-stakeholder initiatives.

Partnerships may involve two or more parties and may vary in size and importance. They may be concluded for one-off undertakings to deliver specific activities or may involve more strategic multi-year collaboration between parties. They may involve funding either to or from UNEP, in many cases UNEP and the partner may cooperate towards common objectives without any exchange of financial resources. The main categories of partners with which UNEP collaborates are indicated in **Figure 1** (below) and a key distinction is made between governmental, non-governmental and inter-governmental entities and for-profit versus not-for-profit entities.

Figure 1: Main categories of UNEP partners

<table>
<tr><th></th><th>Governmental</th><th>Non-governmental</th><th>Inter-governmental</th></tr>
<tr><td>Not for profit</td><td>Includes: National government (agencies and subsidiary bodies) and sub-national government</td><td>Includes: NGOs, (Research institutions, foundations)</td><td rowspan="2">Includes: Intergovernmental organizations (UN agencies, OECD)</td></tr>
<tr><td>For profit/business sector</td><td>Includes: State-owned companies</td><td>Includes: Companies, business associations and coalitions, corporate philanthropic foundations</td></tr>
</table>

The main attributes of the different categories of UNEP partners are outlined in the schematic in **Annex 1**. It highlights the differences in organizational objectives among the different categories of partner as well as the key drivers that underlie their operations. These attributes help elucidate a partner’s motivation for collaborating with UNEP and should be given due consideration to ensure that the partnership’s objectives are mutually supportive of the interests of all parties concerned.

Key Principles

While recognizing the value of cooperation between the United Nations and relevant partners, it is important to ensure that partnerships are undertaken in a manner that maintains the organization’s ***integrity, impartiality and independence*** as well as its character as an

[1]For the purpose of this policy, partnership refers to any alliance, collaboration or association between UNEP and external partners to achieve common goals and objectives.

international organization of Member States, and ensure that ***mutual benefits*** are conferred to all parties involved. In addition, the use of resources through partnerships should strive to uphold the ***UN principles of effectiveness, efficiency and economy.***

To this end, the UN General Assembly encourages the organization to give due consideration to the following principles when entering into partnerships:

- Common purpose,
- Trust, transparency and accountability,
- Bestowing no unfair advantage upon any partner of the United Nations,
- Mutual benefit and respect,
- Respect for modalities of the United Nations,
- Sectoral and geographic balance: striving for balanced representation of partners from developed and developing countries and countries with economies in transition, and
- Not compromising the independence and neutrality of the United Nations.

In successful partnerships, all participants contribute and gain something. They all have a stake in the process and the outcome despite the differences in their individual inputs and interests. Agreements between partners should ensure that there is a clear understanding of the partnership's objective, the role and the responsibilities of each party and the commonality, or potential divergence, of their interests. In addition, the contribution and work of each party should be acknowledged whenever appropriate.

The Executive Director holds the ultimate authority and responsibility for UNEP partnerships.

The Purpose of this Policy

The purpose for this policy is ***to ensure that there is a consistent, UNEP-wide approach to entering into partnerships.*** This policy is intended to complement the relevant UN regulations and rules as well as guidelines and initiatives relating to the United Nations' cooperation with partners[2]. In particular, this policy does not alter the requirements of the United Nations procurement process which should be applied to the acquisition of goods and services for the organization or involving any transfer of funds to a private sector entity. With respect to private sector partnerships, this policy should be considered in conjunction with the "Guidelines on Cooperation between the United Nations and the Business Sector"[3]of November 2009 and the principles of UN Global Compact which encourages businesses to align their strategies and operations with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption.

[2] Contributions to the Environment Fund will not be covered by this policy
[3] Formerly referred to as the "Guidelines on Cooperation between the United Nations and the Business Community"

The focus of this policy is not on partnerships with Governments, Governmental Bodies or United Nations Organizations as these entities are UNEP's key clientele and as such not subject to a selection process. UNEP's ***cooperation with National Committees is not addressed*** in this policy and partners for GEF funded projects have a specific due diligence process which ensures their compliance with this policy. The main objective of this policy is to provide a strategic, organization-wide approach to the identification of partners and to establish a due diligence process partner selection. The policy also provides guidance on the management and oversight of partnerships and a UNEP-wide strategy for managing and analyzing partnership-related information. Information pertaining to the legal instruments to be used for concluding agreements is contained in **Annex 4**.

This policy replaces and supersedes the UNEP Policy on Partnerships and Guidelines for Implementation of 2009.

The approach adopted in this policy rests on two key principles:

1. ***Delegating to Divisions*** and Regional Offices the possibility to refer a partnership decision to the Partnership Committee or to decide on a partnership agreement: for amounts of up to US$200,000 (this amount applies cumulatively to agreements between the Division and a specific partner within a calendar year)[4] in cases where UNEP intends to ***provide/grant funds*** to a partner; or in cases where UNEP intends ***to receive funds*** from a partner provided that the due diligence review does not reveal any risks to UNEP;

2. ***Ensuring UNEP-wide consideration*** of Partnerships through the creation of a Partnership Committee that will review cases that involve a risk to the organization and/or involve financial commitments exceeding US$200,000 (this amount applies cumulatively to agreements between the Division and a specific partner within a calendar year)[5] when UNEP intends ***to provide/grant funds*** to a partner; or involve risks to the organization as identified through the due diligence review (**Annex 2**) when UNEP intends ***to receive funds*** from a partner.

In this policy, ***a distinction has been made between the receipt of funds from for-profit entities and the provision of funds to not-for-profit entities.*** In this regard, separate due diligence procedures have been developed to address each of these cases. In terms of accountability, all agreements concluded, along with supporting documentation of the review process conducted, will be submitted electronically to the UNEP Office for Operations (OfO) who will serve as the corporate custodian of all UNEP agreements.

[4] This concerns the review procedures. Legal instruments are subject to the relevant delegated authority.
[5] This concerns the review procedures. Legal instruments are subject to the relevant delegated authority.

Section 2 - Partner Scoping: Determining the Purpose and Type of Partnership

Prior to initiating a partnership, a number of considerations must be addressed by the responsible Officer, who will generally be a Programme Officer. This implies going through a decision-tree of steps prior to formalizing a partnership. It involves what can be referred to as 'partner scoping.' It starts by confirming what may be presumed need for a partnership, followed by a series of decisions to be considered by the responsible officers and managers involved. These steps are set out in **Figure 2** on page 9.

The partner scoping and decision-making process follows these steps:

Step 1: The ***responsible Officer evaluates the presumed need for a partnership***, based on an assessment of resources required to implement the activities of projects that have been approved by the PRC / PAG and the availability of potential partners on the market. The following are some of the key reasons to engage with partners:

- Achieve institutional and policy support for environmental objectives at the global, regional and national levels;
- Integrate environmental and sustainability considerations into the work of partners with a view of enhancing the sustainability of a given industry
- Leverage technical capacity and pool resources to deliver on UNEP's programme objectives;
- Achieve sustainable and measurable results that cannot be achieved alone;
- Leverage greater impact based on complementarities and synergies available;
- Expand outreach and advocacy for achieving environmental objectives; and to
- Form a critical mass of players with relevant knowledge and access to resources.

Fundamentally, this involves a decision on the comparative effectiveness of in-house capacity to support project delivery, as compared to capacities and resources available externally. Should the latter be the case, the responsible Officer moves to Step 2.

Step 2: ***The responsible Officer determines the types of external resources required for project implementation***. These can involve the acquisition of goods and services (including consultancies), a commercial relationship with an external supplier for which standard UN procurement rules and procedures must be applied. Alternatively, UNEP may be in need of a collaborative relationship through which it obtains resources, accompanied or not by the transfer of money. In the case where a collaborative relationship is required, the responsible Officer moves to Step 3.

Step 3: ***The responsible Officer determines the nature of the foreseen partnership***, which could involve (i) UNEP receiving funds from a partner, (ii) UNEP granting funds to a partner, or (iii) no fund transfer entailed but resource support made on the basis of in-kind contributions. These three options lead the responsible Officer to move to Step 4, 5, or 6 as applicable.

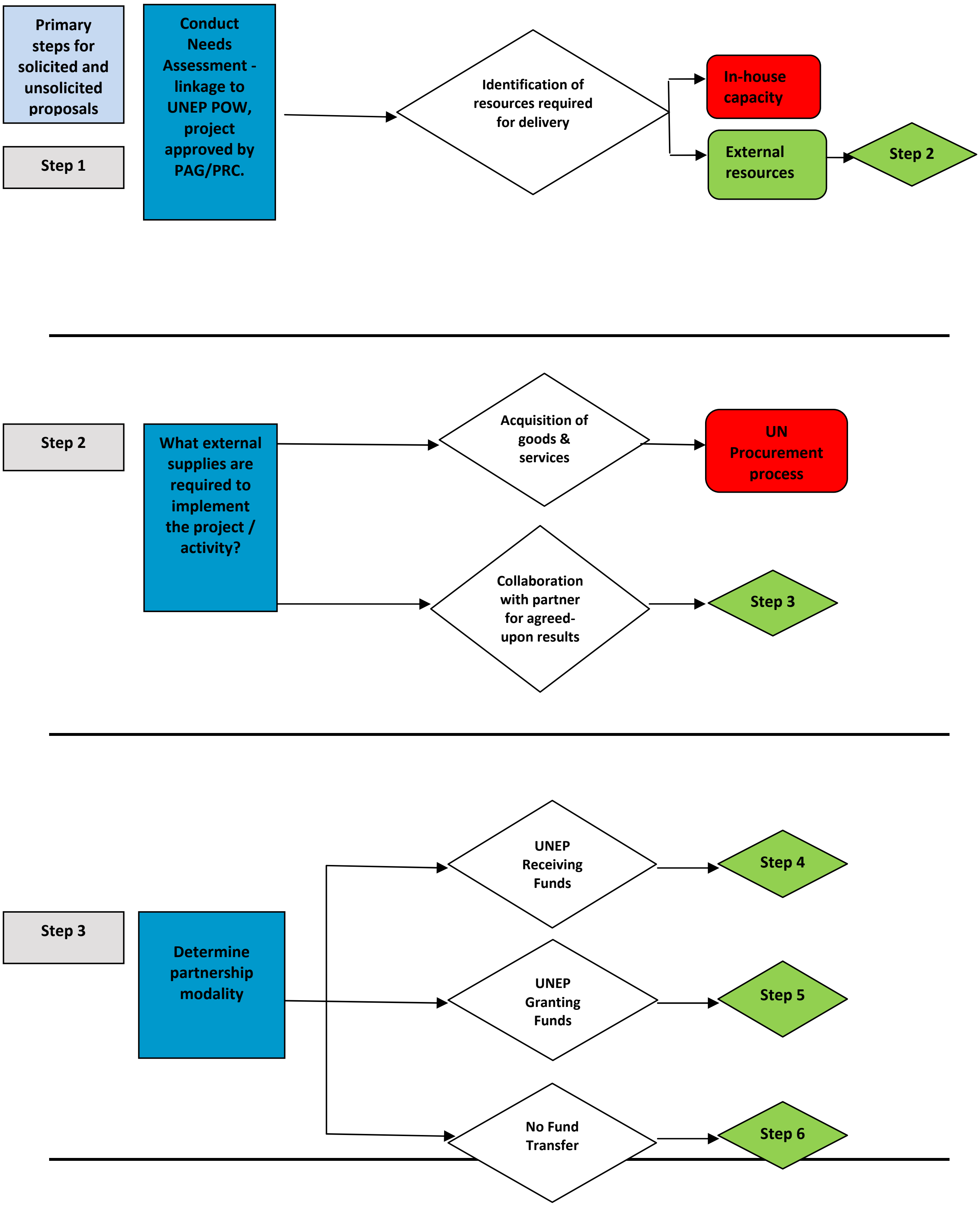
Step 4: ***The responsible Officer determines the category of partner providing UNEP with funding.*** If it involves a governmental or UN body, existing standard procedures (e.g., donor or interagency agreements) apply. If it involves a for-profit organization, such as a private sector company providing UNEP with a financial contribution to join or support a UNEP initiative, the responsible Officer must apply the Due Diligence Procedure 1 as set out in this policy.

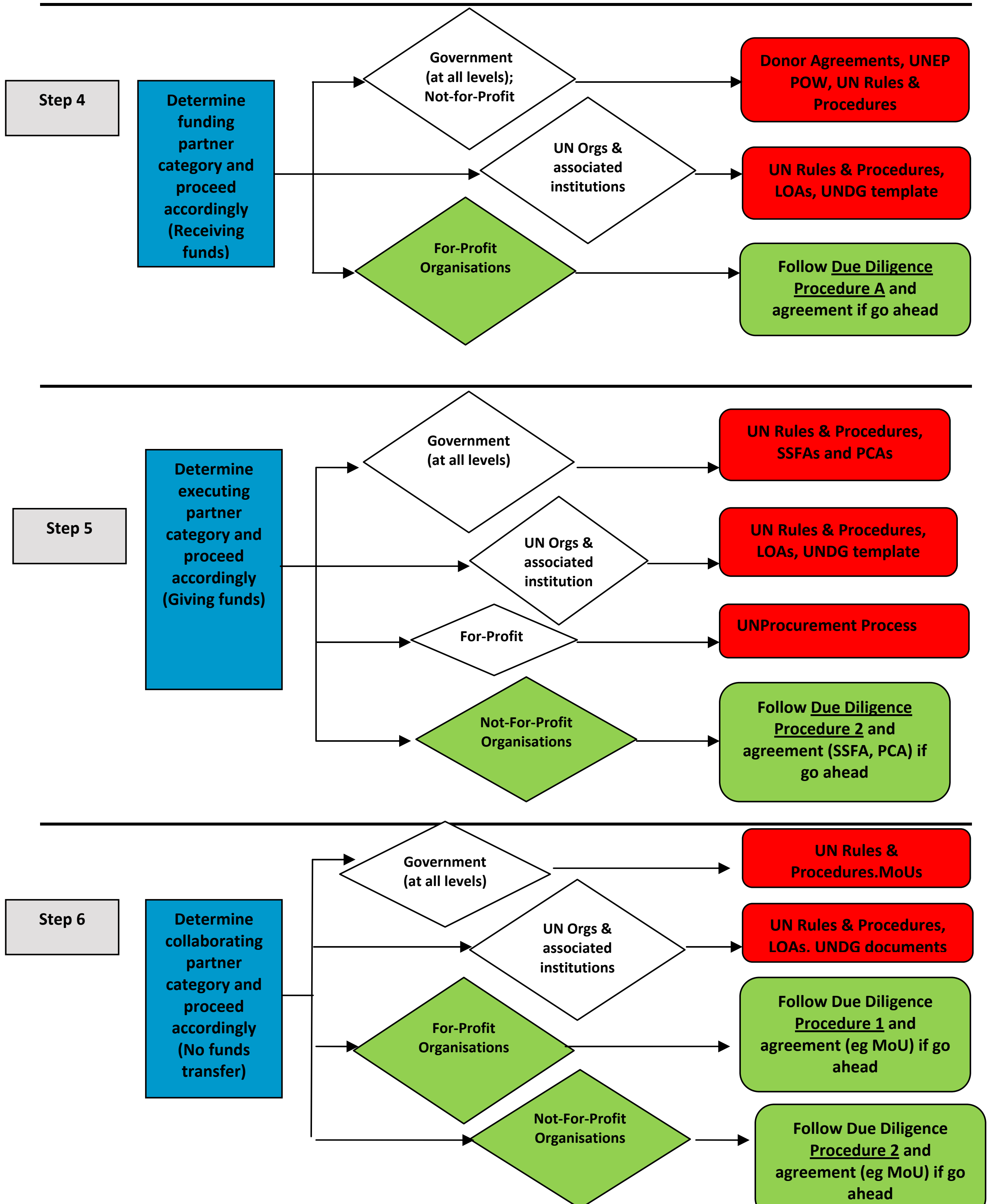
Step 5: ***The responsible Officer determines the category of partner that UNEP will provide with funding in relation to agreed tasks.*** If it involves a governmental or UN body, existing standard procedures (e.g., cooperation or small scale funding agreements) apply. If it involves a not-for-profit organization, such as a NGO, research body or training institute, the responsible Officer must apply Due Diligence Procedure 2 as set out in this policy.

Step 6: ***The responsible Officer determines the category of collaborating partner with whom in-kind resources are shared***, *without any fund transfer obligations between UNEP and the partner*. Depending on whether it involves a for-profit organization or not-for-profit organization, Due Diligence Procedure 1 or 2 must be followed.

Note: final and formal selection of a partner can only happen once the PAG/PRC has approved the project concept/document.

