

PA/99/539

**MEMORANDUM OF UNDERSTANDING
BETWEEN
THE UNITED NATIONS DEVELOPMENT PROGRAMME
AND
THE GOVERNMENT OF THE ITALIAN REPUBLIC**

on the project:

Upgrading of Water Systems in Hebron and Jerico Cities

Whereas the Italian Directorate General for Development Cooperation (hereinafter referred to as "Donor") wishes to contribute funds to the United Nations Development Programme (hereinafter referred to as the "UNDP") for the project: "Upgrading of Water Systems in Jerico and Hebron Cities" (hereinafter referred to as the "Project");

Whereas the UNDP and the Palestinian Water Authority are about to enter into a cooperation agreement regarding the implementation of the above mentioned project;

have agreed on the following:

ARTICLE 1

1. The UNDP shall establish a trust fund under its financial rules and regulations as far as the receipt and administration of the contribution is concerned;
2. The Donor shall make available to the UNDP the contribution in the amount of US\$ 3,000,000 (three million);
3. The Donor shall deposit the full contribution in one instalment to the UNDP Contributions Account, Chase Manhattan Bank, United Nations Branch, New York, NY 10017 - Account number 015-002284. Any additional amount related to mutually agreed additional services may be deposited in the same account;
4. All financial accounts and statements shall be expressed in US dollars.

ARTICLE 2

1. The trust fund shall be used by UNDP to meet the costs of the project as set out in the relevant project document (see Annex 1) as well as the costs of

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support services as indicated in the paragraph 2 below.

2. The trust fund shall be charged with support costs for all project expenditures. This amount shall be used by UNDP, in accordance to its rules and regulations, as reimbursement of support services provided by the Executing Agency. The support cost shall be calculated at a 8% flat rate.

3. Any interest income deriving from the contribution to the trust fund shall be credited to the same trust fund in accordance with UNDP procedures.

4. The Donor reserves the right to claim repayment in full or in part of the contribution if part or the totality of funds are found to be misused or not satisfactorily accounted for. Before claiming repayment, the Parties shall consult with the view to reach a solution of the matter.

ARTICLE 3

1. The UNDP shall carry the overall responsibility for the execution of the Project and shall act, in partnership with the Municipalities of Hebron and Jerico, as co-implementing agency as indicated in the relevant project document. The responsibility of UNDP as Executing Agency as well as the other Implementing Agencies pursuant to this Agreement and the relevant project document shall begin upon receipt of the contribution by UNDP in accordance with Article 1, paragraph 3 above.

2. If unforeseen increases in project expenditures occur due to inflationary factors, fluctuations in exchange rates or other unforeseen contingencies, UNDP shall submit to the Donor on a timely basis a supplementary estimate showing the additional funding required. The Donor shall use its best endeavour to obtain the additional contribution required.

ARTICLE 4

1. Ownership for equipment, supplies and other property financed by the contribution shall vest in the UNDP during the project implementation. Upon its completion, such ownership will be transferred according to the relevant policies and procedures of the UNDP.

ARTICLE 5

1. The contribution of the Donor shall be subject exclusively to the internal and external auditing procedures provided for in the UNDP financial rules and regulations.



ARTICLE 6

1. The UNDP shall provide the Donor with following reports prepared in accordance with UNDP accounting and reporting procedures:

- a) a quarterly project implementation report and other progress reports as they may be required by the Donor;
- b) an annual financial report which will provide information on income expenditures during the previous period;
- c) a final report within six months from the date of completion of the Project including a detailed statement of accounts showing income expenditures by year and by budget line.

ARTICLE 7

1 . The UNDP shall notify the Donor when all project activities, for which the trust fund was established, have been completed.

ARTICLE 8

1 . UNDP should not commit itself to expenses in excess to the amount provided for by the Donor as per Art.1 , paragraph 2.

2. Notwithstanding the completion of the project, the UNDP shall continue to hold unutilized funds until all commitments and liabilities incurred in the implementation of the Project have been satisfied.

3. Any fund that remains unspent after all commitments and liabilities have been satisfied shall be returned to the Donor unless otherwise agreed in writing.

ARTICLE 9

1. The present Memorandum of Understanding may be terminated by UNDP or the Donor upon consultations between the Parties. The Memorandum of Understanding will cease to be in force thirty days after either Party has given written notice to the other Party of its decision to terminate the Memorandum of Understanding.

2. Notwithstanding the termination of this Memorandum of Understanding, the UNDP shall continue to hold the un-utilized funds until all commitments and liabilities have been satisfied.

3. Any fund that remains unspent after such commitments and liabilities have been satisfied shall be returned to the Donor unless otherwise agreed in writing.

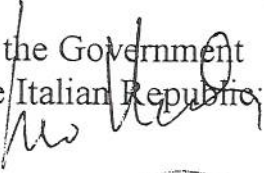
ARTICLE 10

1. The present Memorandum of Understanding shall enter into force upon signature.

In witness whereof, the undersigned, duly authorised by their respective Authorities, have signed the present Memorandum of Understanding.

Done at Jerusalem, on 13/8/98, in two originals in the English language.

For the Government
of the Italian Republic



For the United Nations
Development Programme:

