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MEMORANDUM OF UNDERSTANDING**BETWEEN****THE MINISTRY OF AGRICULTURE****AND****THE UNITED NATIONS DEVELOPMENT PROGRAMME****FOR THE IMPLEMENTATION OF PNRMP**

WHEREAS the Ministry of Agriculture (hereinafter called "MOA") and the United Nations Development Programme/Programme of Assistance to the Palestinian People (hereinafter called the "UNDP/PAPP"), desire to enter into a contract to implement in full cooperation and coordination the four components of the IFAD-funded Participatory Natural Resource Management Programme (hereinafter called the "Programme") described in Schedule 1 of the Loan Agreement (hereinafter called the "Agreement") signed between IFAD and the PLO;

WHEREAS MOA has requested the UNDP/PAPP to implement the activities mentioned in Article IV "Form of Assistance" below;

NOW THEREFORE, MOA and the UNDP/PAPP (hereinafter called the "Parties") hereby agree as follows:

ARTICLE I**IFAD Loan Agreement**

The Loan Agreement (hereinafter the "Loan Agreement") signed between the International Fund for Agricultural Development (hereinafter called "IFAD") and the Palestine Liberation Organization (on behalf of the Palestinian Authority, hereinafter called the Borrower) on 7 May 1998 (Loan No. 476-PS) shall form the basis of this Memorandum of Understanding. Any points of disagreement arising between the Loan Agreement and the Memorandum of Understanding pertaining to the activities mentioned in Part A of Schedule 1 and in paragraph 1 of Part D (excluding point iv) in Schedule 1 of the Loan Agreement shall be resolved through direct negotiations between UNDP and IFAD on the basis of the Loan Agreement.

ARTICLE II

General Conditions

MOA and the UNDP/PAPP agree that the latter implement the Programme components as follows:

1. The UNDP/PAPP shall become a full member of the Programme Steering Committee;
2. MOA shall request IFAD to make at the disposal of the UNDP the amount of 2.5 million Special Drawing Rights (SDR), for the purposes of financing categories I, II, III and IV of Schedule 1 of the Loan Agreement. Disbursement of the amounts shall be in accordance with the payment modality outlined in the Loan Agreement;
3. The UNDP/PAPP shall charge, in accordance with the decisions and the directives of the UNDP's Executive Board, for reimbursement of support services provided by the UNDP/PAPP as the executing agency. The total administrative support cost agreed on as per the attached Letter of Understanding and the Minutes of Meeting shall be 8% of the disbursed amount. The administrative support cost shall be deducted from the related activities mentioned in table 1 (Allocation Table).
4. IFAD shall upon request by the Borrower deposit a balance of US\$..... as a first installment which will be maintained at that level and replenished from time to time;
5. All foreign exchange risks that may arise from the purchase of goods and equipment under the Loan Agreement shall be borne by the Borrower;
6. All financial statements shall be expressed in United States Dollars;
7. The UNDP/PAPP shall not be requested to pre-finance any activities under the Programme;
8. The UNDP/PAPP shall, in full coordination with MOA, use the already existing UNDP/PAPP criteria and procedures on the selection of target villages and sites (LRDP and Land Development Programmes), and the procedures adopted by technical review committees, working committees and contract review committees in so far as they are consistent with the procedures identified in IFAD Appraisal Reports and the Loan Agreement;
9. The Programme counterpart (Programme Director) recruited and assigned for the purpose of implementing the four components shall report directly to the UNDP/PAPP Programme Manager;
10. The UNDP/PAPP shall be responsible to the MOA in fulfilling all the duties and responsibilities pertaining directly or indirectly to the PNRM Programme;
11. Any misunderstanding or dispute arising from the implementation of the Programme's work plan shall be discussed and agreed upon mutually between the Parties;

12. The UNDP/PAPP shall do its most to achieve effective utilization and proper administration of the fund; and
13. The Programme is expected to be completed by 31 December 2003.