Figure 2: Flow chart for determining need and type of partnership for PoW project delivery




Step 4
Determine funding partner category and proceed accordingly (Receiving funds)
Government (at all levels); Not-for-Profit
Donor Agreements, UNEP POW, UN Rules & Procedures
UN Orgs & associated institutions
UN Rules & Procedures, LOAs, UNDG template
For-Profit Organisations
Follow Due Diligence Procedure A and agreement if go ahead
Step 5
Determine executing partner category and proceed accordingly (Giving funds)
Government (at all levels)
UN Rules & Procedures, SSFAs and PCAs
UN Orgs & associated institution
UN Rules & Procedures, LOAs, UNDG template
For-Profit
UNProcurement Process
Not-For-Profit Organisations
Follow Due Diligence Procedure 2 and agreement (SSFA, PCA) if go ahead
Step 6
Determine collaborating partner category and proceed accordingly (No funds transfer)
Government (at all levels)
UN Rules & Procedures.MoUs
UN Orgs & associated institutions
UN Rules & Procedures, LOAs. UNDG documents
For-Profit Organisations
Follow Due Diligence Procedure 1 and agreement (eg MoU) if go ahead
Not-For-Profit Organisations
Follow Due Diligence Procedure 2 and agreement (eg MoU) if go ahead

Section 3: Work Flow and Responsibilities

The partner review process described below should be led by the relevant Officer examining the possibility of partnering with a specific entity. The due diligence procedure must be followed in consultation with the Fund Management Officer (FMO) and other relevant focal points/managers, through to the presentation of a recommendation to the relevant Division or Regional Director or group of senior managers, depending on the nature of the partner and partnership involved. The level at which a recommendation is considered and decided upon should be determined based on the following two criteria:

- ***Caution to be taken***: the application of Category B (Yellow) questions in Due Diligence Procedure 1 or 2 resulted in a "Yes" answer, implying that ***special caution*** needs to be taken, and exclusion considered; and/or

- **The level of funding involved** – up to US$200,000 (granting funds) or beyond – leads to consideration by divisional or higher levels of decision-making.

The work flow to be followed in both cases is outlined below (Sections 3.1 – 3.3).

The following must be noted when considering partners to whom funding will be provided by UNEP: The selection of not-for-profit executing partners should be prefaced by a comparative review process involving at least three candidate organizations. When comparison may not produce relevant results, a written justification should be provided in the file for the consideration of the Division or Regional Director (and the Partnership Committee) together with the recommendation.

3.1 When UNEP intends to grant funds that are less than or equal to US$ 200,000 to an implementing partner in support of a collaborative partnership for shared results

For partnerships involving less than or equal to US$200,000, the partnership review process should be carried out at the divisional level with operational responsibility taken by the relevant responsible Officer. The Officer must carry out the Due Diligence procedure, ensuring consultations with the relevant Sub-Programme Coordinator and OfO on existing references on the entity, if any, and also with the Fund Management Officer (FMO) on the appropriate legal and financial information, including the availability of funds.

The resultant partnership dossier should be prepared by the Officer with a recommendation to be reviewed and decided upon by the Division or Regional Director. More specifically:

i. If the diligence review does not result in negative results from the Category A (Red): Exclusionary criteria nor from Category B (Yellow): Caution: decision of Partnership Committee **and** the results of Category C (Green): Positive screening are positive, the

Officer should finalize the partnership dossier, summarizing the results and recommendation. It must then be submitted through the relevant FMO to the Division or Regional Director for consideration. The Division will consider and approve the proposed partnership by concluding a partnership agreement in line with the Guide to Use Legal Instruments, as revised from time to time[6]. In cases of specific concern, the Division or Regional Director may also use his/her discretion to refer the partnership decision to the Partnership Committee, detailing the source(s) of his/her concern in the referral.

ii. If the due diligence review does provide positive results from Category B (Yellow) Caution: decision by Partnership Committee, the Division will prepare and submit the partnership dossier and recommendation to the Partnership Committee. The Committee will review the dossier and supporting documentation and decide to approve or not approve. If the approval is given, the Division will consider and approve of the proposed partnership by concluding a partnership agreement in line with the Guide to Use Legal Instruments, as revised from time to time.

Once approved and signed, copies of the relevant documentation (including legal instruments) are to be sent to OfO to keep central record of partnerships, including detailed financial information.

3.2 When UNEP intends to grant funds that are more than US$ 200,000 to its implementing partner in support of a collaborative partnership for shared results

For partnerships involving a transfer of more than US$ 200,000, the partnership review process involves the Partnership Committee, supported by the concerned Division. At the divisional level, the Officer must develop the partnership dossier with recommendation and supporting documentation (checklist with due diligence results). The partnership dossier will be reviewed by Division management and finalized before submission to the Partnership Committee.

Specifically, further to the due diligence review, if there are no negative results from the Category A (Green) Exclusionary criteria, the Officer prepares the partnership dossier for review by the FMO and Division or Regional Director, with the view of arriving at an agreed recommendation. The finalized dossier with recommendation and supporting documentation must then be submitted to the Partnership Committee by the relevant Division or Regional Director.

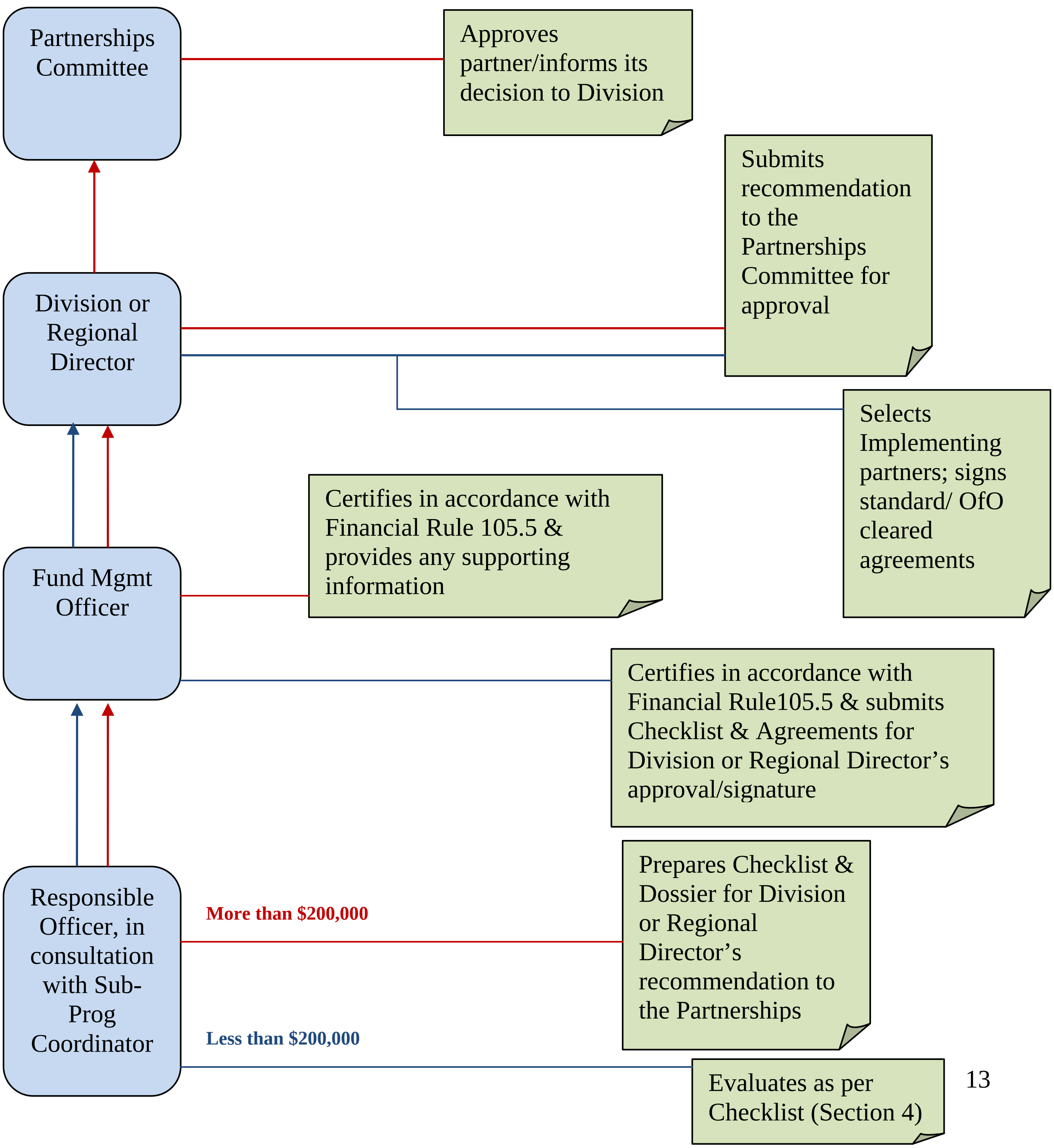
[6] The responsible Officer should regularly check the intranet for updated documents to ensure that the most recent one is being used.

The Partnership Committee reviews the submission and if an approval is given, the initiating Division will consider and approve the proposed partnership by concluding a partnership agreement in line with the Guide to Use of Legal Instruments, as revised from time to time.

Once approved and signed, copies of the relevant documentation (including legal instruments) are to be sent to OfO to keep central record of partnerships, including detailed financial information.

Figure 3 provides an overview of the work flow.

Figure 3: Work flow and responsibilities where UNEP intends to grant funds



3.3 When UNEP intends to receive funds from for-profit entities

i. At the divisional level, the responsible Officer must develop the partnership dossier with recommendation and supporting documentation (checklist with due diligence results), for consideration by the Division or Regional Director. If there are negative results from the Category B (Yellow) Decision by Partnership Committee of **Annex 2**, the Officer prepares the partnership dossier for review by the FMO and Division or Regional Director. The finalized dossier with recommendation and supporting documentation must then be submitted to the Partnership Committee by the relevant Division or Regional Director. The Partnership Committee will review the submission and, if an approval is given, the initiating Division will consider and approve the proposed partnership by concluding a partnership agreement in line with the Guide to Use of Legal Instruments, as revised from time to time. Once approved and signed, copies of the relevant documentation (including legal instruments) are to be sent to OfO to keep central record of partnerships including detailed financial information.

ii. If the proposed partnership is within the scope of a Project Review Committee (PRC) approved project, the Division or Regional Director can proceed within his/her delegation of authority.

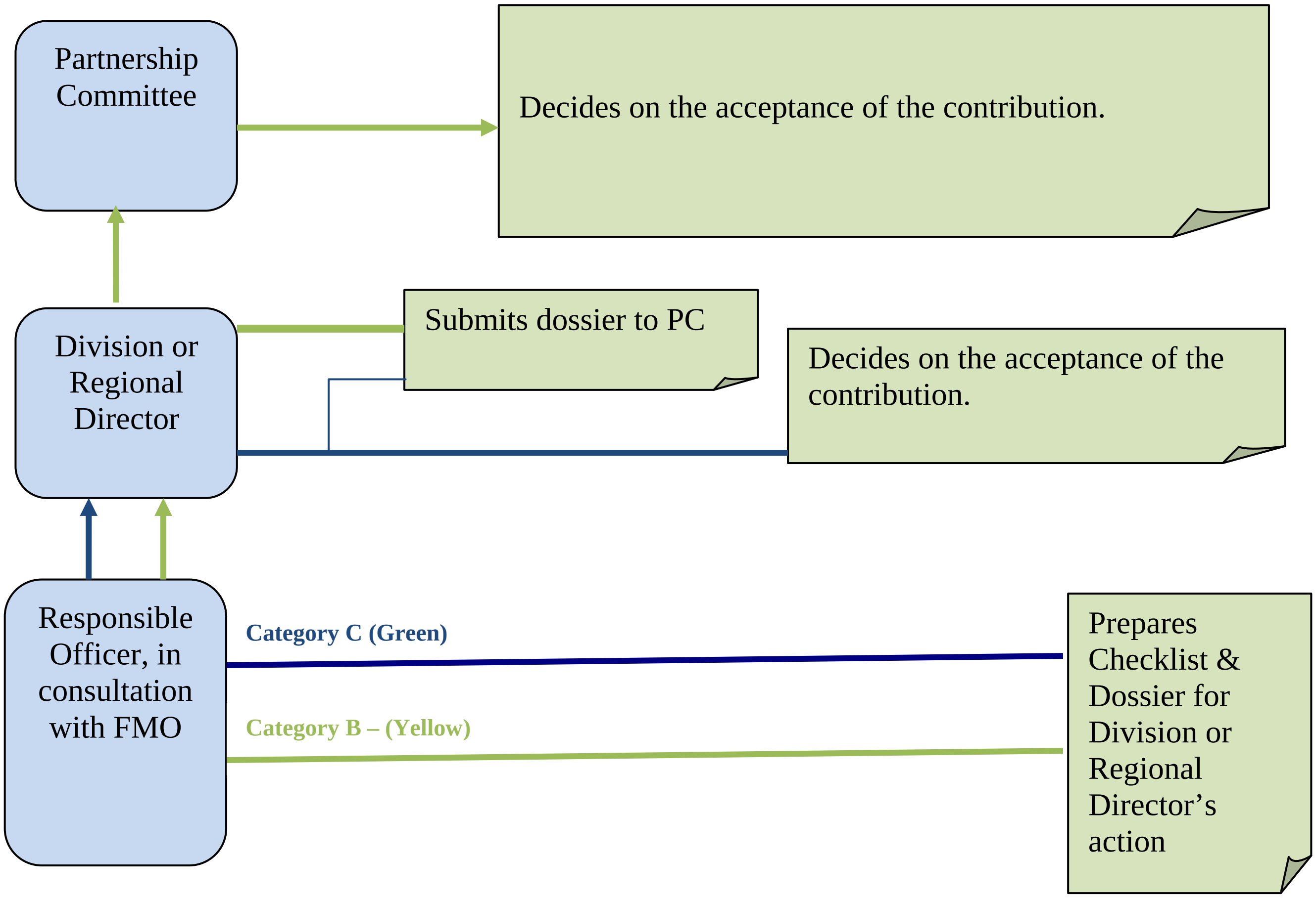
iii. If the proposed partnership is not within an approved project, a project concept would need to be developed by the Division for obtaining PRC approval.

iv. The Partnership Committee may consider reviewing the partners/partnership in a generic way.

v. When appropriate, either the submitting Division or the PRC secretariat may, on a case-by-case basis, suggest to OfO a combined meeting of the PRC and the Partnership Committee to review the project and the partner/partnership simultaneously.

Figure 4 provides an overview of the workflow.

Figure 4: Work flow and responsibilities where UNEP intends to receive funds:



For Category B (Yellow) Caution: Decision by Partnership Committee

For Category C (Green) Positive Screening

Section 4: Due Diligence and Partner Screening

There are two due diligence procedures set out below, applied to for-profit and not-for-profit entities, respectively. These require the Officer to accomplish a standard checklist of information, involving a screening of the prospective partner organization. Each list covers negative or exclusionary criteria, followed by positive screening criteria that also serve to identify those organizations that are ahead of their peers.

The due diligence procedures, as key components of the partnership review process, also serve as a risk and opportunity management tool. They also address potential audit concerns related to the credentials of the organization involved, essential financial and administrative information; and potential conflicts of interest.

When conducting due diligence, staff should ensure that potential partners are accorded the utmost respect, particularly by ensuring that the evaluation of their suitability is handled as early and as efficiently as possible.

Procedure 1 described below applies to for-profit organizations, recognizing that commercial entities pose certain ethics and policy considerations that normally come with the business of producing and selling goods and services.

Procedure 2 applies to not-for-profit organizations such as NGOs, organizations with which UNEP may wish to partner and grant funds to in respect of certain joint/collaborative project activities. The nature of criteria applied to these public interest organizations is focused mainly on organizational capacity, credibility and reputation. Unless specified otherwise, reference to not-for-profit entities below is NOT APPLICABLE to national government entities, including line ministries, agencies, and subsidiary bodies, as well as sub-national government entities, and their agencies and subsidiary bodies.

For Procedures 1 and 2, the respective roles of the concerned responsible Officer, FMO and Division or Regional Director are the following:

Role of responsible Officer: The role of the Officer is to identify and determine potential, appropriate partnership entities; carry out the initial steps of the partnership review process and support the process through to its conclusion. The major elements include: carry out due diligence criteria[7]; compile the partnership dossier (including the FMO review), monitoring and supporting the review process at the division level and, if need be, through the Partnership Committee and/or PRC. If the partnership is approved, the responsible Officer supports the development of the OfO-cleared legal agreement and providing relevant documentation for Divisional and OfO records.

[7] The Officer can apply the due diligence criteria by requesting the entity to supply the required information and collecting publicly available information.

Role of Fund Management Officers (FMOs): In accordance with the UN Financial Rule 105.5, (a) and (b)[8], the role of the FMO is that of a certifying officer who review and verify the partnership dossier prepared by the relevant Officer. During the partnership review process, the concerned FMO must be prepared to submit any supporting documents, explanations and justifications requested by the Division or Regional Director and the members of the Partnership Committee.

