

**NEPAL DEVELOPMENT
FRAMEWORK
MULTI-PARTNER TRUST FUND**

Terms of Reference

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1. Introduction

The goal of these Terms of References is to allow the Fund to function in a preparatory phase. The Fund is set up as a multi-window multi-partner trust fund in which Fund windows and joint programmes can be defined at a later stage. These Terms of Reference are expected to be updated by the first quarter of 2020 at which point a full-fledged Terms of Reference should be available.

2. Rationale and Fund's Functions:

The idea of this Fund is that it allows for gradual implementation of initiatives that advance the New Way of Working and/or a more coherent financing architecture across the four thematic areas of the current Development Framework (2018-2022) and across the humanitarian-development-peace aid architecture in Nepal.

3. Theory of Change and Scope of the Fund

The goal of the fund is to support the implementation of the Nepal UN Development Assistance Framework (2018-2022), the four pillars of the UNDAF are Inclusive Economic Growth; Social Development; Disaster Risk Reduction, Climate Change Adaptation and Reconstruction; and Governance, Rule of Law and Human Rights. These areas – together with the transversal themes – would form the basis for the windows, which can be opened. The initial joint programme falls under the window for disaster risk reduction and preparedness, which require transversal responses given the nature of the problems to be addressed.

4. Fund Governance and Coordination

Fund Operations

MPTF Steering Committee

The Steering Committee is the body in charge of the strategic guidance and general supervision of the Fund. It is chaired by the UN Resident Coordinator. The Steering Committee comprises of representatives of United Nations agencies (signatories of the MOU), donors and the MPTFO as ex-officio member.

The Steering Committee meets when deemed necessary and it is responsible for the following tasks:

- Provide general oversight and exercising overall accountability of the Fund;
- Approve the strategic direction of the Fund and its overall results framework;
- Approve the Fund risk management strategy and review risk monitoring regularly;
- Review and approve proposals submitted for funding (if applicable: after being cleared by the relevant thematic working groups), ensuring their conformity with the requirements of the Fund Terms of Reference (TOR);
- Decide the allocation of funds;

- Review Fund status and oversee the overall progress against the results framework through monitoring, reporting and evaluation;
- Review the periodic progress reports consolidated by the Administrative Agent and the Secretariat based on the progress reports submitted by the Implementing Entities;
- Commission mid-term and final independent evaluations on the overall performance of the Fund;
- Approve direct costs related to fund operations, including the Secretariat costs;
- Approve Fund extensions and updates to the Fund TOR, as required.

The Steering Committee makes its decisions by consensus; however, in case of disagreement, decisions are made by a qualified majority of two thirds (2/3).

Secretariat

It is the entity responsible for the operational functioning of the Fund. The Secretariat provides technical and administrative support to the Steering Committee.

In this preparatory phase, the Secretariat function will be provided by the Resident Coordinator Office. The Secretariat structure can be reviewed and adjusted by the Steering Committee in line with needs and budget availability.

The Secretariat main functions are:

- Advise the Steering Committee on strategic priorities, programmatic and financial allocations (based on the inputs of inter-agency working groups, if applicable)
- Provide logistical and operational support to the Steering Committee;
- Organize calls for proposals and appraisal processes;
- Ensure the monitoring of the operational risks and Fund performance;
- Consolidate annual and final narrative reports provided by the Participating UN Organisations and share with the Steering Committee for review as well as with Administrative Agent for preparation of consolidated narrative and financial reports;
- Facilitate collaboration and communication between Participating UN Organizations to ensure programmes are implemented effectively.
- Liaise with the Administrative Agent on Fund administration issues, including submitting the funds transfer requests and issues related to project/ Fund extensions and project/Fund closure.

The costs of the Secretariat will be charged to the Fund as direct costs. The Secretariat's budget will be annually agreed and approved by the Steering Committee (it is recommended that such costs do not exceed 3% of the Fund's annual budget).

Technical Committees

The Technical Committees are bodies in charge of reviewing projects or joint programs submitted to the Fund, which will be submitted for approval to the Steering Committee through the Secretariat.

During the project review, the implementing entities and/or executing partners will be invited to the committee meetings in order to receive technical recommendations regarding project and program execution.

Project review by Technical Committees has the following objectives:

- Ensure project technical quality through technical specialized review per sector or field;
- Guarantee intervention relevancy: it ensures that the projects submitted to the approval of the Steering Committee, are (i) aligned to these Terms of Reference; (ii) coordinated with existing activities, foreseen within the sector and (iii) developed in consultation with relevant national institutions.

