

FIDUCIARY PRINCIPLES ACCORD

The Organisations of the World Bank each separately executing this Fiduciary Principles Accord, and the Organisations and subsidiary organs of the United Nations System each separately executing this Fiduciary Principles Accord

- A. *Committed* to closer collaboration in all aspects of their work in order to be better partners to member countries and in order to deliver assistance and support more effectively and more sustainably;
- B. *Taking account of* the unique role that each of them has in providing development (and in the case of the organisations of the United Nations System, also humanitarian assistance) and their respective comparative advantages in particular aspects of such assistance;
- C. *Recalling* that each of them has been established by, is governed by, and is accountable to, its respective member countries;
- D. *Recalling further* that each of them has fiduciary duties with respect to funds entrusted to it;
- E. *Building* on prior initiatives (including the Financial Management Framework Agreement between the World Bank and the United Nations dated 10 March 2006) to reduce transaction costs associated with operational aspects of their partnership and to improve the mobilization and disbursement of financial resources in particular from donor-supported trust funds during crisis and post-crisis, and emergency and humanitarian, situations.

Now agree as follows:

Assurances of Sound Fiduciary Framework and Accountability and Oversight Framework

- 1. Each signatory to this Fiduciary Principles Accord (this “FPA”) assures each other signatory to this FPA that it has a sound fiduciary framework and accountability and oversight framework;
- 2. More particularly, each signatory to this FPA:
 - a. gives the following assurances to each other signatory to this FPA:
 - I. that its regulations, rules, procedures and administrative practices for: (A) financial management, including audit and control frameworks; (B) procurement; (C) programme or project design, implementation, and monitoring; and (D) prevention of fraud and corruption, are consistent

with sound standards and practices, as more fully set forth in Annex 1 to this FPA;

b. gives the following undertakings to each other signatory to this FPA:

I. that should it become aware of information that indicates the need for further scrutiny of its use of funds to which this FPA applies (including allegations of corrupt, fraudulent, coercive or collusive practices in connection with use of such funds), it will (A) notify the signatory to this FPA from which it received such funds and will inform it of the actions being taken as a result, and (B) give additional assurances to that disbursing organisation, through senior-level consultations, that its oversight and accountability mechanisms have been and are being fully applied in connection with such information, as is more fully set out in the applicable agreements referred to in Article 6 below;

II. that for so long as it is a signatory to this FPA it will make available to the United Nations Development Operations Coordination Office and the Office of the World Bank's Vice-President, Operations Policy and Country Services a copy of its audited financial statements and external auditors' report on its financial statements within ten (10) days of such becoming public documents;

III. that it will re-state these assurances and undertakings every two (2) years, counted from the date it signs this FPA; and

IV. that it will notify the other signatories of this FPA promptly upon concluding either that it is no longer able to give the assurances set out in paragraph 2(a) above or that it is no longer in a position to provide the undertakings set forth in this paragraph 2(b), whereupon it will be deemed to have withdrawn from this FPA as of the day such notice has been received by both the United Nations Development Operations Coordination Office and the date such notice is received by the Office of the World Bank's Vice-President, Operations Policy and Country Services.

Reliance; Standard Disbursement Agreement Terms

3. Each signatory to this FPA that disburses funds to another signatory to this FPA will, in the discharge of its fiduciary duties with respect to the funds disbursed, rely on the recipient organisation's assurance of the soundness of the receiving organisation's fiduciary framework and accountability and oversight framework. Funds so disbursed will therefore be received, administered, managed, expended, reported on, and audited, in accordance with the regulations, rules, procedures and administrative practices of the receiving organisation, including those relating to direct and indirect costs (including

indirect programme support costs) and interest, and will be subject to the applicable agreement referred to in Article 6 below.

Entry into Force; Participation in this FPA and Withdrawal

4. This FPA will enter into force on the day on which one Organisation of the World Bank has signed this FPA and delivered it to both the United Nations Development Operations Coordination Office and the Office of the World Bank's Vice-President, Operations Policy and Country Services and one Organisation or subsidiary organ of the United Nations System has signed this FPA and delivered it to both the United Nations Development Operations Coordination Office and the Office of the World Bank's Vice-President, Operations Policy and Country Services.

