

**Letter of Understanding
Between
Irish Aid
And
United Nations Development Programme (UNDP)**

WHEREAS, the **United Nations Capital Development Fund (UNCDF) and United Nations Development Programme (UNDP)** (hereinafter referred to collectively as the "Participating UN Organizations") have developed a joint programme (hereinafter referred to as the "Joint Programme") as part of their respective development cooperation with the Government of Timor Leste, as more fully described in the detailed Joint Programme Document (hereinafter referred to as the "Joint Programme Document"¹), the "**LOCAL GOVERNANCE SUPPORT PROGRAMME (LGSP)**", a copy of which is attached hereto as **ANNEX A**, and have agreed to establish a coordination mechanism (hereinafter referred to as the "Joint Programme Steering Committee")² to facilitate the effective and efficient collaboration between the Participating UN Organizations and the host Government for the implementation of the Joint Programme;

WHEREAS, the Participating UN Organizations have agreed that they should adopt a coordinated approach to collaboration with donors who wish to support the implementation of the Joint Programme and have developed a Joint Programme Document to use as the basis for mobilising resources for the Joint Programme, and have further agreed that they should offer donors the opportunity to fund the Joint Programme and receive reports on the Joint Programme through a single channel;

WHEREAS, the Participating UN Organizations have appointed UNDP (hereinafter referred to as the "Administrative Agent" or the "AA") (which is also a Participating UN Organisation in connection with this Joint Programme) in a Memorandum of Understanding concluded between the Administrative Agent and Participating UN Organizations on **22 November 2006**, to serve as their administrative interface between donors and the Participating UN Organizations for these purposes and to that end the Administrative Agent has established a separate ledger account under its financial regulations and rules for the receipt and administration of the funds received from donors who wish to provide financial support to the Joint Programme through the Administrative Agent (hereinafter, the "Joint Programme Account"); and

WHEREAS, Irish Aid (hereinafter referred to as the "Donor") wishes to provide financial support to the Joint Programme on the basis of the Joint Programme Document as part of its development cooperation with the Government of Timor Leste and wishes to

² Detail membership of JPSC The composition of the Joint Programme Steering Committee or other body will include all the signatories to the Joint Programme Document. The Steering Committee may also have other members in an observer capacity, such as donors and other stakeholders.

⁴ In the present LOA, the administrative fee amounts to \$20,000.

do so through the Administrative Agent as proposed by the Participating UN Organizations.

NOW, THEREFORE, the Administrative Agent and the Donor (hereinafter referred to collectively as the "Participants") hereby decide as follows:

Paragraph I

Disbursement of funds to the Administrative Agent and the Joint Programme Account

1. The Donor will make a contribution of EUR 1,150,000.00 (one million one hundred and fifty thousand euros) and such further amounts as it may decide (hereinafter referred to as the "Contribution") to support the Joint Programme. The Contribution will be a contribution to the Participating UN Organizations to support the Joint Programme in accordance with the Joint Programme Document, as amended from time to time in writing by the Joint Programme Steering Committee. The Donor authorizes the Administrative Agent to use the Contribution for the purposes of the Joint Programme and in accordance with this Letter of Understanding. The Donor acknowledges that the Contribution will be mingled with other contributions to the Joint Programme Account and that it will not be separately identified or administered.

2. The Donor will deposit the Contribution by wire transfer, in accordance with the schedule of payments set out in **ANNEX B** to this Letter of Understanding in convertible currencies of unrestricted use, to the following account:

BankName:	Bank of America
Bank Address:	5 Canada Square, London E18 DE, England
Acc.No.	6008-62722-022
Swift:	BOFAGB22
IBAN:	GB59BOFA16505062722022
Reference:	Timor-Leste, LGSP (Local Governance Support Programme)

3. When making a transfer to the Administrative Agent, the Donor will notify the Administrative Agent's Treasury Operations of the following: (a) the amount transferred, (b) the value date of the transfer; and (c) that the transfer is from Irish Aid in respect of the joint programme in Timor Leste pursuant to this Letter of Understanding.

