



REPUBLIC OF MACEDONIA
MINISTRY OF LABOR AND SOCIAL POLICY

Skopje
08-1523/1
24.02.2012

Skopje, February 2012

LETTER OF ACCEPTANCE

With reference to the United Nations Development Programme (UNDP) Project Document titled **"Promoting Sustainable Employments and Supporting the Government in implementation of the Operational Plan for Active Labour Market Measures 2012-2013"** I hereby confirm, on behalf of the Government of the Republic of Macedonia, that the Government of Macedonia agrees to be bound by the aforementioned Project Document and accepts the rights and duties stipulated in the Cost Sharing Agreement.

This acceptance of the Ministry of Labour and Social Policy, on behalf of the Government of the Republic of Macedonia, that the Cost Sharing Agreement is concluded by the Letter of Acceptance does not prejudice that the Government of the Republic of Macedonia accepts to refer to itself otherwise than its constitutional name of our country - Republic of Macedonia.

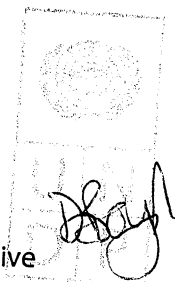
Hereby the Government of the Republic of Macedonia understands that the aforementioned Cost Sharing Agreement as attached to this Letter of Acceptance constitute an agreement to be obligatory for the both parties to this Project.

Minister of Labour and Social Policy,



M. Spirovski

Ms. Deirdre Boyd
Resident Representative
United Nations Development Programme



COST SHARING AGREEMENT

BETWEEN THE GOVERNMENT OF THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA AND THE UNITED NATIONS DEVELOPMENT PROGRAMME (UNDP)

WHEREAS the United Nations Development Programme (hereinafter referred to as "UNDP") and the Government of the Former Yugoslav Republic of Macedonia (hereinafter referred to as the "Government") have agreed to co-operate in the implementation of the **"Promoting Sustainable Employments and Supporting the Government in implementation of the Operational Plan for Active Labour Market Measures 2012-2013"** (hereinafter referred to as "the Project");

WHEREAS the UNDP shall designate an executing entity or implementing partner for the implementation of each project financed from the contribution (hereinafter referred to as "the Executing Agency/ Implementing Partner/UNDP Project Office");

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

Article I

The Contribution

1. The Government shall, in the manner referred to in paragraph 2 of this Article, place at the disposal of UNDP the contribution of MKD 211,685,150.00 (two hundred eleven millions six hundred eighty five thousand one hundred fifty denars);
2. The Government shall, in accordance with the schedule of payments set out below, deposit the contribution through the Employment Service Agency (regulated by separate Contract concluded between the Ministry of Labor and Social Policy and Employment Service Agency) on following account:

Bank Name: Stopanska Banka A.D. - Skopje
Address: 11 Oktomvri 7, 1000 Skopje
Account Name: UNDP MKD
Account Number: 20000000099029-808100-0010514340
Swift Code: STOBMK2X
Reference: "Promoting Sustainable Employments and Supporting the Government in implementation of the Operational Plan for Active Labour Market Measures 2012-2013"

Installments	Source of funds	Date	Amount in MKD
First installment	MLSP	Upon signing of the Agreement	30,000,000.00
Second installment	MLSP	01.05.2012	70,000,000.00
Third installment	MLSP	01.08.2012	67,720,000.00
	ESA	01.08.2012	8,280,000.00
Fourth installment	MLSP	01.10.2012	35,685,150.00
TOTAL funds from MLSP			203,405,150.00
TOTAL funds from ESA			8,280,000.00

Total: 211,685,150.00

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

The initial request for funds transfer will be done based on activity and financial projections which are to be accomplished during the initial period. All the other requests for transfer of funds will be accompanied by a financial report, and activity and financial projections which are to be accomplished during the forthcoming period. Reports shall be submitted to the Ministry of Labor and Social Policy and Employment Service Agency.

3. All financial accounts and statements (monthly, annual, progress) shall be expressed in United States dollars.
4. UNDP may agree to accept contribution-payments in a currency other than United States dollars provided such currency is fully convertible or readily usable by UNDP and subject to the provisions of paragraph 5, below. Any change in the currency of contribution/payments shall be made only in agreement with UNDP.
5. The value of a contribution/payment, if made in a currency other than United States dollars, shall be determined by applying the United Nations operational rate of exchange in effect on the date of payment. Should there be a change in the United Nations operational rate of exchange prior to the full utilization by UNDP of the contribution/payment, the value of the balance of funds still held at that time will be adjusted accordingly. If, in such a case, a loss in the value of the balance of funds is recorded, UNDP shall inform the Government with a view to determining whether any further financing could be provided by the Government. Should such further financing not be available, the assistance to be provided to the Project under this Agreement may be reduced, suspended or terminated by UNDP.
6. Any interest income attributable to the contribution shall be credited to the UNDP Account and shall be utilized in accordance with established UNDP procedures.

