

# **VOLUNTARY TRUST FUND**

## **ADMINISTRATIVE RULES**

Geneva, 15 November 2016

## THE ARMS TRADE TREATY VOLUNTARY TRUST FUND (VTF) ADMINISTRATIVE RULES

*References*    *A: Arms Trade Treaty Text.*  
*B: Final Report of the Second Conference of States Parties, ATT/CSP2/2016/5*  
*C: VTF Terms of Reference, (ATT/CSP2/2016/WP.3/Rev.1)*  
*D: VTF Tasks and Timeline Document.*

### INTRODUCTION

1. The Second Conference of States Parties to the Arms Trade Treaty (ATT) decided on the establishment of the ATT Voluntary Trust Fund (VTF) to operate under its approved Terms of Reference (ATT/CSP2/2016/WP.3/Rev.1). In accordance with the approved VTF Terms of Reference, the Conference further 'decided on the appointment of *Argentina, Chad, Cote d'Ivoire, El Salvador, Germany, Guinea, Japan, Mauritius, New Zealand, Nigeria, Sweden, Switzerland* and the *United Kingdom* to serve on the Selection Committee of the VTF for the period up to the Fourth Conference of States Parties (eligible to be reappointed for further terms).'
2. The VTF is established to give practical expression to the requirements of Article 16 of the Treaty with a primary objective of assisting requesting States Parties requiring international assistance to implement their national Treaty obligations.
3. Article 5 of the VTF Terms of Reference provides that the VTF shall be administered by the ATT Secretariat with the support of the VTF Selection Committee. Article 14 of the VTF Terms of Reference provides that the 'administrative details regarding the application procedure to be followed by beneficiaries shall be elaborated by the Secretariat'. Furthermore, Article 16 of the VTF Terms of Reference states that the 'Secretariat shall provide technical guidelines for reporting, and ensure appropriate monitoring and evaluation'.
4. The VTF technical procedures and guidelines contemplated above are hereby presented as the **VTF Administrative Rules**. These Rules are essential for certainty, predictability and accountability in all VTF processes.
5. The VTF Administrative Rules shall be reviewed after the first project cycle and thereafter, as and when necessary.

### STRUCTURE OF THE VTF ADMINISTRATIVE RULES

6. Pursuant to the Treaty text, Second Conference of States Parties decisions and VTF Terms of Reference, the VTF Rules provide guidelines and procedures on the following aspects:
  - a. Status and Aim of the VTF.
  - b. Purpose of the VTF Rules.
  - c. Applicability of the VTF Rules.

- d. Management of the VTF (Institutional Arrangements).
- e. VTF Relations with the Management Committee.
- f. VTF's Mobilisation of Resources.
- g. Relationship between the VTF and Donors.
- h. Relationship between the VTF and Beneficiaries.
- i. VTF's Selection Process.
- j. Standard Conditions for Grants.
- k. Procedures for Projects' Monitoring, Evaluation and Auditing.
- l. Procedures for VTF's Corporate Auditing.
- m. Enforcement of VTF's Decisions.
- n. Final Provisions.

#### **STATUS AND AIM OF THE VTF**

7. The VTF is a flexible multi-donor Fund established under Article 16 (3) of the Treaty as a mechanism to give effect to international assistance, through deposit and disbursement of funds, for Treaty implementation. The VTF operates under a set of Terms of Reference adopted by the Arms Trade Treaty Second Conference of States Parties.

8. The VTF is administered by the ATT Secretariat assisted by the VTF Selection Committee consisting of a limited number of States Parties appointed by the Conference of States Parties, including States having announced financial contributions to the Fund and ensuring diverse representation.

9. The VTF aims to:

- a. Assist requesting States Parties requiring international assistance to implement their Treaty obligations.
- b. Mobilise resources to support States' implementation of the Treaty with respect to 'legal or legislative assistance, institutional capacity building, and technical, material and financial assistance'.