Role of the relevant Division or Regional Director: In accordance with the UN Financial Rule 105.6, (a) and (b)[9], in line with Division or Regional Director's delegation of authority, and based on the partnership dossier prepared by the responsible Officer and reviewed by the FMO, the Division or Regional Director exercises his or her judgment to determine whether the proposed partnership dossier should be approved, denied or sent to the Partnership Committee in the best interests of the Organization. For amounts below or equal to US$200,000 (granting funds), or where the due diligence does not reveal negative results under Category B of **Annex 2** (receiving funds), the Division or Regional Director can select and conclude a standard legal agreement with the preferred executing partner, or decide to send the case to the Partnership Committee. For amounts exceeding the above threshold, the Division or Regional Director shall, with support from the concerned responsible Officer and FMO, submit his/her recommendation and the finalized partnership dossier to the Partnership Committee for consideration.

4.1 Procedure 1: When UNEP intends to receive funds from for-profit entities

As an entity of the United Nations, UNEP enters into partnership agreements with for-profit entities for the purpose of fulfilling its mandate to care for and improve the environment and not for the purpose of entering into any form of commercial relationship with the partner. All

[8]**Certifying officers Rule 105.5**
(a) One or more officials shall be designated by the Under-Secretary-General for Management as the certifying officer(s) for the account(s) pertaining to a section or subsection of an approved budget. Certifying authority and responsibility is assigned on a personal basis and cannot be delegated. A certifying officer cannot exercise the approving functions assigned in accordance with rule 105.6.(b) Certifying officers are responsible for managing the utilization of resources, including posts, in accordance with the purposes for which those resources were approved, the principles of efficiency and effectiveness and the Financial Regulations and Rules of the United Nations. Certifying officers must maintain detailed records of all obligations and expenditures against the accounts for which they have been delegated responsibility. They must be prepared to submit
any supporting documents, explanations and justifications requested by the Under-Secretary-General for Management.

[9]**Approving officers Rule 105.6**
(a) Approving officers are designated by the Under-Secretary-General for Management to approve the entry into the accounts of obligations and expenditures relating to contracts, agreements, purchase orders and other forms of undertaking after verifying that they are in order and have been certified by a duly designated certifying officer. Approving officers are also responsible for approving the making of payments once they have ensured that they are properly due, confirming that the necessary services, supplies or equipment have been received in accordance with the contract, agreement, purchase order or other form of undertaking by which they were ordered and, if the cost exceeds $2,500 (or its equivalent in other currencies),in accordance with the purpose for which the relevant financial obligation was established. Approving officers must maintain detailed records and must be prepared to submit any supporting documents, explanations and justifications requested by the Under-Secretary-General for Management.
(b) Approving authority and responsibility is assigned on a personal basis and cannot be delegated. An approving officer cannot exercise the certifying functions assigned in accordance with rule 105.5 or the bank signatory functions assigned in accordance with rule 104.5.

corporate partners should acknowledge this principle as to the fundamental framework for interpreting their rights and obligations as a partner of UNEP and as a guide for their conduct in this capacity.

The due diligence procedure is set out in **Annex 2.** (Template for Due Diligence Procedure 1 for the selection of for-profit organizations) and is comprised of three categories that the concerned responsible Officer needs to apply in sequence. The categories are as follows:

<u>Category A (Red) Exclusion Screening</u>: The five questions listed in this category are based on the Guidelines on Cooperation between the United Nations and the Business Sector (2009). They reflect the minimum list of negative screening criteria that all UN agencies are expected to apply. If, for example, it appears that a company is involved or complicit in human rights abuses or in the use of child labour, the UN as a matter of principle will not partner with such a company. An answer of "Yes" to any one of the five questions results in a "No Go" decision, in which case the responsible Officer needs to go no further. Template 1 provides under "Guidance" indication of resources the responsible Officer can consult, including an online search and relevant UN offices to approach for advice if necessary.

<u>Category B (Yellow) Caution: Decision by Partnership Committee</u>: If all five questions under Category A lead to a "No" answer, the responsible Officer needs to consider additional situations which could justify referring the decision to the Partnership Committee. One issue is whether the organization involved is based in any sensitive industries listed under Category B. This list has been compiled by UN headquarters based on feedback from UN agency private sector focal points, coordinated by the UN Global Compact Office. UN entities take different positions on these sectors, considering their mandates. The World Health Organization, for example, will not collaborate with a tobacco industry company. In addition UNEP sensitive industries such as chemicals should be considered carefully. UN entities are, however, encouraged to be consistent across the UN system, and the responsible Officer needs to ***consider exclusion*** in cases where the potential partner organization originates from industries such as arms, tobacco and alcohol manufacturing, and/or gambling.

A recommendation to partner with an organization from any of the listed industries requires that the case to be referred to the Partnership Committee established under this policy for its decision – irrespective of the amount (including none) of financial contribution involved.

There are also situations where the entity might pose a potential conflict of interest or a reputational risk to UNEP. In the case where another Division is already working with a partner, the Division or Regional Director compiling the dossier might decide to send the case to the Partnership Committee for its judgment, inter alia, on coherence, checks and balances, or potential conflict of interest. The decision should also be sent to the Partnership Committee in the case where more than one division is receiving money from the involved partner.

Though environmental and/or sustainability reporting can be a positive sign of an entity being an accountable and transparent organization, if the due diligence process highlights that the reporting could be seen as ‘green washing’ this justifies referring the decision to the Partnership Committee. In addition care should be taken if there is any reason to believe that a company may use UNEP branding in an inappropriate way.

In addition, potential conflict of interest could result if the organization is a significant supplier in UNEP procurement or if partnership could be perceived to benefit, directly or indirectly, UNEP staff. Throughout, the Officer needs to consider principles such as “no unfair advantage” (compared to other companies) as described in the Guidelines on Cooperation between the United Nations and the Business Sector.

The Division or Regional Director may also use his/her own discretion and refer a partnership decision to the Partnership Committee based on other issues of concern that might arise in the due diligence and partnership screening.

<u>Category C (Green) Positive Screening</u>: The next procedure for the responsible Officer is to apply questions 1 – 10 to the organization being screened. As indicated in the guidance section of Template 1, most of the questions can be answered by examining specified websites, including that of the company examined. In this procedure, a scoring system results in the organization obtaining a value out of a maximum score of 9. The value of the score, as indicated at the bottom of the Template, results in a ‘go ahead’ (>6), caution (3-6) or ‘’little positive added value’ (<3).

The questions serve to identify organizations that are more advanced in the integration of environmental and social principles in their operations compared to their peers and have shown explicit commitment to help promote UNEP’s goals. The questions also consider the criteria taken from the Guidelines on Cooperation between the United Nations and the Business Sector, notably whether the organization is a participant in the UN Global Compact and any UN(EP) initiative.

The responsible Officer is expected to indicate the result, having gone through screening categories A – C, and to formulate a recommendation based on this.

4.2 Procedure 2: When UNEP intends to grant funds to not-for-profit implementing partners

The due diligence procedure as set out in **Annex 3** (Template for Due Diligence Procedure 2 not-for-profit organizations) and is comprised of three categories that the concerned Officer needs to apply in sequence A – C. The categories are as follows:

<u>Category A (Red) Exclusion Screening</u>: The questions listed in this category reflect the minimum screening criteria to confirm the legal status as well as financial and technical capacity of the organization considered. It should be possible to obtain all this information from the organization’s most recent annual reports and website. An answer of “No” to any one of the

three questions results in a “No Go” decision, in which case the responsible Officer needs to go no further.

Category B (Yellow) Caution: Decision by Partnership Committee: The questions listed under Category B address alignment with values of the UN and UNEP. These refer to obligations or responsibilities expected by the UN, as well as sanctions and any reputational risks posed by any association with the organization involved.

Category C (Green) Positive Screening: The next procedure for the Officer is to apply questions 1 – 8, which relate to the technical and strategic capacity of the organization under consideration. These questions address the organization’s relevant work experience, as well as possible past experience of working with other UN entities or other UNEP offices. The information should be available from the organization’s website, as well as from consultation with the UNEP partnerships central information repository.

In this procedure, a scoring system results in the organization obtaining a value out of maximum score of 8. The value of the score, as indicated at the bottom of the Template, results in a ‘go ahead’ (>6), caution (3-6) or ‘’little positive added value’ (<3) The responsible Officer, having gone through screening categories A – C, is expected to indicate the result and formulate a recommendation based on this.

4.3 Due diligence where no transfer of funding is involved

UNEP often partners with organizations where the collaboration does not involve the transfer of funds but entails the sharing of resources (information, personnel and other) and other forms of in-kind contributions. In these cases, Due Diligence Procedures 1 and 2 should still be applied but in somewhat simplified format:

Procedure 1 - for-profit organizations: Full Procedure 1 needs to be applied. The principles, reputational risks and other criteria listed in Due Diligence Procedure 1 are equally relevant when considering close association with a for-profit organization even where no transfer of funds to UNEP is involved.

Procedure 2 - not-for-profit organizations: Only Categories B and C need to be applied. Since the relevant organization will not be paid to execute certain tasks, its legal and financial status is less relevant as a precondition for consideration as partner. On the other hand, alignment with the values of the UN and UNEP as well as relevant technical knowledge and strategic positioning are relevant criteria even if no paid execution of tasks is at stake.

Section 5: The Partnership Committee

Introduction

The Partnership Committee supports the partnership review process in cases where the need for special caution has been determined and where a significant level of financial support is involved. In the case of executing partner organizations in support of a collaborative partnership for shared results, the Partnership Committee may also oversee a 'pre-screening' of partners for approval based on the criteria of due diligence procedure 2.

Objectives

The objectives of the Committee are to (i) consider and approve or disapprove recommendations from Divisions and Regional Offices on the selection of entities with whom new partnerships will be undertaken and (ii) provide a forum for joint deliberation among UNEP managers on partner risks and opportunities that require special caution.

Composition

The Committee shall be composed of the following 4-6 senior members, or their alternates:

-1 representative of Office for Operations

-1 Thematic/Sub-Programme Coordinator

-1 Representative from DRC

-1 rotating/alternate representative from any other Division with relevant competence but not concerned by the case under review.

- <u>In the case of for-profit entities:</u> 1 representative of DCPI and 1 representative from DTIE.

OfO will serve as the Secretariat of the Partnership Committee. The Committee can meet physically or virtually. 3-5 representatives must be present for a quorum, the higher number of representation being for subject matters concerning for-profit entities. A quorum can be achieved virtually through electronic participation. Representatives from the submitting Division(s), including those substantively responsible and relevant, will be in attendance. The Committee will meet every thirty (30) days, and adjust the frequency of its meetings according to the workload.

Partnership dossier and recommendation

At least ten days before scheduled Committee meetings, the Officer in the initiating Division shall submit a finalized dossier with the Division or Regional Director's recommendation and all necessary documentation to enable the Committee to properly review the substantive, legal and financial aspects of the Partnerships being proposed. The dossier should include:

- Results of the due diligence procedure (check list with score results)
- Division or Regional Director memo with recommendation(s) to the Partnership Committee

- Relevant supporting documentation such as the relevant PAG/PRC approved project document and information specific to the entity (e.g. annual report of the organization showing its status and mission statement).

Procedures

The Committee meets to discuss recommendations provided and, having considered requests, decides to:

- approve the selection of the implementing partner; or
- defer any decision pending receipt of additional information or clarification; or
- reject the selection of the (funding/executing) partner

The Committee should also review on an ongoing basis, and if need be, refine and/or supplement, procedural aspects such as the specific elements covered in categories A, B ad C of the due diligence checklist.

Any decision will require concurrence of the majority of Committee members. Once the Committee has met, the minutes of the meeting shall be prepared by the designated Officer and distributed to the Committee members for verification and signature for approval.

The responsible Officer shall provide electronic copies of all related documentation to OfO and inform the recommended implementing partner of the outcome of its selection.

Section 6.Partnership Management
6.1 Standard Legal Instruments:

Annex 4 provides details of the location of the current versions of the standard templates and guidelines to be used for preparing partnership agreements. Any revisions to these documents will be formally issued by UNEP's Management and the most current versions posted on the UNEP Intranet. Responsible officers should ensure that partnership agreements are developed using the most current version of the appropriate standard legal instrument template.

6.2 Financial Management and Oversight

Please refer to **Annex 5.**

6.3 Information Management

After the conclusion of executing partner or donor partner agreements, the responsible Officer and the relevant Fund Management Officer shall ensure that the partnership conditions are adhered to and that reports, in the necessary number of copies, are submitted by the partner to UNEP on time.

The initiating Division shall maintain an electronic file on each partnership, which should include the legal instrument, the partnership dossier (including results of due diligence procedure and recommendation), decision(s) of the Partnership Committee, and related audit and evaluation documentation. This information will be communicated, as developed, to OfO for centralized information management. The central partnership information repository should also include when available information relating to the evaluation of the partner's performance; and instances of non-compliance of the partner's legal, financial or programmatic obligations undertaken within a particular implementation agreement. The inclusion of this information in the central information repository will assist other UNEP Divisions and Regional Offices in determining future partnerships.

The relevant Officer will be in charge of the regular monitoring and evaluation of the implementation of the partnership agreement. The Partnership Committee will, with OfO's support, review and learn lessons on the previous year's partnerships, and when relevant, share them with the Senior Management Team.

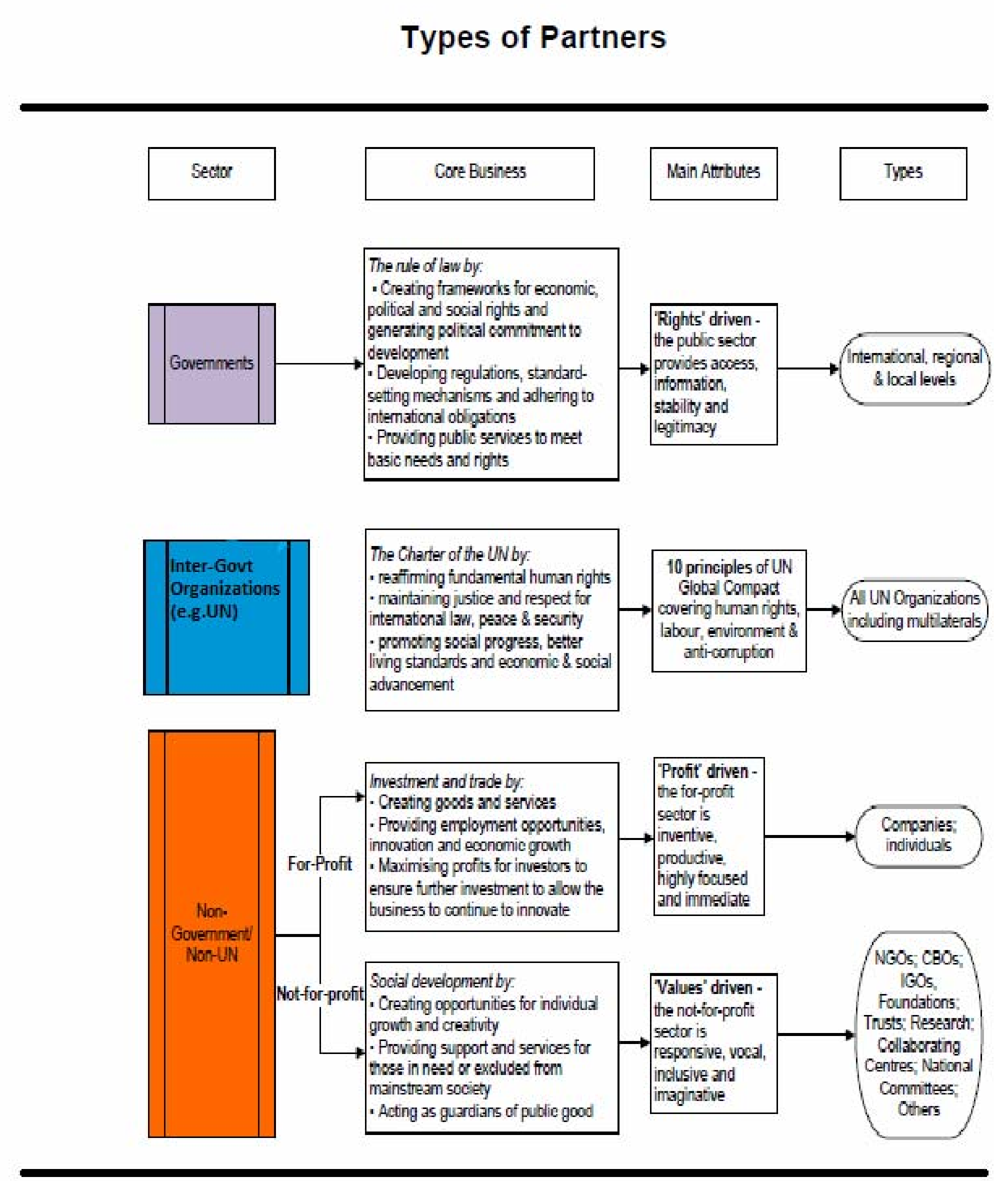
Section 7: Interpretation and Revision

Questions regarding the interpretation of this document should be addressed to the Chief, Office for Operations who will serve as the final determinant on such issues.