5. Other international financial institutions and multilateral intergovernmental organisations, and other Organisations of the United Nations System and their subsidiary organs, may become signatories to this FPA by delivering an executed copy of this FPA in accordance with Article 5 below. A signatory to this FPA will be bound by the terms of this FPA as of the day on which it has delivered an executed copy of this FPA to both the United Nations Development Operations Coordination Office and the Office of the World Bank's Vice-President, Operations Policy and Country Services. A signatory to this FPA may withdraw from this FPA by delivering a written notice of withdrawal to the officials referred to above, with its withdrawal being effective as of the day on which such notice has received by both the United Nations Development Operations Coordination Office and the Office of the World Bank's Vice-President, Operations Policy and Country Services. A signatory to this FPA will be deemed to have withdrawn from this FPA in the circumstances set out in Article 2(b)(IV) above. A signatory's withdrawal from this FPA may result in termination of any ongoing agreement it has entered into pursuant to this FPA, consistent with the terms and conditions of such agreement.

Application; Standard Forms of Documentation

6. The provisions of this FPA will apply to funds: (a) disbursed either (I) by one of the Organisations of the World Bank signing this FPA to one of the Organisations or subsidiary organs of the United Nations System signing this FPA, or (II) by one of the Organisations or subsidiary organs of the United Nations System signing this FPA to one of the Organisations of the World Bank signing this FPA; that are (b) from a donor-supported trust fund administered by the disburser for crisis and post-crisis, or emergency or humanitarian, interventions; and (c) whether or not the disbursement constitutes a grant to the receiving organisation or a sub-grant to the receiving organisation.

7. The following standard forms of documentation, to be used in cases to which this FPA applies, are attached as Annex 2: a standard disbursement agreement, to be used for disbursements in category (a)(I) referred to above; and a standard Memorandum of Understanding to be used for disbursements in category (a)(II) above. The documents

attached as Annex 2 may be amended from time to time by the written agreement of all the signatories to this FPA.

8. Nothing in this FPA shall prevent any two signatories to this FPA from agreeing, in appropriate circumstances and following such consultations as may be required under their respective internal procedures, to apply this FPA to the disbursement of any funds from one to the other, and from using such documentation for that disbursement as they may agree.

Periodic Review

9. The signatories to this FPA agree to meet from time to time, and no less frequently than once every two years, to review the implementation of this FPA and, if it is felt necessary, to consult as to possible changes to this FPA, which changes will come into effect if adopted by all signatories to this FPA.

Additional Provisions

10. Each executed copy of this FPA will be made publicly available on a dedicated internet site maintained jointly by the United Nations Development Operations Coordination Office and the Office of the World Bank's Vice-President, Operations Policy and Country Services.

Dated as of [] October 2008

/s/

Food and Agriculture Organisation
International Bank for Reconstruction and Development
International Development Association
International Labor Organisation
Office of the United Nations High Commissioner for Refugees
United Nations Children's Fund
United Nations Development Programme
United Nations Educational, Scientific, and Cultural Organisation
United Nations Environment Programme
United Nations Human Settlement Programmes (UN-Habitat)
United Nations Office for Project Services
United Nations Population Fund
World Food Programme
World Health Organisation

Annex 1

COMPONENT 1: FINANCIAL MANAGEMENT PRINCIPLES

The organisation maintains sound financial management systems and arrangements to ensure that funds are used for the purposes intended with due attention to considerations of economy and efficiency and value for money. The organisation's financial management systems and arrangements (which include its budgeting, accounting, internal controls, funds flow, financial reporting and internal and external auditing arrangements, and related policies, procedures and practices): facilitate the preparation of regular, timely and reliable financial statements; support the provision of a complete, true and fair record of all transactions and balances, including those relating to funds to which this FPA applies; safeguard assets, including assets financed by funds to which this FPA applies; and are subject to internal and external auditing arrangements in line with internationally accepted standards.

The organisation's auditing arrangements allow, on an exceptional basis, for its external auditors to be requested to perform a special examination.

The organisation continuously undertakes appropriate measures, including capacity strengthening, to mitigate risks posed by any weakness identified in its financial management systems and arrangements.

COMPONENT 2: PROCUREMENT POLICIES AND PROCEDURES

The organisation's procurement policies and procedures: require procurement actions to be taken on the basis of economy and efficiency, and value for money (with due consideration towards promotion of sustainable and competitive markets); require transparency to the maximum extent possible consistent with achieving all other goals of a sound procurement system; and have appropriate procedures for all different types of procurement (goods, works, consulting and non-consulting services etc.).