- c. Improve efficiency and effectiveness of international assistance through coordination and avoidance of duplication to realize effective Treaty implementation.

#### **PURPOSE OF THE VTF RULES**

10. The purpose of the VTF Rules is to set technical procedures and guidelines for the effective operationalization and management of the VTF.

#### **APPLICABILITY OF THE VTF RULES**

11. The VTF Rules shall, on adoption by the Selection Committee, take immediate effect and apply, without exception, to the following:

- a. The Secretariat.
- b. The VTF Selection Committee.
- c. States making contributions to the VTF.
- d. States presenting project proposals to the VTF.
- e. VTF grant recipient states.
- f. Professional experts appointed under the VTF.

#### **MANAGEMENT OF THE VTF (INSTITUTIONAL ARRANGEMENTS)**

12. The VTF is administered by the Secretariat supported by the Selection Committee established in accordance with Article 17.4 (f) of the Treaty and Rule 42 of the Rules of Procedure, to execute the functions set out in the VTF Terms of Reference. The Secretariat is accountable to the Conference of States Parties for the management of the VTF. The Selection Committee is tasked with the selection of projects, and oversight of VTF operations.

#### **The Role of the Secretariat**

13. The administrative role of the Secretariat:
- a. In consultation and with Selection Committee, develop, maintain and review the VTF administrative procedures (Rules) which include the technical application procedure as well as technical guidelines for project reporting, monitoring and evaluation.
  - b. Responsible for implementing the VTF administrative rules and processes.
  - c. Develop, maintain and review processes for annual call for financial contributions to the VTF.

- d. Work jointly with the Selection Committee's Chairperson and the CSP President in developing and implementing the VTF strategy for resource mobilisation.
- e. Develop, maintain and review processes for managing relations with donors. This entails concluding agreements with donors and providing donors with relevant donations disbursement reports and other relevant information as required.
- f. Develop, maintain and review processes for annual call for project proposals.
- g. Receive and pre-screen project proposals for compliance with the set technical application procedure and/or eligibility criteria as contemplated in the VTF Terms of Reference.
- h. Prepare and present all project proposals, highlighting pre-screened proposals to the Selection Committee for consideration and decision making.
- i. Prepare and publish VTF Selection Committee's decisions on approved project proposals.
- j. Develop and maintain processes for managing relations with VTF beneficiaries. This entails concluding agreements with grant recipients setting out all applicable grants' terms and conditions including recipient reporting obligations.
- k. Monitor projects according to adopted project monitoring standards and ensure the evaluation of their outcomes.
- l. Publish on the ATT website final projects reports as submitted by grant recipients.
- m. Where deemed necessary, facilitate the execution of audit on identified projects. To that end, the recognised professional auditors to be used for this purpose shall be appointed according to Rule 10 of the adopted ATT Financial Rules.
- n. Prepare and publish VTF annual substantive and financial report.
- o. Maintain records of all Selection Committee decisions.

#### **The Role of the VTF Selection Committee**

- 14. The role of the VTF Selection Committee:
  - a. Determine its own schedule of work and meetings according to Article 7 of the VTF Terms of Reference.
  - b. To manage its work, the Selection Committee shall consider and approve the VTF timescale for notification to States.

- c. Consider, adopt and oversee the implementation of the VTF rules, which are to be reviewed after a first project cycle.
- d. Review the VTF Rules as and when necessary.
- e. Consider and decide on submitted project proposals on the basis of the selection criteria set out in the VTF Terms of Reference.
- f. Participate in the implementation of the VTF resource mobilisation strategy.
- g. Review the annual VTF substantive and financial report before its submission to the Conference of States Parties.
- h. Address any other matter brought to its attention by the Secretariat on project performance.

#### **The Role of the Conference of States Parties**

15. The Conference of States Parties shall:
  - a. Appoint the VTF Selection Committee.
  - b. Receive, consider and approve the annual VTF substantive and financial reports.
  - c. Consider and approve any amendments to the VTF Terms of Reference.

#### **VTF RELATIONSHIP WITH THE MANAGEMENT COMMITTEE**

16. The Management Committee's relationship with the VTF shall relate to the following aspects:
  - a. Oversight over budgetary implications of the Secretariat staffs use for the VTF work.
  - b. Oversight over the budgetary implications of auditors utilised for the VTF work.
  - c. Oversight over any other use of the Secretariat's appropriation for the VTF's purpose.

#### **VTF'S MOBILISATION OF RESOURCES**

17. Article 16 (3) of the Treaty provides that '.....each State Party is encouraged to contribute resources to the fund'. Consequent upon this provision, the VTF's primary source of revenue shall derive from voluntary donations by States Parties, other States and entities. Donations to the VTF shall, of necessity, be sought and accepted from donors who support the Treaty's object and purpose including the international principles that the Treaty upholds and advances.

18. To mobilise resources the VTF shall adopt a multi-pronged resource mobilisation strategy that includes, but not limited to, the following:

- a. Circulation of Calls for financial contributions by donors. These Calls shall be circulated by the Secretariat to all States and other entities and shall be posted on the ATT website. The Calls shall set out the VTF objectives, the VTF administration and the VTF contact for donations.
- b. Creation of a dedicated VTF pledging session at each ordinary session of Conference of States Parties. The VTF pledging session shall form part of a standing Conference of States Parties' agenda item looking at International Assistance. Pledged donations should be transferred to the VTF without delay.
- c. Approach States and other entities for possible donations to the VTF. This direct approach shall be facilitated by the Secretariat in close cooperation with the Selection Committee's Chairperson and the CSP President.

#### **RELATIONSHIP BETWEEN THE VTF AND DONORS**

19. The formal relationship between the VTF and donors commences when a donor makes a formal declaration of an intention to contribute to the VTF. This relationship ends when the formal obligations between the two parties are fully met.

20. Donors are important stakeholders in the continued sustainability of the VTF hence the relationship between the VTF and donors should be based on a clear delineation of each party's expectations captured in a formal agreement as necessary.

21. On yearly basis or any other determined interval, the VTF shall issue calls for contributions to the VTF. The VTF's calls for contributions will take a form of information to donors which will detail the VTF's objectives, the nature of projects it seeks to fund and the VTF contact point for contributions.

22. On the basis of such VTF calls for contributions, donors will contact the VTF and enter into discussions about financial donations' transfer to VTF. Where necessary, this discussion will culminate into a formal agreement between the VTF and a donor. Depending on the extent of donor funding commitment, the agreement can take a form of a stand-alone agreement or a long term framework or partnership agreement.

23. Contributions and donations to the VTF can be made throughout the year.

24. For management purposes, the VTF shall strive to have standardized agreements with donors covering the following aspects:

- a. The exact donation amount in US dollars.

- b. The date by which donations shall be transferred.
  - c. Arrangements on bank charges levied on funds transfer as well as currency fluctuation where applicable.
  - d. Donors are encouraged to make unconditional grants but, where conditions are set, the Secretariat and Selection Committee will ensure that they are respected. Any such conditionality shall be consistent with the VTF Terms of Reference and conditions of grant contained in the VTF Rules. Conditions could include, inter alia:
    - i. Funds to be used in accordance with the OECD DAC guidelines for development cooperation.
    - ii. Submission of annual substantive and financial reports by VTF to donors.
25. The VTF must ensure that donors are provided with all information necessary to facilitate funds transfer including banking account details.
26. The VTF must ensure that accounting reports to donors are submitted in compliance with agreed reporting times.
27. Unless specified otherwise by donors, funds that are not used or have been paid back by grant recipients should be fully accounted for and kept in reserve for the next cycle of call for project proposals.

