

**THIRD-PARTY COST-SHARING AGREEMENT
BETWEEN THE GOVERNMENT OF ITALY (THE DONOR) AND
THE UNITED NATIONS DEVELOPMENT PROGRAMME (UNDP)**

WHEREAS the Government of the Italian Republic represented by the Direzione Generale Cooperazione allo Sviluppo (DGCS) – Ministry of Foreign Affairs (the “Donor”), hereby agrees to contribute funds to UNDP on a cost-sharing basis for the implementation of the Project “IKEN06104 – Support to Agribusiness II Phase”¹.

WHEREAS UNDP is prepared to receive and administer the contribution for the implementation of the project,

WHEREAS the Government of Kenya has been duly informed of the contribution of the Donor to the Project,

WHEREAS UNDP shall designate an Implementing partner for the implementation of the project (the Ministry of Agriculture),

NOW THEREFORE, UNDP and the Donor hereby agree as follows:

Article I. The Contribution

1. The Donor shall, upon signature of this agreement by both parties, contribute to UNDP the amount of 980,000 Euros payable in US Dollars according to the official exchange rate of the Ufficio Italiano Cambi (UIC). The contribution shall be deposited in one installment in the bank account:

UNDP Representative in Kenya USD Account
Bank of America, 1401 Elm St., Dallas TX 75202
Account No. 3752191743
ACH Routing Number: 111000012
Wire Routing Number: 026009593
SWIFT Address: BOFAUS3N

2. The above schedule of payments takes into account the requirement that the payments shall be made in advance of the implementation of planned activities. It may be amended to be consistent with the progress of project delivery.

3. UNDP shall receive and administer the payment in accordance with the regulations, rules and directives of UNDP.

4. All financial accounts and statements shall be expressed in United States dollars.

¹ The project is described in the project document [project no. IKEN06104 – Support to Agribusiness II Phase. The project document is formally annexed to this agreement.

Article II. Utilization of the Contribution

1. The implementation of the responsibilities of UNDP and of the Implementing partner pursuant to this Agreement and the Project document shall be dependent on receipt by UNDP of the contribution in accordance with the schedule of payment as set out in Article I, paragraph 1, above.
2. If unforeseen increases in expenditures or commitments are expected or realized (whether owing to inflationary factors, fluctuation in exchange rates or unforeseen contingencies), UNDP shall submit to the Donor on a timely basis a supplementary estimate showing the further financing that will be necessary. The Donor shall use its best endeavours to obtain the additional funds required.
3. If the payments referred to in Article I, paragraph 1, above are not received in accordance with the payment schedule, or if the additional financing required in accordance with paragraph 2 above is not forthcoming from the Donor or other sources, the assistance to be provided to the project under this Agreement may be reduced, suspended or terminated by UNDP.
4. Any interest income attributable to the contribution shall be credited to UNDP Account and shall be utilized in accordance with established UNDP procedures.

Article III. Administration and reporting

1. Project management and expenditures shall be governed by the regulations, rules and directives of UNDP and, where applicable, the regulations, rules and directives of the Executing Agency.
2. UNDP headquarters and country office shall provide to the Donor all or parts of the following reports prepared in accordance with UNDP accounting and reporting procedures.

2.1

- (a) From the country office within six months after the date of completion or termination of the Agreement, a final report summarizing project activities and impact of activities as well as provisional financial data;
- (b) From UNDP Bureau of Management/Comptroller's Division, an annual certified financial statement as of 31 December every year to be submitted no later than 30 June of the following year;
- (c) From UNDP Bureau of Management/Comptroller's Division on completion of the project, a certified financial statement to be submitted no later than 30 June of the year following the financial closing of the project.

3. If special circumstances so warrant, UNDP may provide more frequent reporting at the expense of the Donor. The specific nature and frequency of this reporting shall be specified in an annex of the Agreement.

Article IV. Administrative and support services

1. In accordance with the decisions and directives of UNDP's Executive Board:

The contribution shall be charged:

- (a) (5%) cost recovery for the provision of general management support (GMS) by UNDP headquarters and country offices
- (b) direct cost for implementation support services (ISS) --- provided by UNDP and/or an implementing partner.

2. The aggregate of the amounts budgeted for the project, together with the estimated costs of reimbursement of related support services, shall not exceed the total resources available to the project under this Agreement as well as funds which may be available to the project for project costs and for support costs under other sources of financing.

Article V. Equipment

Ownership of equipment, supplies and other properties financed from the contribution shall vest in UNDP. Matters relating to the transfer of ownership by UNDP shall be determined in accordance with the relevant policies and procedures of UNDP.

Article VI. Auditing

The contribution shall be subject exclusively to the internal and external auditing procedures provided for in the financial regulations, rules and directives of UNDP. Should an Audit Report of the Board of Auditors of UNDP to its governing body contain observations relevant to the contributions, such information shall be made available to the Donor.

Article VII. Completion of the Agreement

1. UNDP shall notify the Donor when all activities relating to the project have been completed.
2. Notwithstanding the completion of the project, UNDP shall continue to hold unutilized payments until all commitments and liabilities incurred in the implementation of the project have been satisfied and project activities brought to an orderly conclusion.
3. If the unutilized payments prove insufficient to meet such commitments and liabilities, UNDP shall notify the Donor and consult with the Donor on the manner in which such commitments and liabilities may be satisfied.

4. Any payments that remain unexpended after such commitments and liabilities have been satisfied shall be disposed of by UNDP in consultation with the Donor.

Article VIII. Termination of the Agreement

1. After consultations have taken place between the Donor, UNDP and the Kenyan Government, and provided that the payments already received are, together with other funds available to the project, sufficient to meet all commitments and liabilities incurred in the implementation of the project, this Agreement may be terminated by UNDP or by the Donor. The Agreement shall cease to be in force 30 (thirty) days after either of the Parties have given notice in writing to the other Party of its decision to terminate the Agreement.

2. Notwithstanding termination of all or part of this Agreement, UNDP shall continue to hold up to the date of termination, unutilized payments until all commitments and liabilities incurred in the implementation of all or the part of the project, for which this Agreement has been terminated, have been satisfied and project activities brought to an orderly conclusion.

2. Any payments that remain unexpended after such commitments and liabilities have been satisfied shall be disposed of by UNDP in consultation with the Donor.

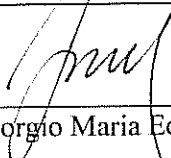
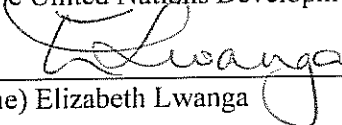

Article IX. Amendment of the Agreement

The Agreement may be amended through an exchange of letters between the Donor and UNDP. The letters exchanged to this effect shall become an integral part of the Agreement.

Article X. Entry Into Force

This Agreement shall enter into force upon signature and deposit by the Donor of the first contribution-payment to be made in accordance with the schedule of payments set out in Article I, paragraph 1 of this Agreement and the signature of the project document by the concerned parties.

IN WITNESS WHEREOF, the undersigned, being duly authorized thereto, have signed the present Agreement in the English language in two copies.

For the Donor:  (Name) Alain Giorgio Maria Economides (Title) Director General - Direzione Generale Cooperazione allo Sviluppo (Date) <u>28 / 01 / 2008</u>	For the United Nations Development Programme:  (Name) Elizabeth Lwanga (Title) UNDP Kenya - Resident Representative (Date) <u>28 / 01 / 2008</u>  KENYA
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