These procurement policies and procedures provide for a range of procurement modalities including but not limited to open competitive bidding, invitation to bid issued to pre-qualified suppliers selected by the organisation, and single sourcing. In the case of open competitive bidding, the organisation's procurement policies and procedures provide for timely and effective notification of bidding opportunities, use of bidding documents that clearly identify all requirements and evaluation criteria, and award based on those criteria as set forth in the bidding documents. The organisation may also have provisions for acceptance of unsolicited approaches from potential suppliers to be pre-qualified.

The organisation's contract documents clearly define the contracting parties' rights and obligations.

The organisation’s procurement policies and procedures also provide for publication of award of contract in appropriate cases.

The organisation’s procurement policies and procedures ensure clear identification of authority to take procurement actions and accountability for such actions. The organisation’s procurement policies and procedures and other applicable regulations, rules, and procedures, provide appropriate processes and structures for monitoring and evaluation of procurement actions and performance, and enable reporting of problems and complaints to officials with authority to address such problems based on appropriate mechanisms and in a timely manner and, where appropriate, provide for remedies.

The organisation’s procurement policies and procedures do not prevent it from determining, through disclosure by potential contractors or vendors, whether a party to which it is considering issuing a contract is subject to any sanction or temporary suspension imposed by any organisation within the United Nations System including the World Bank.

COMPONENT 3: PROGRAMME OR PROJECT DESIGN OR PREPARATION,
IMPLEMENTATION AND MONITORING

Programme or Project Preparation and Implementation

The organisation’s programmes or projects are based on the organisation’s mandate; are based on policies and procedures for programme and project design or preparation and implementation that are transparent and publicly available; are developed through a process that includes as appropriate participation by and consultation with relevant stakeholders including member government counterparts and others; are designed to avoid, mitigate, or minimize adverse environmental and social impacts; are based on a results-based approach or a similar conceptual approach; are focused on results; have objectives, indicators of achievement and assumptions that are clearly stated; have performance measures based on objectives that are specific, measurable, attainable, realistic and time-bound; include a monitoring and evaluation plan; and are subject to review and approval prior to implementation.

Reporting Arrangements

The organisation’s programme or project reporting requirements include a narrative progress report as well as a financial progress report, including financial statements, covering the whole programme or project. The narrative progress report is required to include: a summary of the programme or project and the context within which the programme or project is implemented; the activities actually carried out during the reporting period; any challenges encountered and measures taken to overcome challenges; changes introduced in implementation, including changes in the budget; achievements and results of the programme or project with reference to identified indicators; and the work plan for the following period. The organisation requires such

reports as frequently as is necessary to ensure the reports are useful management tools and to provide meaningful reports and assessments of progress, achievements, and challenges.

Monitoring and Evaluation Arrangements

The organisation’s programme and project monitoring arrangements are designed to ensure frequent monitoring of the implementation of its programmes or projects to test for on-going progress and the achievement of outcomes as planned. The organisation’s evaluation function (or its equivalent), while appointed by management, operates without interference or instruction by management and has access as it deems necessary to the member countries or shareholders. The organisation’s evaluation function uses the appropriate evaluation methodology for the programme or project being evaluated, and options may include desk evaluations, in-depth evaluations, and evaluations conducted mid-term, terminal or ex-post.

COMPONENT 4: ADDRESSING FRAUD AND CORRUPTION

The organisation’s officials are: subject to staff regulations, rules, procedures and administrative instructions that prohibit unethical conduct, fraud, and corruption; required, above an appropriate level of seniority and responsibility, to provide disclosure of financial interests so as to mitigate significantly the risk to the financial assets under the organisation’s control; expected to conduct themselves in accordance with the organisation’s code of conduct.

The organisation’s regulations, rules, procedures and administrative practices provide for reasonable measures, consistent with its rules, procedures and administrative practices, to prevent and address any information that indicates the need for further scrutiny (including corrupt, fraudulent, coercive or collusive practices) in connection with its activities and operations.

The organisation has established mechanisms for significantly mitigating the risk of fraud and corruption in its activities and operations including a “hotline” to receive allegations of fraud or corruption; protection for whistleblowers against retaliation; and an internal investigations function that, while appointed by and reporting to management, operates without interference or instruction by management.

The organisation has appropriate mechanisms in place to exclude firms or individuals determined by it to have engaged in fraudulent or corrupt activities from participation in contracts with such organisation, whether indefinitely or for a specified duration; and is not prevented from giving due regard to similar decisions by other international organisations, including organisations that are signatories to this FPA.