#### **RELATIONSHIP BETWEEN THE VTF AND BENEFICIARIES**

28. On yearly basis or any other determined interval, the VTF shall issue calls for project proposals.
29. The formal relationship between the VTF and grant beneficiaries commences immediately after the Selection Committee has approved a project proposal. Once a project has been approved, the VTF shall enter into discussion with grant recipients with a view to setting up the projects control framework to facilitate the projects' financial transfers, reporting, monitoring and evaluation. On completion of a sound project control framework, a Grant Agreement shall be concluded between the VTF and grant recipients.
30. The Grant Agreement will detail the terms of the relationship between the VTF and the recipients. Furthermore the Grant Agreement will cover the following aspects:
- a. Details of the beneficiary and implementing partner involved, with their roles in the project clearly defined.
  - b. Project Implementation Design and Schedule:



- i. Duration of the project with start and end date.
    - ii. Project objectives, outputs and outcomes.
    - iii. Project impact on ATT implementation.
    - iv. Sustainability of project outputs and impact.
  - c. Project Budget breakdown with explanations on the following line items as appropriate:
    - i. Personnel costs inclusive of consultants.
    - ii. Travel costs.
    - iii. Equipment costs.
    - iv. Operating costs (office space, communication, printing, translation, transportation).
    - v. In the case of large scale or multi-year projects, an indication of alignment of project phases (deliverables) with budget releases/instalments.
  - d. Indication of the extent of State's (government) in kind contribution (i.e. personnel, office space, etc.) to the project to offset certain budget line items normally applicable to civil society organisations.
  - e. Project Controls (Internal Control Mechanisms):
    - i. Identification of key risks and risk management strategy.
    - ii. Project's internal controls.
    - iii. Project's monitoring, evaluation and auditing mechanisms.
    - iv. Progress reports intervals.
    - v. Commitment to ATT VTF auditing when necessary.
31. Once the Grant Agreement has been signed and all relevant banking details provided, payment shall be made.
32. For large scale or multi-year projects, the VTF may effect payments in three instalments i.e.:
- a. 40 % after signing of the Grant Agreement.

- b. 40 % upon receipt and approval of a first interim project report to VTF.
  - c. 20 % upon receipt and approval of a second interim project report to VTF.
33. For smaller projects, the VTF and the grant recipient shall agree on a flexible grant payment method which is not coupled to interim project reports.
34. VTF funds shall only be disbursed after the Grant Agreement has been signed by the VTF and the authorized representative of the grant recipient.
35. Funds shall only be transferred to the beneficiary State or to an entity authorised by them. In all cases, the beneficiary State shall, assume the entire responsibility for compliance with all terms and conditions imposed on the grant.
36. 60 days after completion of a project, a VTF beneficiary shall submit a final report that should be made publicly available via the ATT Website. The final report should include a description of the project outcomes, achievements and impacts as well as outline possible shortcomings and recommendations for further actions. Furthermore, the final report should include a detailed financial report on expenditures and balances and copies of the associated expenditure verifications.
37. If there are funds that are unused after completion of a project, such funds must be paid back to the VTF within 30 days.
38. In the instance of a grant recipient failing to submit required reports at all or alternatively submitting a report demonstrating a project's failure to meet its schedule of agreed deliverables, the VTF reserves the right to recover part or all of the grant already transferred to the beneficiary. This measure shall only be adopted after discussion with the grant recipient and consultation with the Selection Committee Chair.

#### **VTF'S SELECTION PROCESS**

39. The VTF project selection process shall be guided by the adopted VTF Terms of Reference with particular reference to 'The General Principles for Implementation Assistance Projects under the ATT Voluntary Trust Fund'. The said General Principles provide for both the eligibility criteria and the Selection criteria.
40. The VTF selection process shall have two phases as discussed below.

#### **Phase One**

41. Received applications shall be pre-screened by the Secretariat for compliance with the application requirements and/or eligibility criteria.

