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# *Lebanon Recovery Fund:*

## *Terms of Reference*

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3 November 2006

## **Terms of Reference of the Lebanon Recovery Fund**

### **I. Introduction**

1. The massive one-month onslaught that Lebanon was subjected to in July 2006 caused immeasurable destruction to the lives, livelihoods and social and physical infrastructure of the people of Lebanon. Even after the military offensive ended on 14 August, Lebanon remained for several additional weeks under the total land, sea and air blockade that had been imposed by Israel, thus causing a major setback to the country's encouraging economic outlook and to the reform agenda which the Government of Lebanon (hereinafter referred to as "the Government") had elaborated with a view to placing the country on a sustainable growth path.

2. As a first step to reverse this setback, the Government of Sweden convened an International Conference for Lebanon's Early Recovery, which was held in Stockholm on 31 August 2006, where the Government of Lebanon presented its Early Recovery priorities. At the conference, the United Nations Development Group (UNDG) expressed its readiness to assist the Government, if so requested, in the establishment and administration of a pooled-funding mechanism or multi-donor trust fund (MDTF) to allow donors to pool their resources and provide quick funding to the Government's priority recovery projects and programmes. The Government subsequently requested UNDG to assist in establishing the Lebanon Recovery Fund (LRF).

3. The LRF will not be an exclusive funding channel but will complement other funding mechanisms that the Government and United Nations Organizations may continue to use.

4. The LRF will finance priority recovery and reconstruction projects approved by the Government that can be executed with the support of United Nations Organizations, in partnership and cooperation with government and non-governmental organizations, within the scope and time frame of national priorities.

5. The LRF will facilitate the Government's coordination of international assistance for recovery. Moreover, it will enable the Government to oversee and guide the coordinated implementation of activities and ensure transparent fund administration and project implementation in line with its reform agenda.

### **II. Purpose and Principles**

6. The recovery activities in Lebanon will be led by the Government, with coordination support from the Recovery and Reconstruction Cell in the Prime Minister's Office. The Recovery and Reconstruction Cell, in cooperation with other concerned government entities, has been designated to provide guidance, technical support and coordination for prioritizing national recovery and reconstruction programmes and for resource allocations to these programmes.

7. The Early Recovery needs assessment was led by the Government of Lebanon, with the support and cooperation of the United Nations. The Government presented its Early Recovery priorities to the Stockholm Conference held on 31 August 2006, in its document: "Setting the stage for long-term reconstruction: The national early recovery process". In addition, the

Government will present its comprehensive priority recovery, reconstruction and reform programmes at an International Donors Conference (Paris III) to be held in January 2007.

8. The LRF arrangements aim to ensure, in particular, that:
  - (a) Each project approved for funding is part of a Government-approved priority programme of recovery and reconstruction activities, based on and formulated in consultation with concerned line ministries and beneficiary communities and, to the extent possible, donors and other stakeholders;
  - (b) The activities financed are implemented as much as possible by national implementation partners, under the overall ownership and leadership of the Government, to ensure sustainable local capacities;
  - (c) Funding and implementation are undertaken with special attention to transparency and accountability as well as to prompt delivery and efficient utilization of donor funds.

### **III. Description of the LRF**

9. The LRF shall be administered by UNDP, as Administrative Agent, on behalf of the UNDG Participating Organizations, as agreed with the Government. UNDP will administer the Fund in accordance with its regulations and rules. It will establish a separate bank account for receipt of contributions to the LRF. The LRF will be established upon the signing of the Memorandum of Understanding with Participating United Nations Organizations and the first Letter of Agreement between a donor and UNDP as the Administrative Agent.

10. Unless otherwise agreed by the Government and donors, the LRF shall terminate on such date as the contributed funds will have been fully disbursed.

#### **Contributions to the LRF**

11. Contributions to the LRF may be accepted from governments, intergovernmental or non-governmental organizations, and private-sector organizations.

12. Contributions to the LRF may be made as:

- (a) Unearmarked contributions, utilization of which will subsequently be approved by the Government-chaired Steering Committee;
- (b) Earmarked contributions for the purpose of financing a specific sector. The project(s) and Participating United Nations Organization(s) concerned will subsequently be approved by the Steering Committee;
- (c) Earmarked contributions for the purpose of financing a specific Participating United Nations Organization. The project(s) concerned will subsequently be determined by the Participating United Nations Organization and then approved by the Project Approval Group, with the subsequent endorsement of the Steering Committee.
- (c) Contributions for the purpose of financing a specific Participating United Nations Organization in a specific sector. The project(s) concerned will subsequently be

determined by the Participating United Nations Organization and then approved by the Project Approval Group, with the subsequent endorsement of the Steering Committee.

13. Contributions to the LRF may be accepted in fully convertible currency or in any other currency that can be readily utilized. Such contributions shall be deposited into the bank account designated by UNDP. Each individual contribution should amount to the equivalent of at least \$200,000.