The Committees consists of representatives of the UN, Government, donors and a Fund's Secretariat representative. Depending on the project's subject matter, representatives from other entities with relevant knowledge could be invited.

Technical Committees meet monthly or as required and they are responsible for the following tasks:

- Support the development of projects during the stage previous to the proposal presentation.
- Review projects submitted to them in order to ensure technical quality and relevancy.
- Recommend to the Steering Committee the approval of projects presented to the Fund.
- Make recommendations to the Technical Secretariat and the MPTFO regarding Fund's report presentation, monitoring and evaluation.

Fund Administration

The Administrative Agent

The Fund is administered by the MPTFO under the pass-through management modality. The Fund's administration services, whose costs are 1% of received contributions, include:

- (i) The Fund's setting up: support to the Fund's design (Terms of Reference and Operation Manual), and development of legal instruments; and
- (ii) The Fund's administration: receipt, administration and release of funds to implementing entities in accordance with decisions from the Steering Committee, and financial report consolidation.

The MPTFO is responsible for the following functions:

- Provide support to the design of the Fund;
- Sign a Memorandum of Understanding (MOU) with the UNS implementing entities;
- Sign Standard Administrative Agreements with donors that wish to contribute financially to the Fund;
- Receive and manage funds included those of the Fund's closure;
- Invest and reinvest Fund's resources according to investment policies, practices and procedures. Any profits will be added to the Fund's resources and will not be credited to the contributions of a particular donor.
- Provide updated information to the Steering Committee regarding the regular resource availability;

- Subject to the availability of resources, transfer funds to implementing entities in accordance with the Steering Committee decisions;
- Consolidate the financial annual and final reports submitted by implementing entities and present the consolidated report to the Steering Committee and to each of the Fund's contributors.
- Provide a Fund's final financial report which included a notice of the Fund's closure;
- Release funds as direct costs for the running of the Secretariat, based on the Steering Committee decisions.
- Release funds for additional expenses that the Steering Committee decide to allocate;
- Provide tools for fund management to ensure transparency and accountability.

Fund Implementation

The Fund will be implemented by UN Agencies. Each implementing entity is programmatically and financially responsible for funds received in accordance with its own regulations, rules, policies and procedures, including those related to public procurement, as well as recruitment and evaluation of executing partners. Agencies will charge as indirect costs, seven percent (7%) of amounts received for project implementation.

5. Contributions

These Fund's resources will include: donor contributions; any interests, payments, repayments or net profit for investments less any authorized release and incurred expenses in accordance with these Terms of Reference and decisions made by the Fund's Steering Committee.

The Fund's resources will be used to finance or co-finance projects, programs and operations approved by the Fund's Steering Committee. The Fund receives contributions from governments, government and non-government organizations. As a general rule, the contributions will not be tied and will depend on the decisions of the Steering Committee, however contributors can earmark at Pillar level.

The Fund receives contributions in fully convertible currency or any other currency that can be readily used. Such contributions will be deposited to the bank account designated by the MPTFO. The value of the contributions, if made in a currency other than US dollars will be determined by applying the UN operational exchange type in effect of the date of payment. Profit or loss due to currency exchange rate is registered in the Fund's account set by the Administrative Agent and will be taken on by the Fund.

6. Program and Project Approval Process

In this preparatory phase, projects can only be developed based on a request from the Steering Committee. Projects are then reviewed by the Technical Secretariat before being presented for approval to the Steering Committee, which can be done electronically and on a no-objection basis.

Fund transfers: The Secretariat shall prepare a fund transfer request for each program or project and budget allocation approved by the Steering Committee that will be signed by the UN Resident Coordinator. The MPTFO will carry out transfers approved by the Steering Committee to implementing entities no later than five (5) working days after the request submittal. Upon completion of the transfer, the representative of the receiving organization and the Secretariat will be notified through electronic mail.

7. Risk management

The final objective of a risk management strategy at the Fund level is facilitating the achievement of program-related objectives of its interventions in the context of the risk in which it operates.

The Technical Secretariat will develop a risk management strategy whose main objectives are: accelerate Fund implementation and increase its impact, ensure that the Fund's interventions meet the "Do no harm" principles, verify that resources are used for foreseen purposes and improve risk management capacity of national institutions.