42. The Secretariat shall draft a shortlist of eligible projects, relying on outside expertise as appropriate and needed, by 30 April of each year, subject to approval by the Selection Committee.

43. Along with short-listed projects, applications that fall short of the set eligibility criteria shall be accounted for fully, recorded and forwarded to the Selection Committee for information.

44. To the extent possible the Secretariat will endeavour to advise the Selection Committee of any overlap/duplication with projects funded by UNSCAR or other entities.

## **Phase Two**

45. At this stage, the Selection Committee shall consider the shortlisted project proposals by applying the set VTF Terms of Reference selection criteria which include:

- a. Qualitative assessment of project proposals in terms of projects objectives, output and outcomes as presented on the proposal.
- b. If the prerequisites established by the Terms of Reference are met, applications by Signatory States and other States having shown clear and unambiguous political commitment to accede to the ATT requiring assistance to implement the Treaty may also be considered if the requesting State can provide a plausible roadmap towards ratification/accession and show how the envisaged project will help to meet envisaged milestones and ultimately lead to speeding up (or enabling) the process of ratification/accession.
- c. If two or more project proposals are considered to be equally eligible after thorough assessment against the qualitative criteria, priorities established by the Conference of States Parties, including on geographic requirements, may be taken into account in the allocation of funds to beneficiary countries.
- d. Consideration of any information on projects proposals overlap/duplication with other projects.

46. As required, shortlisted project proposals could be considered against OECD DAC guidelines for development cooperation, as well as any other conditionalities applied to donations.

47. The Selection Committee shall decide on the list of project proposals to be funded by the available VTF budget per project cycle. In anticipation of additional funding to come through before the next project cycle, the Selection Committee may decide on a list of project proposals that may be funded if additional funding is secured before the next project cycle.

## **STANDARD CONDITIONS OF VTF GRANTS**

48. For purposes of accountability and uniformity in the management of grants, the set of standard grant conditions listed below should be imposed on all VTF grants.

### **Duration and Implementation Period**

49. Unless agreed otherwise, all VTF projects shall have an implementation period of one year starting immediately after the signing of a Grant Agreement between the VTF and the grant recipient. Projects of longer duration and later commencement date shall also be considered.

### **VTF Budget Cap**

50. States are encouraged to submit project proposals of any size and complexity but are asked to note that a cap may apply to individual project proposals.

51. A budget cap for project proposals shall be set on annual basis and included in the call for proposals. If nothing else is decided, the default cap is US\$100,000.

### **Project's Co-funding**

52. The VTF shall be open to co-funding of projects. However, VTF grant applicants are encouraged to secure a project funding partner prior to applying to VTF for project co-funding.

### **VTF Grants Payment**

53. Approved funds shall only be paid after a Grant Agreement has been signed by the VTF and a duly authorized representative of the grant recipient, with all relevant project control documents completed and attached to the Grant Agreement as a schedule and plan.

54. The right to a grant is forfeited if a grant recipient fails to submit the required documents which are a precondition of signing of the Grant Agreement.

55. Grants payments shall be informed by the size and complexity of projects. Large scale and multi-year projects may have grants paid in installments that are linked to interim reports, whereas smaller projects may adopt a flexible grant payment method which is decoupled from interim reporting. Details of grants payment will be specified in the Grant Agreement.

56. In the absence of a satisfactory explanation, if interim projects reports, where applicable, demonstrate lack of progress or progress falling short of agreed schedule of deliverables, the VTF may withhold further grants transfer. This will, however, only be done after consultation with the affected grant recipient and the Selection Committee Chair.

57. Further grants transfer shall only resume once a satisfactory corrective intervention has been carried out and evidence on the ground supports success of intervention.