The annexes to the present document, including the templates for standard legal instruments and related guidelines referred to in **Annex 4,** are an integral part of UNEP's policy and procedures on partnerships. Any amendments to the present document shall be issued by the Executive Director and / or Senior Management Team.

However, procedures for due diligence on annexes 2 and 3 can be amended after due process, by the Partnership Committee. Such amended procedures would be communicated by OfO to all staff and posted on the Intranet along with the date they become effective.

ANNEX 1: Schematic: Core business and main attributes of different types of Partners



Annex 2. Template for Due Diligence Procedure 1: For-Profit Organizations

Category A (Red) Exclusionary criteria		
Criteria:	**Yes/No**	**Guidance:**
1 Is it complicit in human rights abuses?		- Cf UN Global Compact human rights principles and UN Guiding Principles on Business and Human Rights - OHCHR available for advice - See www.business-humanrights.org/SpecialRepPortal/Home
2 Does it tolerate forced or compulsory labour or the use of child labour?		- Cf UN Global Compact labour principles and ILO Declaration on Fundamental Principles and Rights at Work - ILO available for advice - See www.ilo.org/declaration/lang--en/index.htm
3 Is it involved in the sale or manufacture of anti-personnel landmines or cluster bombs?		- Cf company website and any accusation to this effect in media (online search) - UNOG / Antipersonnel Landmines Convention available for advice - See www.icbl.org/intro.php
4 Does it not meet relevant obligations or responsibilities required by the United Nations?		- Consider evidence that it counters / actively works against UN/UNEP promoted goals and responsibilities (eg use online media search – eg accusations by NGOs such as Corpwatch of persistent, irresponsible behaviour)
5 Does it violate sanctions established by the UN Security Council?		- Cf any recent accusation to this effect reported in media (online search) - Cf UNSC sanctions / countries list at www.un.org/sc/committees/
Category B (Yellow) Caution – Decision by Partnership Committee		
1. UNGC sensitive industries list: • Military, armaments and weapons manufacturing • Tobacco and alcohol • Gambling (excluding lotteries with charitable objectives) • Breast milk substitutes • Extractive industries **2. UNEP sensitive sectors** • Fossil fuels; • Chemicals;	**Yes/No**	**Guidance:** - These organizations exclude working with companies in these sectors: OHCHR, UNICEF, UNESCO, UNFPA, WFP, UN Women - These organizations exclude working with companies in these sectors : WHO, UNICEF, OHCHR, UNICEF, FPA, Unitar - These organizations exclude working with companies in these sectors : UNICEF, UNAIDS, UN Women - These organizations exclude working with companies in these sectors: UNEP, UNICEF, UN Women, UNFPA, UNESCO - These organizations exclude working with companies in these sectors: UNICEF, UNFPA - These organizations exclude working with companies in these sectors: UNICEF (take extra caution)

• GMOs, etc **3. Does the company produce banned pesticides, herbicides etc?**		These organizations exclude working with such companies: UNICEF UN Woman, UNFPA, UNESCO
4. Potential conflict of interest: Is there a possible perception of a conflict of interest? Issues to consider: • Does the entity already work with other UNEP Division(s) as implementing partner? • Is it a participant in a UNEP industry voluntary initiative, or becoming one? • Does an online search (Google, Corpwatch, media) show it being accused of significant cases of irresponsibility / litigation / or green washing? • Are there any other issues arising from the due diligence that might justify referring		A 'conflict of interest' situation arises when a staff member's private interests -- such as outside professional relationships or personal financial assets -- might interfere with the proper performance of their professional functions or obligations as a United Nations official. A partnership should not be perceived to benefit, directly or indirectly, UNEP staff. For example, staff members should not be actively associated with managing or holding financial interest in any business if either the staff member or the entity has the opportunity to benefit from such an association by way of the staff members' position at with the United Nations.[10] Relevant questions to consider: Is the company a significant supplier in UNEP procurement? Are the families of UNEP staff, or ex-UNEP staff working or associated with the partnership entity? - Consider alleged involvement in bribery and corruption (see www.unglobalcompact.org/Issues/transparency) - UNODC and Transparency International available for advice - Consider allegations / evidence of deliberate or negligent destruction, heavy pollution or degradation of the environment (cf ISO 14000 / environmental standards) - Consider allegations of other ISO26000 "core subject" areas, notably human rights, labour, consumer health

[10]**Regulation 1.2 (m)**
Staff members shall not be actively associated with the management of, or hold a financial interest in, any profit-making, business or other concern, if it were possible for the staff member or the profit-making, business or other concern to
benefit from such association or financial interest by reason of his or her position with the United Nations.
Rule 101.2 (n)
A staff member who has occasion to deal in his or her official capacity with any matter involving a profit-making business or other concern in which he or she holds a financial interest, directly or indirectly, shall disclose the measure of that
interest to the Secretary-General and, except as otherwise authorized by the Secretary-General, either dispose of that financial interest or formally excuse himself or herself from participating with regard to any involvement in that matter which gives rise to the conflict of interest situation.

the decision to the Partnership Committee? • Is there a potential reputational risk for UNEP arising from the partner's promotional activities or its use of UNEP logo?			
Category C: (Green) Positive screening (eligibility criteria)			
Criteria:	**Yes/No**	**Score[11] 1/0**	**Guidance:**
1. Does it support core values and goals of the UN (eg MDGs) and UNEP (eg conventions / MEAs)?			- Consider fit / commitment to UNEP thematic priority, related UNEP POW activities and convention interest area, eg climate, ozone, chemicals, biodiversity, endangered species, desertification - Consider related certification, labeling recognition it has
2. Is it currently a participant in the UN Global Compact, or becoming one?			- See UNGC participants list / search online at www.unglobalcompact.org/participants/search - covers over 5300 businesses in 130 countries (delisted if not reporting annually on progress)
3. Does it publish an environmental or sustainability report, disclosing information on its environmental / CSR policy & performance?			- See relevant company website or printed material available; consider its stated policies and actions (eg ISO14000 series) on environmental issues and broader social responsibility (ISO26000, including contribution to community development)
4. Does it publish a sustainability report based on the GRI Guidelines?			- See relevant company website and examine eg introduction and/or annex indicator index of sustainability / CSR report for explicit ref to GRI - For GRI reporters database see www.unglobalreporting.org
5. Is it open to engagement in multi-stakeholder dialogue with UNEP and others?			- Assess from direct communication with company and UNEP Major Groups Branch - A plus if it uses AA1000 standard on stakeholder engagement (www.accountability.org) or related UNEP/AccountAbility Manual on Stakeholder Engagement
6. Does it have any			- Examples of (related) sustainability initiatives,

[11] *For questions 1-8 award 1 point for YES, 0 for NO. In case of questions 9-10, award -1 for YES and 0 for NO.*

relevant corporate sustainability activities?			including any awards received for corporate responsibility initiatives.		
7. Is it listed on global / national sustainability indices (e.g., FTSE4Good, DJSI) or award schemes?			- Cfwww.sustainability-index.com/, www.ftse.com/index.jsp, ACCA national reporting awards (www2.accaglobal.com/) and ICC partnership awards (www.iccwbo.org)		
8. Does it have any sustainability-related certifications?			- Consider standards such as the ISO14000 environmental management series.		
9. Is the activity to be funded linked with the core business of the company?			- Core business (advancing CSR and cleaner production in own operations of the company), as opposed to philanthropic funding of activity unrelated to its core business (eg sponsorship).		
Total Score for positive screening:		**x/9**	**>6**	**3-6**	**<3**
Score of more than 6 – clear yes; score of 3 – 6 require an explicit, clear commitment; score of less than 3 consider no					
How many other entities were considered for partnering on the intervention? Explain briefly the relative strength of the proposed organization.					
Based on the above check list results, provide your recommendation with respect to the organization considered for partnership.					