The Fund's risk management strategy will encompass the following tasks:

- Develop shared understanding of risks faced by the Fund;
- Define risk appetite or tolerance of the Fund (Fund's risk profile);
- Establish the Fund's policies regarding identified risks (Fund's risk policies).
- Identify or clarify potential compensation from risk taking and seek consensus among stakeholders regarding its management;
- Determine risk treatment through measures of mitigation or adaptation;
- Identify risk holders, control its spreading and define follow-up measures;
- Establish information strategies and common messages about the risks.

Every program or project approved by the Fund shall comply with the risk management strategy. The fulfillment of such strategy will be one of the selection criteria during the process of project evaluation.

8. Monitoring, evaluation and report

Monitoring and evaluation:

In this initial phase, monitoring and evaluation will be carried out in line with the procedures, rules and regulation of each Participating United Nations Organization.

Reporting:

The responsibilities related to reporting are gathered and detailed in the Memorandum of Understanding (section IV) and Standard Administrative Agreements (SAA) (section V).

All the implementing entities will carry out annual and final reports on activities and expenditures according to a common format designed for the Fund.

Narrative reports

The Participating UN Organizations will present the following reports to the Secretariat for consolidation and further transmission the Administrative Agent:

- (a) Annual narrative reports to be provided no more than three months (March 31st) after the end of the calendar year;
- (b) Final narrative reports after the end of activities contained in the program-related approved document, including the final year of such activities, to be submitted no more than four months (April 30th) in the following year after the financial closure of the Fund.

Annual and final reports will exhibit results based on evidence. Annual and final narrative reports will compare actual results against estimated results in terms of outputs and outcomes and they will explain the reasons of higher or lower performance. The final narrative report will also include the analysis of how the outputs and outcomes have contributed to the Fund's global impact.

Financial Reports

The Participating UN Organizations will present the following financial statements and reports to the Administrative Agent:

- (a) Annual financial statements and reports to December 31st, regarding released resources by the Fund to them; these shall be provided no more than four months (April 30th) after the ending of the calendar year;
- (b) Final certified financial statements and financial reports after the completion of activities contained in the program-related approved document, including the final year of such activities, to be submitted no more than six months (June 30th) in the following year after the financial closure of the Fund.

Based on these reports, the Administrative Agent will prepare consolidated narrative and financial reports which will submit to each of the Fund's Contributors and to the Steering Committee as per the schedule established in the Standard Administrative Agreement.

9. Accountability and transparency

These clauses are detailed in the legal instruments that will govern the Fund (MOU and SAA).

Accountability:

The UNS will provide implementation services in accordance with its own financial regulations, rules and policies.

For each project or program approved for funding, each implementing entity will provide the Secretariat and the MPTFO annual and final reports and financial statements prepared in accordance with their accounting system and reporting procedures, as stated in the legal agreements signed with the Administrative Agent.

Financial audit: the Administrative Agent and the UN implementing bodies will be audited according to their own financial rules and regulations, in line with the audit framework for multi-donor funds, as agreed by the Audit Internal Services of the UN implementing bodies and endorsed by UNDG in September 2007.

Transparency:

The MPTFO website, Gateway (<http://mptf.undp.org>), is a web-based service portal that provides real-time financial data issued directly from the UNDP accounting system. Once established, the Fund will have a separate page in the Gateway portal which will allow partners and the public at large to follow-up the Fund contributions, transfers and expenses, and access key documents and reports.

The Secretariat and the MPTFO will ensure that the Fund's operations are posted on the Gateway portal. From its side, each implementing entity will take appropriate measures to promote the Fund. Information shared with the media regarding beneficiaries of funding, official press releases, reports and publications will acknowledge the role of the Fund.

10. Amendments, duration and termination

The Steering Committee will be able to modify any of the provisions of these terms of reference in writing or establish complementary agreements.

It is stated that the Fund will have an initial duration of 3 years.¹ The Steering Committee will have the authority to modify the Fund's duration and to close the Fund.

Unless the Steering Committee decide otherwise, after the Fund's closure the contractual liabilities undertaken by the Fund under these terms of reference or any complementary agreements, including agreements signed with third parties, before receiving the corresponding notice of closure, will not be affected by this closure.

Any remaining balance in the Fund's account and separate account of implementing entities after the closure of the Fund will be used for a purpose established by the Steering Committee and the Donors, or it will be reimbursed to the Donor(s) in proportion to their contribution to the Fund, as decided by the Contributor and the Steering Committee.

¹ The duration of Fund's operations does not include the closure periods of the same.

Annex 1: Fund's results matrix (to be developed)

Annex 2: Risk matrix (to be developed)

Annex 3: Fund's operations manual (to be developed)