### **Reporting Requirements**

58. VTF grant recipients are expected to fully comply with the reporting requirements set out in Grant Agreements. These may include the following:

- a. Interim project reports accounting for project activity progress and financial expenditure.
  - b. Final project report to be submitted 60 days after completion of a project. The final report should include a description and evaluation of the outcomes, achievements and impacts as well as outline possible shortcomings and recommendations for further actions (substantive report). Furthermore, the final report should include a detailed financial report on expenditures and balances (financial report). Final reports shall be made publicly available via the ATT Website.
59. Interim project reports shall be used by the VTF as one of the tools to monitor progress in projects.
60. Furthermore, interim projects reports will assist the VTF to identify projects at risk of time and cost overrun. Projects with identified risks shall be carefully monitored by the VTF to ensure that project risks are properly mitigated in time by the grant recipient.
61. Submitted reports shall be in prescribed format based on the project's schedule of activities and deliverables as well as detailed budget breakdown.
62. All reports, interim or final, shall be signed by the authorized representative of the grant recipient.
63. Failure by the VTF grant recipient to, without good cause, file mandatory projects reports may result in one or combination of the following:
- a. VTF's withholding of subsequent grant's installments.
  - b. VTF's recovery of part or all of the grant already transferred to the recipient.

### **Repayment of unused funds**

64. Upon completion of a project, the grant recipient must repay to VTF any unused funds to the extent that these funds exceed the estimated cost of collection, as determined by the VTF.
65. Repayment is to be made to the VTF, without further delay, with the repayment properly referenced to the project that the funds were used for.

### **Extension of the period for using the funds**

66. If a grant recipient is unable to use funds within specified time, a recipient may apply for an extension of the time in which the grant may be used. The application for period extension must be submitted to the VTF as soon as the recipient realizes that an extension is necessary and no later than 30 days before the end of the period covered by the grant decision.

67. On consideration of an extension motivation, previously submitted interim project reports and other relevant factors, the Secretariat shall decide either to grant or not to grant the extension after consultation with the Selection Committee Chair.

### **Grant Funds Recovery**

68. A grant recipient bears responsibility to comply with all terms and conditions of the grant contained in the Grant Agreement. Failure by the grant recipient to fulfill the grants obligations may result in the VTF's recovery of all or part of the grant. Grounds for the VTF's recovery of the grant include the following:

- a. ***Funds have not been used within the specified time.*** Following consultation with the grant recipient, a repayment demand may be made for funds that are not used within the period specified in the decision.
- b. ***The grant has been used for matters other than the intended purpose.*** A repayment demand may be made for funds that have been used for purposes other than those specified in the Grant Agreement.
- c. ***The recipient has neglected the obligation to report.*** If a grant recipient fails to comply with obligations to submit interim reports and final report, the VTF may demand repayment of all or part of the grant.
- d. ***The recipient has knowingly submitted incorrect information.*** If the VTF becomes aware that a grant recipient has knowingly submitted incorrect information, in particular information that has a significant bearing on the viability or effectiveness of the project, the VTF may demand repayment of all or part of the grant. This applies regardless of whether or not the funds have been used.

69. An application concerning deferment of recovery may be submitted by the grant recipient to the VTF no later than 14 days before the day on which repayment of the demanded funds is to be made. The Secretariat takes decisions on deferment after consultation with the Selection Committee Chair.

70. An application concerning adjustment of recovery is to be submitted to the VTF and must have been received no later than 14 days before the day on which repayment of the demanded funds is to be made. In taking a decision on request for adjustment of recovery after consultation with the Selection Committee Chair, the Secretariat shall take into account all relevant facts.

### **PROCEDURES FOR PROJECTS' MONITORING, EVALUATION AND AUDITING**

71. The adoption of sound and appropriate governance procedures will help ensure the sustainability of the VTF's funding and operations. For purposes of achieving accountability and transparency in the implementation of VTF funded projects, all projects shall be subject to monitoring and evaluation procedures.

72. The project design information submitted by the grant recipient as a prerequisite for the Grant Agreement shall form the basis of project's monitoring, evaluation and auditing. As part of the Grant Agreement, grant recipients are required to institute effective internal control measures to ensure realization of the project's substantive goals and financial targets. It is this project information that VTF shall use as monitoring and evaluation yardstick.