ARTICLE III

Programme Objective

As stated in the Appraisal Report and in the Loan Agreement, the objective of the Programme is to increase the incomes and living standards of small farmers in areas where there are few alternative income-generating possibilities by developing and managing the land and water resources to conserve and enhance their productivity.

ARTICLE IV

Form of Assistance

The funds from the loan shall be made available under this MOU through the UNDP/PAPP to the target beneficiaries under the Programme. The Programme will be implemented in the Programme Area consisting initially of Jenin, Nablus, Tulkarem and Ramallah as mentioned in the Loan Agreement under Part A of Schedule 1. The amounts to be transferred shall cover all activities mentioned in Part A of Schedule 1 and in paragraph 1 of Part D (excluding point iv) in Schedule 1 of the Loan Agreement (see attached Schedule 1). In addition, the amounts to be transferred shall cover the purchase of vehicles and equipment identified by the Programme, the provision of material and supply, subcontracting of specialized and qualified NGOs, and finally the provision of training to target groups identified in the Appraisal Report prepared by IFAD. The allocation of funds under the MOU, as detailed in Table 1 below, is expressed in Special Drawing Rights (SDR), as stated in Schedule 2 of the Loan Agreement as it may be amended from time to time between IFAD and the PLO (on behalf of the PA), totaling 2.5 million SDR equivalent to United States Dollars at the date of bank transfer, according to the published rate of exchange.

Table 1: Allocation Table

Category	Amounts of the MOU (Expressed in SDR Equivalent)
Procurement of Vehicles and Equipment	400,000
Provision of Materials and Supplies	590,000
Subcontracting Specialized NGOs	1,430,000
Organizing Specialized Training Courses, Survey and Studies	80,000
Total	2,500,000

In order to achieve the stated Programme objective, the following components and activities shall be carried out:

1. Land reclamation and improvement, including land rehabilitation, cistern construction and rehabilitation, access road construction and spring rehabilitation.

2. Crop production support, consisting of training and demonstration, a pilot project for virgin oil production and marketing, and support for the Beita Soil Laboratory. Under this MOU, UNDP/PAPP will only be responsible for the purchase of equipment element of this component;
3. Development of rural finance, comprising loanable funds, a credit risk fund and training of beneficiaries and of field credit officers. Under the MOU, UNDP/PAPP is only responsible for the training element of this component; and
4. Management and institutional capacity building, comprising impact surveys, NGO participatory implementation services, technical assistance, establishment and operation of a Programme Financial Unit (PFU) at the Ministry of Finance, a Programme Management Unit (PMU) at the Ministry of Agriculture, a Programme Steering Committee (PSC), a Technical Review Committee (TRC), a Contract Review Committee (CRC), and a Village Selection Committee (VSC). Under this MOU, the UNDP/PAPP shall be involved in contracting out studies, impact surveys, service contracts to the NGOs, partial technical assistance through the UNDP/PAPP's Programme Controller, and allowed full membership in the PSC, TRC, CRC, and VSC. Membership in the above mentioned committees shall be discussed between MOA and the UNDP/PAPP and in consultation with IFAD.

ARTICLE V

Responsibilities, Participation and Contribution of MOA and the UNDP/PAPP in Programme Implementation

In fulfillment of MOA's responsibility to participate and cooperate in the implementation of the Programme financed by IFAD and executed by the UNDP/PAPP, MOA shall contribute to or assume the following responsibilities:

1. Authorize the Agricultural Directorate Officers to participate in the Working Committee meetings;
2. Authorize the General Director of the General Directorate of Executive Projects at the MOA to participate actively in the various committee meetings to ensure better implementation of the project activities and to participate in decision making processes;
3. Recruit or assign in consultation with the UNDP/PAPP a full-time Programme Director, a Deputy Director, M&E expert, accountant, support staff and other needed staff as deemed necessary to facilitate the implementation and monitoring of all project activities;
4. Ensure full cooperation and coordination between the assigned UNDP/PAPP's counterpart Programme Manager and the Programme's staff;
5. As per Paragraph 4 b of Schedule 2 of the Loan Agreement, MOA shall establish a Refundable Tax Fund acceptable to the UNDP/PAPP and IFAD;
6. Facilitate with all line PA Institutions all logistics pertaining to impact surveys, studies, training workshops and procurement activities;