4. The value of a contribution-payment, if made in currencies other than United States dollars, will be determined by applying the United Nations operational rate of exchange in effect on the date of payment. Gains or losses on currency exchanges will be recorded in the Joint Programme Account by the Administrative Agent.

5. The Joint Programme Account will be administered by the Administrative Agent in accordance with the regulations, rules, directives and procedures applicable to it,

including those relating to interest. The Joint Programme Account will be subject exclusively to the internal and external auditing procedures laid down in the financial regulations, rules, directives and procedures applicable to the Administrative Agent.

6. The Administrative Agent will be entitled to allocate an administrative fee of one percent (1 %) of the amount contributed by the Donor, to cover the Administrative Agent's costs of performing the Administrative Agent's functions. Notwithstanding the foregoing, in cases the contribution is less than \$2 million, the fee will be subject to a minimum floor of \$20,000⁴; if the contribution is above \$10 million, the fee will be subject to a maximum ceiling of \$100,000. Each Participating UN Organization will recover indirect costs in accordance with its financial regulations and rules and as documented in the Memorandum of Understanding signed with the AA

7. All financial accounts and statements will be expressed in United States dollars.

Paragraph II

Disbursement of funds to the Participating UN Organizations and a separate ledger account

1. The Administrative Agent will make disbursements from the Joint Programme Account in accordance with instructions from the Joint Programme Steering Committee, in line with the Joint Programme Document, as amended in writing from time to time by the Joint Programme Steering Committee. The disbursements will also be made in accordance with the Memorandum of Understanding between the Participating UN Organizations and the AA regarding the Operational Aspects of the Joint Programme dated 22 November 2006. The Administrative Agent will promptly notify the Donor of any amendment to the budget made by the Joint Programme Steering Committee. The disbursement to the Participating UN Organizations will consist of direct and indirect costs as set out in the Joint Programme budget.

2. Each Participating UN Organization will establish a separate ledger account under its financial regulations and rules for the receipt and administration of the funds disbursed to it from the Joint Programme Account. Each Participating UN Organization assumes full programmatic and financial accountability for the funds disbursed to them by the Administrative Agent. That separate ledger account will be administered by each Participating UN Organization in accordance with its own regulations, rules, directives and procedures, including those relating to interest. That separate ledger account will be subject exclusively to the internal and external auditing procedures laid down in the

financial regulations, rules, directives and procedures applicable to the Participating UN Organization.⁷

3. Where the balance in the Joint Programme Account on the date of a scheduled disbursement is insufficient to make that disbursement, the Administrative Agent will consult with the Joint Programme Steering Committee and make a disbursement, if any, in accordance with the Joint Programme Steering Committee's instructions. The Administrative Agent will promptly notify the Donor in such circumstances and will advise the Donor of the Joint Programme Steering Committee's decision in that regard.

Paragraph III Implementation of the Joint Programme

1. The Participating UN Organizations will carry out the activities for which they are responsible, in line with the budget contained in the Joint Programme Document, as amended from time to time by the Joint Programme Steering Committee in accordance with the regulations, rules, directives and procedures applicable to it. Accordingly, personnel will be engaged and administered, equipment, supplies and services purchased, and contracts entered into in accordance with the provisions of such regulations, rules, directives and procedures.

2. The Participating UN Organizations will commence and continue to conduct operations for the Joint Programme only upon receipt of disbursements as instructed by the Joint Programme Steering Committee.

3. The Participating UN Organizations will not make any commitments above the budgeted amounts in the Joint Programme Document, as amended from time to time by the Joint Programme Steering Committee.

4. If unforeseen expenditures arise, the Joint Programme Steering Committee will submit, through the Administrative Agent, a supplementary budget to the Donor showing the further financing that will be necessary. If no such further financing is available, the activities to be carried out under the Joint Programme may be reduced or, if necessary, terminated by the Participating UN Organizations. In no event will the Participating UN Organizations assume any liability in excess of the funds provided in the Joint Programme Account.

