MODIFICATION TO PROGRAM IMPLEMENTATION GRANT ALLOCATION FOR YEMEN

For Decision

1. PURPOSE

The Board of Director's are asked to consider a modification to the approval of an allocation of a Program Implementation Grant for Yemen.

2. RECOMMENDED DECISION

The Board of Directors is asked to consider approval of the following decision:

BOD/2014/02-xx Program Implementation Grant Allocation - Yemen

In reference to its decision (BOD/2013/05-05 –Approval of Allocations for Program Implementation Grants), the Board of Directors amends paragraph J (ii) of the decision as follows:

US$72,100,000 for the remaining proposal activities over a four-year implementation period, with UNICEF acting as Supervising Entity, plus US$2,740,000 for a supervision allocation and US$5,768,000 for an agency fee.
3. BACKGROUND

3.1. In May 2013, the Board of Directors approved an allocation of US$72.6 million with UNICEF as Supervising Entity (SE)\(^1\). The proposal outlined that these funds would be administered as funds held in trust, and thus would use UNICEF’s ‘Special Account’ modality for which no Financial Procedures Agreement (FPA) was in place.

3.2. After lengthy and complex negotiations, a proposed FPA was presented to the Board of Directors for decision on February 10, 2014. As some of the proposed changes concerning UNICEF’s responsibilities and accountabilities under the ‘Special Account’ modality were not acceptable to a number of Board constituencies, no decision was passed. The Secretariat was asked to work with UNICEF and interested Board constituencies to identify a possible solution that could be brought to the Board for decision at its next meeting scheduled for February 26, 2014.

3.3. Since the February 10 meeting, the Secretariat and UNICEF have worked intensively and have consulted with interested Board constituencies and the Government of Yemen to identify possible solutions.

4. OPTIONS AND RECOMMENDATIONS

4.1. UNICEF has identified three potential options:

   **Option 1:** The GPE Board confirms its decision of May 2013 as to UNICEF’s accountabilities as SE for Yemen and approves the draft Financial Procedures Agreement presented and discussed at the February 10\(^{th}\), 2014 Board call amended so as to govern only the Yemen programme. The GPE Board could then engage with UNICEF and other partners to explore all stakeholders’ positions with regard to SE accountabilities and roles and responsibilities generally.

Option 2: An alternative SE is identified to quickly assume the role of SE in Yemen and assume accountabilities in line with the expectations of the Donor constituencies as stated on the February 10th, 2014 Board call.

Option 3: UNICEF agree to implement the programme as part of its programme of cooperation with the Government of Yemen. A FPA between GPE and UNICEF was approved for these types of arrangements in April 2013.

4.2. The GPE Secretariat believes the only viable option that would address the concerns of the interested Board members in terms of UNICEF's accountabilities and responsibilities, while also avoiding a further lengthy delay and disruption to the program in Yemen is **Option 3**.

4.3 The implications of this option would include an increase in Agency Fees from 1% to the standard 8% applicable under UNICEF's policies. In addition, the Supervision Allocation requested would also increase from US$1,000,000 approved in May 2013 to US$2,740,000 to reflect the additional direct costs that the UNICEF country office would incur to take on the additional accountability and responsibilities involved in administering this program. Approximately US$500,000 of this increase could be covered by reducing the grant allocation to reflect that certain activities that would have been under the control of the Project Administration Unit within the Government will be conducted by UNICEF staff. The overall incremental costs of the above changes would therefore be US$6.3 million.

4.4 Full details on the changes in UNICEF's accountability and responsibilities, impact on implementation arrangements, and justification for the increased Supervision Allocation are outlined in Annex 1.