7. Authorize the UNDP/PAPP to contact IFAD directly on issues related to replenishment of the account and transfer of funds to the UNDP bank account pertaining to the components mentioned in Article IV. The UNDP/PAPP shall inform MOA of all correspondence with IFAD to that effect;
8. Provision of office space and utilities for the services of PNRM Programme; and
9. Provision of all data and information necessary for carrying out the PNRM Programme activities.

ARTICLE VI

Responsibilities of the UNDP/PAPP

It is understood that the UNDP/PAPP shall execute the four categories listed in Article IV of this MOU, and, as mentioned in Schedule 1 and allocated in Schedule 1 of the Loan Agreement, with a total cost of 2.5 million SDR. The UNDP/PAPP responsibilities will include the following activities:

1. Implement the activities mentioned in Part A of Schedule 1 and Paragraph 1 of Part D (excluding point iv) in Schedule 1 of the Loan Agreement;
2. Manage the PNRMP activities pertaining to the four parts of the Programme components which include *inter alia*, site selection, preparation of bid documents, evaluation of the implementing institutions, sub-contracting, reporting, etc.;
3. Administer all funds allocated under this MOU within the scope of the four categories agreed upon with MOA and IFAD;
4. Assign as required the counterpart PNRMP UNDP/PAPP Manager for the PNRMP to follow-up on the implementation of the scope of work under Article IV of this MOU. The counterpart PNRMP UNDP/PAPP Manager will be accountable only to UNDP/PAPP;
5. Open and operate a bank accounts for PNRMP, including the Special Account, in accordance with the rules and regulations of the UNDP;
6. Select, in full consultation and coordination with MOA, qualified NGOs and other implementing institutions according to the UNDP/PAPP procedures;
7. Enter into subcontracts with NGOs and all implementing institutions;
8. Participate in the preparation and evaluation of all bidding documents in connection with the four categories mentioned in Article IV;
9. Actively participate in all other committees foreseen under the Programme and in connection with the four categories mentioned in the allocation table of Article IV;
10. Submit payment requests to IFAD for processing upon disbursing at least 30% of the previous payment(s);
11. Participate in the working committee meetings on a monthly basis to evaluate progress made and to suggest corrective measures when necessary;
12. Procure supplies in accordance with the rules and regulations of the UNDP, provided they are consistent with the Loan Agreement;
13. Select, in full consultation and coordination with MOA, all villages in the Programme area in accordance with site/village selection criteria used by the UNDP/PAPP, provided they are consistent with the IFAD Appraisal Report and the Loan Agreement;

14. Recruit, in consultation with MOA, International Consultants as reflected in the Programme's work plan and budget, depending on technical assistance availability and in line with the procedures and regulations of UNDP, provided that they are not inconsistent with the Loan Agreement; and
15. Assist MOA in the execution and implementation of all workshops, surveys and studies when necessary, pertaining to the implementation of the PNRMP.

ARTICLE VII

Mechanisms for Joint Implementation

All activities under the PNRMP, particularly those concerning the selection, recruitment, monitoring and evaluation of the PNRMP, will be implemented jointly with MOA. Consultation between the MOA Programme Deputy Director and the counterpart UNDP/PAPP Programme Manager shall take place on a regular basis. Implementation arrangements for the PNRMP will be carried out in accordance with the UNDP/PAPP rules and procedures and as described in the IFAD Appraisal Report and the Loan Agreement.

For procurement of office equipment and vehicles as necessary under PNRMP, the UNDP/PAPP shall discuss the detailed specifications with MOA in accordance with the IFAD Appraisal Report and the Loan Agreement.