14. The value of a contribution payment, if made in other than United States dollars, shall be determined by applying the United Nations operational rate of exchange in effect on the date of payment. Gains or losses on currency exchanges shall be recorded in the LRF account established by the Administrative Agent to transfer funds to Participating United Nations Organizations.

15. In exceptional cases, particularly during the start-up phase of the LRF, Participating United Nations Organizations may, subject to conformity with their financial regulations, rules and directives, start implementation of recovery activities through pre-financing from their own resources. Such advance activities shall be undertaken in agreement with the Steering Committee on the basis of funds that it has allocated or approved for implementation by the particular Participating United Nations Organization following receipt by the Administrative Agent of an official donor commitment form or signature of the Letter of Agreement by donors contributing to the LRF. Participating United Nations Organizations shall be solely responsible for decisions to initiate such advance activities or other activities outside the parameters set forth above.

#### **Utilization of the LRF**

16. Resources from the LRF will be utilized for the purpose of meeting the direct and indirect costs of projects managed by the Participating United Nations Organizations. Details of such projects, including respective budgets and implementation partners (national entities, NGOs/civil society organizations, intergovernmental organizations) will be set out in the relevant project documents. Participating United Nations Organizations shall be entitled to deduct their indirect costs on contributions received according to their own regulations and rules, taking into account the size and complexity of the particular project and the indirect costs will be reflected in the project proposal approved by the LRF Steering Committee, as described further below. It is expected that such costs will be in the range of 5 to 9 per cent, with an average of approximately 7 per cent.

17. The Administrative Agent will charge a one time fee of 1 per cent for fund management and fiduciary responsibilities, which will be deducted from the contributions to the LRF at the time that they are deposited. In addition to the above administrative fee, UNDP may also deduct from the LRF and transfer to itself the actual costs of UNDP staff supporting the Steering Committee in the analysis and review of projects and activities submitted for funding from the LRF if such staff support is requested by the LRF Steering Committee. On a semi-annual basis, UNDP will notify the Steering Committee of the amounts used for such purposes.

18. Participating United Nations Organizations shall assume full programmatic and financial accountability for the funds disbursed to them by the Administrative Agent. Such funds shall be administered by each Participating United Nations Organization in accordance with its own regulations, rules, directives and procedures.

## **IV. Governance Arrangements**

### **Steering Committee**

19. The LRF shall be governed by a Steering Committee, chaired by the Minister of Economy and Trade or his/her designate and composed of the Head of the Recovery and Reconstruction Cell, a representative of the Ministry of Finance, four donors, and the United Nations Resident Coordinator.

20. Operating by consensus, the Steering Committee shall provide strategic guidance and oversight as well as make final decisions on fund allocation.

21. The Steering Committee will review the progress of the LRF operations and ensure reporting to all LRF donors, with the support of the Administrative Agent. The Steering Committee will also ensure coherence and collaboration between the LRF and national programmes, maintaining close collaboration with national authorities to ensure flexible adaptation of the LRF activities to changes in national programmes.

22. The Steering Committee shall meet at least on a monthly basis in Beirut. Reports and recommendations of the Steering Committee and minutes of its meetings will be shared with the LRF donors.

23. The Recovery and Reconstruction Cell shall support the Steering Committee in reviewing all projects submitted for funding by the LRF to ensure their alignment with approved national priorities and available resources. Following its review, it will forward the project submission, along with its recommendations regarding alignment with approved national priorities and available resources, to the Steering Committee or the Project Approval Group in accordance with the category of donor contributions to the LRF specified in paragraph 12.

### **Project Approval Process**

24. In connection with early recovery activities, a second-tier Project Approval Group, co-chaired by the United Nations Resident Coordinator and the Head of the Recovery and Reconstruction Cell and comprising Sector Working Group Leaders, shall review and approve project proposals of the Participating United Nations Organizations and allocate funds. The decision of the Project Approval Group with respect to such early recovery activities proposed by the Participating United Nations Organizations shall be submitted to the Steering Committee for endorsement on a no-objection basis within seven days of submission.

25. Through the Participating United Nations Organizations, other international organizations, non-governmental organizations and national institutions may receive funds from the LRF based on a project agreement concluded with such entities as implementing partners of the concerned Participating United Nations Organization in accordance with the regulations, rules and procedures of this Participating United Nations Organization. Use of funds, reporting obligations, liability, audit and other matters relating to the management of the funds provided and the activities shall be addressed in such project agreements in the manner that is customary for the concerned Participating United Nations Organization.

## **UNDP Responsibilities as Administrative Agent**

26. The Administrative Agent shall be responsible for concluding Letters of Agreement with donors and Memoranda of Understanding with Participating United Nations Organizations. It shall receive, administer and disburse funds to Participating United Nations Organizations upon instructions from the Steering Committee or Project Approval Group and submit periodic consolidated narrative and financial reports to the Steering Committee for onward submission to donors.

27. Each Participating United Nations Organization shall sign a standardized Memorandum of Understanding with UNDP that sets out the duties and responsibilities of each party.