Paragraph IV Equipment and supplies

⁷ Where the AA is also a Participating UN Organization, it will need to open its own separate ledger account and transfer funds from the Joint Programme Account to its separate ledger account.

On the termination or expiration of this Letter of Understanding the matter of ownership will be determined in accordance with the regulations, rules, directives and procedures applicable to such Participating UN Organization, including where applicable its basic Agreement with the Government of Timor Leste.

Paragraph V

Reporting

The Administrative Agent will provide the Donor and the Joint Programme Steering Committee with the following reports, based on reports provided to the Administrative Agent by each Participating UN Organization prepared in accordance with the accounting and reporting procedures applicable to it, as set forth in the Joint Programme Document:

- (a) Consolidated narrative progress reports every twelve months, to be provided no later than three months after the end of the applicable reporting period;
- (b) Consolidated annual financial reports as of 31 December each year with respect to the funds disbursed from the Joint Programme Account, to be provided no later than five months after the end of the applicable reporting period;
- (c) A final consolidated narrative report and financial report, after the completion of the Joint Programme and including the final year of the Programme, to be provided no later than 30 June of the year following the financial closing of the Programme;
- (d) A consolidation of final certified financial statements, to be provided no later than 30 days after receipt from the Participating UN Organizations in the year following the financial closing of the Programme;
- (e) A financial report and final certified financial statement on its activities as Administrative Agent, to be provided no later than 30 June of the year following the financial closing of the Programme.

Paragraph VI

Monitoring and Evaluation

Monitoring and evaluation of the Joint Programme including, as necessary and appropriate, joint evaluation by the Participating UN Organizations, the Administrative Agent, the Donor, the Government and other partners will be carried out in accordance with the Joint Programme Document.

Paragraph VII
Joint Communication

Information given to the press, to the beneficiaries of the Joint Programme, all related publicity material, official notices, reports and publications, will acknowledge the role of the Government of Timor Leste, the donors, the Participating UN Organizations, the Administrative Agent and any other relevant participants.

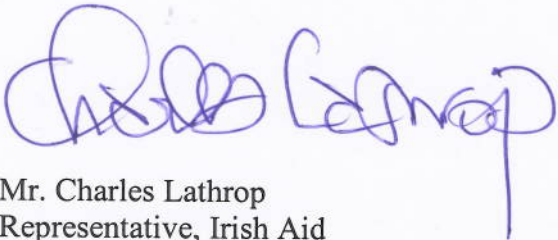

Paragraph VIII
Expiration, modification and termination of the Letter of Understanding

1. The Administrative Agent will notify the Donor when it has received notice from all Participating UN Organizations that the activities for which they are responsible under the Joint Programme have been completed. The date of the last notification received from a Participating UN Organization will be deemed to be the date of expiration of this Letter of Understanding, subject to the continuance in force of paragraph 4 below for the purposes therein stated.
2. This Letter of Understanding may be modified only by written arrangement between the participants.
3. This Letter of Understanding may be terminated by either party on [thirty (30)] days of a written notice to the other party, subject to the continuance in force of paragraph 4 below for the purpose therein stated.
4. Commitments assumed by the Donor and the Administrative Agent under this Letter of Understanding will survive the expiration or termination of this Letter of Understanding to the extent necessary to permit the orderly conclusion of activities, the withdrawal of personnel, funds and property, the settlement of accounts between the Participants hereto and the Participating UN Organizations and the settlement of contractual liabilities required in respect of any subcontractors, consultants or suppliers. Any balance remaining in the Joint Programme Account or in the individual Participating UN Organizations' separate ledger accounts will be used for a purpose jointly decided upon by the Administrative Agent, the donors and the Joint Programme Steering Committee.

Paragraph IX
Notices

1. Any action required or permitted to be taken under this Letter of Understanding may be taken on behalf of the Donor by Mr. Charles Lathrop, Representative, Irish Aid, or his designated representative, and on behalf of the Administrative Agent by Mr. Finn Reske-Nielsen, UNDP Resident Representative, or his designated representative.


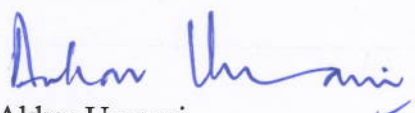
2. Any notice or request required or permitted to be given or made in this Letter of Understanding will be in writing. Such notice or request will be deemed to be duly given or made when it will have been delivered by hand, mail, cable or telex to the party to which it is required to be given or made, at such party's address specified below or at such other address as the party will have specified in writing to the party giving such notice or making such request.

<p>For the Donor:</p>  <p>Mr. Charles Lathrop Representative, Irish Aid Dili, Timor-Leste 27 April 2007</p>	<p>For the Administrative Agent:</p>  <p>Mr. Finn Reske-Nielsen UNDP Resident Representative UN House, Cailcol Street, Dili, Timor-Leste 27 April 2007</p>
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Paragraph X
Come into operation

This Letter of Understanding will come into operation upon signature thereof by the Participants and will continue to have effect until it is expired or terminated.

IN WITNESS WHEREOF, the undersigned, being duly authorized by the respective Participants, have signed the present Letter of Understanding in English in two copies.

<p>For the Donor</p>  <p>Mr. David Ormond Deputy, Irish Aid Dili, Timor-Leste 27 April 2007</p>	<p>For the Administrative Agent</p>  <p>Mr. Akbar Usmani UNDP Country Director Dili, Timor-Leste 27 April 2007</p>
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ANNEX A: Joint Programme Document

ANNEX B: Schedule of payments

Schedule of payments

Amount

2007

€150,000

2008

€100,000

Total

€250,000

Letter of Understanding

ANNEX B

Schedule of payments

Amount

2007

€450,000

2008

€700,000

Total

€1,150,000

WHEREAS the National Capital Development Fund (NCDF) and the National Capital Development Program (NCDP) (hereinafter referred to as the "Joint Program") have developed a joint program referred to as the "Joint Program" as part of their respective development with the Government of Timor-Leste as more fully described in the "Joint Program" (hereinafter referred to as the "Joint Program") of which is attached hereto as ANNEX A, and have agreed to establish a coordination mechanism hereinafter referred to as the "Joint Program Steering Committee" to facilitate the effective and efficient collaboration between the Participating UN Organizations and the Government for the implementation of the Joint Program;

WHEREAS the Participating UN Organizations have agreed that they should adopt a coordinated approach to collaboration with donors who wish to support the implementation of the Joint Program and have developed a Joint Program to serve as a mechanism for establishing relations with the Joint Program, and have agreed to establish a steering committee to oversee the implementation of the Joint Program, and to ensure that the Joint Program is managed through a single channel;

WHEREAS the Participating UN Organizations have approved UNDP as the "Administrative Agent" of the "Joint Program" (which is also a Participating UN Organization in connection with the Joint Program) in a Memorandum of Understanding concluded between the Administrative Agent and Participating UN Organizations on 24 November 2006, to serve as their administrative complex without charge and the Participating UN Organizations for their projects and to that end the Administrative Agent has established a separate ledger account under the financial conditions approved for the receipt and registration of the funds received from donors and to provide financial support to the Joint Program through the Administrative Agent's Joint Program Account;

WHEREAS the Administrative Agent referred to in the "Joint Program" will provide financial support to the Joint Program on the basis of the Joint Program's request as part of its development cooperation with the Government of Timor-Leste and

¹ The Administrative Agent of UNDP for the implementation of the Joint Program Steering Committee is the only entity authorized to receive funds from donors for the Joint Program. The Administrative Agent will ensure that the funds are used in accordance with the Joint Program's objectives and will provide financial support to the Joint Program through the Administrative Agent's Joint Program Account.