ARTICLE VIII

Review, Monitoring and Evaluation

All activities of the PNRMP will be subject to regular and systematic monitoring and review. For that purpose, a Programme Steering Committee, Village Selection Committee, Technical Review Committee and Contract Review Committee will be established:

1. The Programme Steering Committee (PSC) will meet every six months in the first year of the Programme and once annually thereafter, or more frequently, as necessary to address important issues affecting implementation. In addition to reviewing activities and providing overall guidance, through dialogue and discussion, the PSC will undertake the role detailed in the IFAD Appraisal Report and the Loan Agreement. The composition of the PSC shall be as stated in the Loan Agreement, with the addition of a representative from the UNDP/PAPP;
2. The Village Selection Committee (VSC) will be an inter-agency committee formed in line with the IFAD Appraisal Report and the Loan Agreement for the official selection of villages participating in the Programme. The Minister of Agriculture or his designated representative shall chair this committee. Composition of the VSC is described in the Loan Agreement. The UNDP/PAPP criteria and procedures shall be applied in the selection of villages and sites;
3. The criteria, role and responsibilities of the Contract Review Committee are those set out in the IFAD Appraisal Report and the Loan Agreement. The UNDP/PAPP will use its criteria in accordance with the Loan Agreement;

4. The Technical Review Committee will review, on an annual basis, the technical implementation experiences of the Programme over the previous 12 months, focusing on technical aspects of land improvement. The UNDP/PAPP shall further use the existing structure of the Working Committee to monitor progress, provide technical support, identify bottlenecks and propose proper solutions;
5. Regular audit reviews shall be carried out for the accounts of the participating NGOs and all Implementing Institutions, including UNDP/PAPP with regard to the implementation of the Programme, by a local and/or international auditing firm to be contracted by UNDP/PAPP in full consultation with MOA;
6. A mid-term review and a completion report of the PNRMP shall be carried out by UNDP/PAPP at the request of IFAD and in full coordination with MOA;
7. The UNDP/PAPP shall ensure regular monitoring visits and reporting to IFAD and to MOA consistent with the terms and conditions of the Loan Agreement pertaining the four categories mentioned in Article IV; and
8. AWP/B for Programme and implementation shall be submitted to IFAD for review and comment no later than 31 January of each fiscal year.

ARTICLE IX

Suspension or Termination of the Funding

If, in the judgment of MOA, circumstances arise which interfere with or threaten to interfere with the successful completion of the PNRMP, MOA shall consult with UNDP/PAPP with the aim of resolving any outstanding disputes. If, thereafter, resolution is not reached, a third party agreeable to both Parties will resolve the matter. The third party shall be named by both Parties, in consultation with the Fund, within one month of the signing of this MOU.

In the case of non-compliance on the part of UNDP/PAPP with its obligations under Articles II (General Conditions) and VI (Responsibilities of UNDP/PAPP), MOA, upon written notice to UNDP/PAPP, shall suspend transfer of funds to the PNRMP. MOA shall inform UNDP/PAPP in writing of the conditions under which MOA is prepared to resume its financial assistance to the PNRMP.

UNDP/PAPP reserves the right to suspend implementation of its activities should MOA fail to comply with under Articles II (General Conditions) and V (Responsibilities of the Employer) of the present MOU. Resumption of implementation shall be conditional on fulfilling provisions in Articles II and V.

The provisions of this Article shall be without prejudice to any other rights or remedies available to the parties.

ARTICLE X

General Provisions

This Memorandum of Understanding shall enter into force upon signature. It shall remain in force until terminated under Article IX above.

ARTICLE XI

Signatures

IN WITNESS WHEREOF the undersigned, duly appointed Representatives the Ministry of Agriculture and of the United Nations Development Programme, have on behalf of the Parties signed the present Memorandum of Understanding in two copies.

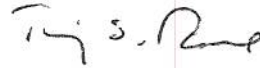


On behalf of the Borrower:

Hikmat Zaid

Minister

Ministry of Agriculture



Timothy S. Rothermel

Special Representative

United Nations Development Programme
Programme of Assistance to the Palestinian
People