Article II

Financial Matters

1. In accordance with the decisions and directives of UNDP's Executive Board reflected in its Policy on Cost Recovery from Other Resources, the Contribution shall be subject to cost recovery by UNDP for two distinct cost categories related to the provision of support services, namely:
 - (a) Indirect costs incurred by UNDP headquarters and country office structures in providing General Management Support (GMS) services. To cover these GMS costs, the contribution shall be charged in a fee equal to 3% (the amount of GMS is 6,350,555.50 MKD or 133,219.10 USD).
 - (b) Direct costs incurred for implementation support services (ISS) provided by UNDP and/or an executing entity or implementing partner. As long as they are unequivocally linked to the specific project, these costs are built into the project budget against a relevant budget line and, in the case of clearly identifiable transactional services, charged to the project according to standard service rates (the amount of ISS is 3,450,207.30 MKD or 72,376.91 USD).
 - (c) Costs related to the direct implementation and operations of the project office are in amount of 14,652,578.00 MKD or 307,375.25 USD, as it is stated in the Project Document, Annex 1, and Table 5 and 6. Cost related to the project will be included in the project's budget.
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 III

Contributions Administration

1. The contribution shall be administered by the UNDP in accordance with UNDP regulations, rules and directives, applying its normal procedures for the execution of its projects.
2. 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 Entity/Implementing Partner.

Article IV

Financial Responsibilities

1. The implementation of the responsibilities of the UNDP and of the Executing Agency/Implementing Partner pursuant to this Agreement and the relevant project document shall be dependent on receipt, by the UNDP, of the contribution in accordance with the schedule of payments set out in Article I, paragraph 2, above.
2. If unforeseen increases in expenditures or commitments are expected or realized (whether due to inflationary factors, fluctuation in exchange rates or unforeseen contingencies) UNDP shall submit to the Government on a timely basis a supplementary estimate showing the further financing that will be necessary. The Government shall use its best endeavours to obtain the additional funds required.
3. If the contribution-payments referred to in Article I, paragraph 2, 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 Government or other sources, the assistance to be provided to the Project under this Agreement may be reduced, suspended or terminated by UNDP.

Article V

Equipment

Ownership of equipment, supplies and other property financed from the contribution shall vest in UNDP until final hand-over to the final beneficiaries in a period not longer than three months from the date of payment of the invoice. Matters relating to the transfer of ownership by UNDP shall be determined in accordance with the relevant policies and procedures of UNDP. If the equipment, supplies and other property financed from the contribution is not transferred in the period of three months, after the closing of the Project the Title of Ownership will be transferred from the UNDP to the Final Beneficiaries identified in the course of the Project.

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 which foresee an independent Audit for NEX projects with annual expenditures over \$300,000.

Article VII

Reporting

The UNDP project shall provide to the Government, on request, financial and other reports prepared in accordance with UNDP reporting procedures and insight in the relevant documentation.

Article VIII

Completion of the Agreement

1. UNDP shall notify the Government when all activities relating to the contribution have been completed.
2. Notwithstanding the completion of all activities relating to the contribution, UNDP shall continue to hold unutilised contribution/payments until all commitments and liabilities incurred in implementation of the activities finance by the contribution have been satisfied and these activities brought to an orderly conclusion.
3. If the unutilised contribution/payments prove insufficient to meet such commitments and liabilities, UNDP shall notify the Government and consult with the Government on the manner in which such commitments and liabilities may be satisfied.
4. Any contribution/payments that remain unexpended, after such commitments and liabilities have been satisfied, shall be disposed of by UNDP in consultation with the Government.

Article IX

Termination of the Agreement

1. After consultations have taken place between the two Parties to this Agreement, and provided that the contribution/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 Government. The Agreement shall cease to be in force thirty days after either of the Parties may have given notice in writing to the other Party of its decision to terminate the Agreement.
2. If the unutilised contribution/payments, together with other funds available to the Project, are insufficient to meet such commitments and liabilities, UNDP shall notify the Government and consult with the Government on the manner in which such commitments and liabilities may be satisfied.
3. Notwithstanding termination of this Agreement, UNDP shall continue to hold unutilised contribution/payments until all commitments and liabilities incurred in implementation of the activities financed by the contribution have been satisfied and these activities brought to an orderly conclusion.
4. Any contribution/payments that remain unexpended after such commitments and liabilities have been satisfied, shall be disposed of by UNDP in consultation with the Government.

Article X

Entry into Force

This Agreement shall enter into force upon signature and deposit by the Government of the first contribution/payment to be made by the Government in accordance with the schedule of payments set out in Article I, paragraph 2 of this Agreement.

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

For the Government:

(Signature)

Name: Spiro Ristovski

Title: Minister for Labour and Social Policy

Date: _____

Place: Skopje

For the Employment Service Agency:

(Signature)

Name: Vlatko Popovski

Title: Director

Date: _____

Place: Skopje

For the United Nations Development Programme – UNDP:

(Signature)

Name: Deidre Boyd

Title: Resident Representative

Date: _____

Place: Skopje