73. Both the VTF and the recipient shall, at the level of the Grant Agreement, agree on the project major activities, milestones and timeframes to be closely considered under project monitoring and evaluation.

### **Project Monitoring**

74. Project monitoring is the assessment of progress made in a project towards set project's targets as set out in the Grant Agreement.

75. The VTF shall, *inter alia*, use the following methods of project monitoring:

- a. **Verification of Submitted Project Reports.** The mandatory projects reports that grant recipients are required to provide shall be verified by VTF against the Grant Agreement content with particular reference to project activity schedule and financial expenditure plan.

On verification if projects reports are found to be consistent with Grant Agreement schedules, the VTF will indicate a 'go ahead' and release relevant project funds. However, in the event where reports verification demonstrates an inconsistency with the agreed project plan, the VTF will enter into consultation with the recipient with a view of getting the project rescue.

In addition to regular reports, the grant recipient shall alert the VTF regarding deviations from the agreed project goals and financial terms when such deviations are suspected or become apparent, together with the grant recipient's planned responses to these deviations.

- b. **On-site Monitoring Visits by VTF (Secretariat) Staff.** When deemed necessary the VTF may dispatch own (Secretariat) staff to attend selected VTF funded events or consultations as a participant with a mandate to observe if the project is progressing according to plan.
- c. **Monitoring by Third Party Stakeholder.** VTF can request independent participants or experts at VTF funded events to provide independent reviews on the event organization.

76. With project monitoring being a shared responsibility between the VTF and grant recipient, each of the project monitoring methods shall be deployed by VTF with the full knowledge and cooperation of the recipient.

77. Any monitoring result that points to a project's deviation from the set project activity schedule and budget plan shall lead to a discussion between the VTF and the recipient with a view to get the recipient to institute immediate remedial actions to rescue the project from the detected deviation.

78. Projects with detected deviations may be classified as risk projects that may be subjected to full auditing by appointed professional auditors.

79. Monitoring costs incurred by the recipient shall be included in the project's costs. Monitoring costs incurred by the VTF (Secretariat) staff shall be carried by the VTF.

### **Project Evaluation**

80. Evaluation is a systematical and objective assessment of an ongoing or completed project to determine how a project's funded activities impact on the achievement of project's objectives and set outcomes. The aim of evaluation is to determine the project's:

- a. **Relevance**, the extent to which the project is suited to existing priorities and policies.
- b. **Effectiveness**, the extent to which the project has attained its stated objectives.
- c. **Efficiency**, the extent to which the project results were attained on time and within budget.
- d. **Impact**, the positive or negative changes or effects that the project results have on the surrounding circumstances.
- e. **Sustainability**, the extent to which the projects benefits can continue after the project has finished.

81. Project evaluation shall be primarily carried out by the recipient and should be included in the project's final report submitted to the VTF.

82. Evaluation results and lessons learnt shall provide useful information to both VTF and recipients for future decision making purposes.

### **Project Auditing**

83. Auditing is an objective examination and evaluation of a project's financial statements to ensure that records are a fair and accurate representation of the transactions they claim to represent.

84. In the context of VTF, auditing shall be conducted for purposes of ensuring that VTF is able to manage project financial risk that may be due to a variety of reasons.



85. The grant recipient is required to cooperate with VTF on all audit matters.
86. Though audits can be conducted randomly, projects identified as risk projects shall be particularly considered for auditing.
87. Projects shall be identified as a risk and subjected to auditing if they presents one or combination of the following factors:
- a. The recipient fails to submit the mandatory interim or final project's report.
  - b. The recipient fails to refund unused money to VTF.
  - c. The project experiences budget overrun.
  - d. The project experiences time overrun.
  - e. Financial impropriety is suspected.
88. Where a need for auditing is identified, VTF shall appoint an independent professional auditor with requisite skills for such assignment.
89. Audit results and recommendations shall be considered by VTF and could, after consultation with the Selection Committee Chair, *inter alia*, lead to the following actions:
- a. Withholding of project's further grant transfer until the negative audit finding has been adequately addressed by recipient.
  - b. Demand for recovery of the funds transferred to the project.
  - c. Any other action recommended by the auditors.