Signature
Name:
Title: [responsible Officer]
Date:

Signature
Name:
Title: Division or Regional Director, [name of the Division/Regional Office]
Date:

Signature
Name:
Title: Chair, Partnership Committee **Date:**

Annex 3. Template for Due Diligence Procedure 2: for the selection of not-for-profit organizations[12]

Category A: (Red) Exclusionary criteria		
Criteria:	**Yes/No**	**Guidance:**
1. Legal status and governance		Copies of the Partner's incorporation/registration document; and its governing documents(eg by-laws)_must be publicly available
1.1 Does legal status reflect a not-for profit status?		
1.2 Has the entity been duly registered?		
2. Financial and administrative capacity		
2.1 Are its audited financial statements publicly available, showing sound financial management?		
3. Technical capacity		
3.1 Does the entity have the basic technical capacities to carry out the intervention?		Is there information that reflects that the entity has the staff, resources and experience to carry out the intervention? This can be identified in publicly available or requested information.
Category B: (Yellow) Caution – Decision by Partnership Committee		
4. Alignment to UN values:	**Yes/No**	**Guidance:**
4.1 Does the entity fail to meet relevant obligations or responsibilities required by the United Nations?		- Consider evidence suggesting that it actively works against UN/UNEP promoted goals and responsibilities (e.g. use online media search – such as accusations of irresponsible behaviour) If yes then referred to Partnership Committee
4.2 Does the entity violate sanctions established by the UN Security Council?		- Is any recent accusation to this effect reported in media (online search) - Of UNSC sanctions / countries list at www.un.org/sc/committees/ If yes then referred to Partnership Committee
4.3 Are there any issues with the entity that		This could include the following type of issues: - Possible conflict of interest (eg an ex-UNEP staff, family or

[12] *If any one of criteria in Category A applies, exclude the company / no further consideration required. If company is from any one of industry sectors listed under Category B, proceed with special caution to category C. If none of Category A and B applies to company, proceed directly to applying criteria under Category C.*

could pose a reputational risk to UNEP?			spouse work at the entity) - Media reports on alleged 'green washing', bribery, corruption, other ethics violations; or related to governance or financial issues. If yes then referred to Partnership Committee
5. Already working with UNEP:			
5.1 Is it currently working with any part of UNEP as an implementing partner? Are there any reasons the decision should be taken by the Partnership Committee?			- Check the financial and technical track record with other Divisions
Category C: (Green) Positive screening (eligibility criteria)			
Criteria:	**Yes/No**	**Score[13] 1/0**	**Guidance:**
6. **Specific Technical Capacities**			
6.1 Does the organization have relevant proven experience in implementing similar activities (e.g., at a similar level of technical complexity; access to relevant information sources/networks)?			- This can be ascertained by internet research or requesting information from the entity. - Consider fit / commitment to UNEP thematic priority, related UNEP POW activities and convention interest area - Consider related certification, labeling, awards recognition. Equal value should be assigned to these elements so as to ensure that no unfair advantage is given to organizations that can afford certification.
6.2 Has the organization previously managed activities in the same geographic area?			- This can be ascertained by internet research or requesting information from the entity. If the organization has worked for other UN entities, they should be contacted for feedback.
6.3 Has the organization previously managed efforts at a similar scale of funding?			- This can be ascertained by internet research or requesting information from the entity. If the organization has worked for other UN entities, they should be contacted for feedback.
6.4 Are there additional technical merits for partnering?			- This can be ascertained by internet research or requesting information from the entity. - For example building capacity, skills and training competencies
7.Strategic Capacity			
7.1 Does the organizational mandate of the			

[13] *For questions 6-7 award 1 point for YES, 0 for NO.*

organization cover the purpose of the proposed activity?					
7.2 Does the organization have an environmental or sustainability policy that reflects similar /complementary values to those of UNEP?					
7.3 Does the organization have positive feedback from working with UNEP, the UN and/or other intergovernmental organizations?					
7.4 Are there additional strategic merits for partnering?			For example an organization that is doing leading normative guidance, research or advocacy work that is internationally recognized		
Total Score for positive screening:		**x/8**	**>5**	**3-5**	**<3**
Score of more than 5 – clear yes; score of 3-5 require an explicit, clear commitment; score of less than 3 consider no					
How many other entities were considered for partnering on the intervention? Explain briefly the relative strength of the proposed organization.					
Based on the above check list results, provide your recommendation with respect to the organization considered for partnership.					

Signature
Name:
Title: [responsible Officer]
Date:

Signature
Name:
Title: Division or Regional Director, [name of the Division/Regional Office]
Date:

Signature
Name:
Title: Chair, Partnership Committee **Date:**

ANNEX 4

UNEP’s Standard Legal Instruments: templates and guidelines

For concluding a partnership, UNEP’s standard legal instruments must be used in accordance with the Revised Guide to Use Legal Instruments, as revised from time to time. The responsible Officer should regularly check the intranet for updated documents to ensure that the most recent one is being used.

Legal instruments for partnerships:

UNEP’s Standard Legal Instrument templates, including the Revised Guide to use legal instruments is available at: http://intranet.unep.org/ICT/index.asp?id=legal

The UN/UNEP’s corporate agreements with other UN agencies and intergovernmental organizations are available at: http://intranet.unep.org/ICT/index.asp?id=admin

Templates for concluding agreements on Joint Programming are available at: http://intranet.unep.org/ICT/index.asp?id=legal

Related guidelines

See also the link for General guidelines for concluding legal instruments for partnerships
See also the link for Guidelines for financial management and oversight of legal instruments

ANNEX 5

Financial Management and Oversight of Legal Instruments

Financial Management

The use of resources within the United Nations is guided by the principles of effectiveness, efficiency and economy (UN Financial Regulations and Rules, 101.1). Since the financial controls and management practices utilized by UNEP's Partners differ from those employed within the United Nations, it is incumbent upon the organization to encourage the application of these principles on resources expended through implementation agreements. As there is a risk of financial impropriety arising from the use of the financial management systems of Partner Institutions, it is imperative that mitigation measures be implemented to ensure that resources are used for the intended purpose, are fully accounted for and are utilized in an effective, efficient and economical manner. It is with this in mind that the following guidelines and procedures have been prepared to aid Programme Managers with the development and management of the financial aspects of implementation agreements (SSFAs/PCAs).

Budget formulation

Implementation agreements' budgets and implementation plans serve as the basis for exercising financial oversight and monitoring resources provided to Partner Institutions. Budgets should therefore contain sufficient detail to justify resource requirements, demonstrate cost-effectiveness and as much as practicable, provide a breakdown of the resource requirements corresponding to the periods for which cash transfers will be made to the Implementing Partner. To this end, budgets should be prepared for each activity and further broken down by budget line elaborating resource requirements for each of UNEP's major cost categories (i.e. objects of expenditure). While budgets should be as accurate as possible, it should be recognized that a budget is essentially a plan and that variances will occur during implementation. Consequently, a 10% variation in actual expenditure on budget lines can be considered acceptable provided the overall allocation for the Implementation agreement is not exceeded. Variations in budget lines exceeding 10% should be reflected in an amendment to the implementation agreement.

Implementation agreements' budgets should only include financial provisions for activities that are directly relevant to the attainment of the agreement's objectives. In this regard, it is worth noting that although implementation agreements involving payments from UNEP are only concluded with not-for-profits, if the services being provided by the not-for-profit institution are of a commercial nature, then the United Nations' procurement process should be used rather than concluding an implementation agreement. Under no circumstances should UNEP's standard legal instruments be used to circumvent the United Nations' procurement or recruitment processes. The administrative costs (e.g. managing, monitoring, preparing substantive and financial reports etc.) associated with partnerships agreements should normally be borne by the Partner, however, in instances where the Partner's capacity is limited, such costs may be included in the budget. When administrative costs are included in the budget, every effort should be made to keep them to a minimum and they should never exceed 13% of the overall budget.

Installments: advances and payment schedule

A key consideration for the effective management of implementation agreements is the level of operational advances paid to the implementing Partner. In general, lower levels of operational advances are preferred as this allows the organization to minimize financial loss by withholding subsequent installments in cases of non-performance. Ideally, installments should correspond with the resources required to achieve the agreement's major milestones, however, higher initial installments may be warranted by factors such as the Partner's satisfactory prior performance, low overall cost of the agreement, nature of activities etc. Apart from the initial installment, requests for subsequent advances should be accompanied by financial reports which should provide detailed information on expenditures incurred against each budget line.

Financial/expenditure reports

All expenditure reports should be certified by an authorized official from the Partner institution attesting to the accuracy of reported expenditures, that resources have been used in accordance with budget provisions and the implementation agreement's terms and conditions and that all expenditures are supported by relevant documents. UNEP will only accept expenditures that are in line with the approved budget.

Audit

Although certified financial statements provide some assurance of authenticity, ideally, financial statements should also be independently verified by an external auditor. As auditing all implementation agreements would neither be cost-effective nor practical, only agreements exceeding a value of US$ 200,000 are required to be audited at the end of their implementation. The audit may be performed as part of the Partner's external audit process provided UNEP's funding is explicitly mentioned as being included as part of the audit. Should this not be possible, the cost of the audit may be covered in the implementation agreement's budget. While the audit would be left with a partner organization it should not preclude the audit of the partnership by the OIOS according to UNEP policies.