28. Each donor contributes to the LRF by signing a standardized Letter of Agreement with UNDP as Administrative Agent that sets out the terms and conditions governing the receipt and administration of the contribution.

29. Subject to the availability of funds, the Administrative Agent shall normally make each disbursement to the Participating United Nations Organization within three to four business days after receipt of instructions from the Steering Committee or the Project Approval Group accompanied with the approved relevant project document that has been signed by all parties concerned.

## **Participating United Nations Organizations**

30. Each Participating United Nations Organization shall assume full programmatic and financial accountability for the funds disbursed to it by the Administrative Agent. Each Participating United Nations Organization shall establish a separate ledger account under its financial regulations and rules for the receipt and administration of the funds disbursed to it by the Administrative Agent from the LRF account. This separate ledger account shall be administered by each Participating United Nations Organization in accordance with its own regulations, rules, directives and procedures, including those relating to interest. This separate ledger account shall be subject exclusively to the internal and external auditing procedures laid down in the financial regulations, rules, directives and procedures applicable to the Participating United Nations Organization.

31. Each of the Participating United Nations Organizations shall carry out its activities contemplated in the approved project proposal in accordance with the regulations, rules, directives and procedures applicable to it, using its standard implementation modalities.

## **V. Reporting, Transparency and Accountability**

32. For each project approved for funding from the LRF, each Participating United Nations Organization shall provide the Administrative Agent with the following statements and reports prepared in accordance with the accounting and reporting procedures applicable to the Participating United Nations Organization concerned:

- (a) Monthly contract commitment and disbursement data against approved project budgets;

- (b) Narrative progress reports for each six-month period, to be provided no later than four months after the end of the applicable reporting period;
- (c) Financial reports as of 31 December and 30 June of each year with respect to the funds disbursed from the LRF, to be provided no later than four months after the end of the applicable reporting period;
- (d) A final narrative report and financial report after the completion of all project activities financed from the LRF, to be provided no later than three months following the financial closing of the project activities; and
- (d) A final certified financial statement, to be provided no later than 30 June of the year following the financial closing of the project activities.

33. The Administrative Agent shall consolidate the reports by sector and present them to the Steering Committee. The Steering Committee, through the Chair, shall forward the reports to all donors contributing to the LRF.

34. Decisions by the Steering Committee, including funding allocations, will be shared with all LRF stakeholders in order to ensure the full coordination and coherence of recovery efforts. The LRF shall develop a dedicated web site to ensure appropriate transparency and accountability. Summaries of project information, periodic progress reports and monthly updates on project commitments and disbursements will be posted on the web site. The latter, along with selected highlights of project progress, will be distributed to the Government and donors in a monthly LRF Newsletter. Procurement requests and contract awards will also be publicly posted. Participating United Nations Organizations will be requested to publish Expressions of Interest, Requests for Proposals and Invitations to Bid on the public web site. Contract awards will be posted by project, supplier name, type of award process, award date, origin of supplier and value of the award.

35. The Administrative Agent shall commission an independent “lessons-learned and review exercise” of the entire operation of the LRF if requested to do so by the Steering Committee and the Participating UN Organizations.

36. Each Participating United Nations Organization shall take appropriate measures to publicize the LRF so as to give due credit to the Government and other Participating United Nations Organizations. Information given to the press and to the beneficiaries of the assistance provided through the LRF, all related publicity material, official notices, reports and publications shall acknowledge the leading role of the Government and national partners as well as the role of the Participating United Nations Organizations, the Administrative Agent and any other relevant parties. In particular, the Administrative Agent will include and ensure due recognition of the role of the Government and national partners in all external communications relating to the LRF. In addition, whenever possible and to the extent that it does not jeopardize the privileges and immunities of Participating United Nations Organizations and the safety and security of their staff, Participating United Nations Organizations will promote donor visibility on information, project materials and at project sites in accordance with their respective regulations, rules, policies and procedures.

## **VI. Other Matters**

### **Ownership of Equipment, Supplies and Other Property**

37. Ownership of equipment, supplies and other property financed from the LRF shall vest in the Participating United Nations Organization undertaking the activities. Matters relating to the transfer of ownership by the Participating United Nations Organization shall be determined in accordance with the applicable policies and procedures of the Participating United Nations Organization.

### **Audit**

38. Project-level auditing shall be subject exclusively to the internal and external auditing procedures provided for in the financial regulations, rules and directives of the respective Participating United Nations Organization. The activities of the Administrative Agent shall be subject exclusively to the internal and external auditing procedures provided for in the financial regulations, rules and directives of UNDP.

### **Termination of the LRF**

39. Notwithstanding the completion of the projects financed from the LRF, any unutilized balances shall continue to be held in the LRF account until all commitments and liabilities incurred in the implementation of the projects have been satisfied and project activities have been brought to an orderly conclusion.

40. Unless otherwise agreed by the Government and donors, the LRF shall terminate upon completion of all projects funded through the LRF and after satisfaction of all commitments and liabilities. Any balance then remaining shall be disposed of by the LRF Steering Committee in consultation, as required, with the Administrative Agent.

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