#### **Costs for Project Monitoring, Evaluation and Auditing**

90. Costs for project monitoring, evaluation and auditing incurred by the grant recipient shall be included in the project's costs.
91. Costs for project monitoring, evaluation and auditing incurred by the VTF (Secretariat) shall be directly carried by the VTF's budget at an amount set by the Selection Committee.

#### **VTF CORPORATE AUDITING**

92. The VTF's corporate operations shall be audited on annual basis.
93. The VTF shall appoint an independent professional auditor with requisite skills to carry out the VTF's corporate audit according to international auditing standards.

94. The auditor shall issue an audit report that shall accompany the annual VTF substantive report for approval by the Conference of States Parties and presentation to donors.

95. Costs for the VTF's corporate audit shall be borne by the VTF budget.

#### **ENFORCEMENT OF VTF DECISIONS**

96. The VTF eligibility criteria identify states as the only eligible applicants for VTF assistance. However, the criteria allow states to seek the assistance of partners in the implementation of projects. The identity of project's implementing partners and their role in the project should be disclosed in the project proposal.

97. In view of the foregoing, parties to the Grant Agreement shall be the VTF and a state that has presented a successful project proposal. Accordingly the signing state shall directly assume the obligations arising from the Grant Agreement. The involvement of an implementing partner in the project implementation shall not absolve a state from its obligations under the Grant Agreement. To that end, the enforcement of the grant terms and conditions should be directed to the recipient state.

98. With the VTF established under the Treaty, the VTF should, after consultation with the Selection Committee Chair, adopt enforcement measures that are consistent with the Treaty spirit particularly Article 19 on dispute resolution. In that connection,, the VTF could pursue, by mutual consent, arbitration to enforce provisions of the Grant Agreement.

#### **FINAL PROVISIONS**

##### **Reports to the Selection Committee**

99. In order to keep the Selection Committee informed of the status of VTF funded projects, the Secretariat shall, on quarterly basis, submit a summarized progress report to the Selection Committee highlighting key project developments and issues.

##### **Reports to Conference of States Parties**

100. The Secretariat shall annually prepare the VTF substantive report for each selection cycle and cause such report to be reviewed by the Selection Committee together with an audited financial statement of the VTF's operation.

101. Upon review by the Selection Committee, the VTF annual report shall be submitted to the Conference of States Parties for approval.

102. After approval by the Conference of States Parties, the Secretariat shall, without delay, present such annual report to donors and cause such reports to be published on the ATT website

**VTF's relationship with other Funds**

103. The VTF is established as an independent Trust Fund under Article 16 of the Arms Trade Treaty. The VTF may however, liaise with other Funds of common objectives for the purposes of avoiding overlaps and/or duplication in the funding of projects. The Secretariat shall endeavour to liaise with these Funds.

**Staff Capacity**

104. The Trust Fund shall be administered by the ATT Secretariat, with the support of the Selection Committee. The Secretariat shall endeavour to fulfil this function with the existing internal resources. Should it become apparent that the administration of the VTF requires additional capacity; the Secretariat shall propose alternative options to States Parties.

**Language**

105. The VTF project application forms shall be in English, French and Spanish. However, project proposals and reports submitted in French and Spanish should be accompanied by an English translation.

**Amendment and Review of the Rules**

106. On adoption by the VTF Selection Committee, these rules shall take immediate effect. Any proposed amendment or review to the Rules shall be presented by the Secretariat to the Selection Committee for consideration and adoption.

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