



## Kingdom of Bahrain

### United Nations Development Programme

Proposed Title: Expansion of Micro Finance Services to the Needy Citizens  
in the Kingdom of Bahrain

Brief description: The main objective of the Microfinance project is to expand upon the number of beneficiaries who benefited under earlier project (Microstart) in order to achieve a significant impact on reducing unemployment and poverty in Bahrain. The project will focus on developing microfinance capacity of local NGOs by adopting a more pro-growth oriented microfinance approach, employment generation modality by promoting micro entrepreneurship targeting a larger proportion of the loans provided towards unemployed youth and women. The project will also link various stakeholders operating in the microfinance sector to develop a National Microfinance Strategy which will map out the current demand for and supply of microfinance in the kingdom and identify key impediments and opportunities for growth.

# United Nations Development Programme

Country: Kingdom of Bahrain

CPD Outcome: Strengthening Governance and Participation

Expected Outputs: MFI capacity developed; 6000 beneficiaries reached and National MF procedures developed

Executing Entity: Ministry of Social Development

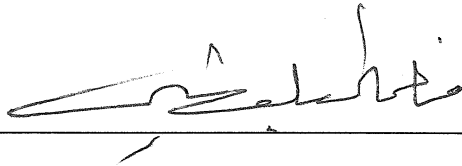
Implementing agencies: Local NGOs

Programme Period: **2008-2011**  
Programme Component: **Poverty Reduction**  
Project Title: **Expansion of Micro Finance Services to the Needy Citizens in the Kingdom of Bahrain.**

Project ID: \_\_\_\_\_  
Project Duration: **3 years**  
Management Arrangement: **NEX**

Budget	<b><u>\$ 1,338,000</u></b>
Management Support Fees	<b><u>\$ 62,000</u></b>
Total Budget:	<b><u>\$ 1,400,000</u></b>
• Government	<b><u>\$ 900,000</u></b>
• Regular	
• Other: Ahli United Bank B.S.C	<b><u>\$ 500,000</u></b>

**Agreed by (Government):** H.E. Fatima Bint Mohammed Al Balooshi, Minister of Social Development, Kingdom of Bahrain



24 January 2008

**Agreed by (UNDP):** Mr. Sayed Aqa, UN Resident Coordinator, UNDP Resident Representative



24 January 2008

## **Part I: Situation Analysis**

The Micro Start Project in the Kingdom of Bahrain initiated in 1999 by the United Nations Development Programme (UNDP) and the Ministry of Labour and Social Affairs ended up in December 2002. This was highly successful in achieving its objective of generating employment by providing small, short-term loans to low-income individuals, including women, while at the same time creating a system of sustainable credit delivery and management capacity in three national welfare non-governmental organizations, namely: Awal Women Society, Child and Mother Welfare Society and Al Islah Welfare Society. The total budget of the programme amounted to US \$1.5 million, with US \$1 million contributed by the government and US \$500,000 provided by UNDP in the form of technical assistance.

In addressing poverty and unemployment in the country, the programme by 2002 provided 7,637 short-term loans to 4,347 low-income individuals for a total value of US \$2,532,713. The number of beneficiaries (4,347 loan recipients) was equal to about 40% of the number of needy individuals on the social assistance rolls, or to almost 30% of the estimated numbers of unemployed nationals. Furthermore, by 2002 the size of the individual loans ranged from US \$130 to US \$1,600, while the portfolio at risk was below the 3% acceptable level as set by the programme. In fact, over 99% of all the loans paid out are on their prescribed schedule for repayment (or have already been fully repaid), which, in turn, has served to instill a discipline of loan repayment among recipients, thus encouraging attitudes of self-reliance rather than a habit of dependency.

The main beneficiaries under the programme were predominantly financially disadvantaged Bahraini women seeking to engage in economic activities, constituting 65% of all loan recipients. Other beneficiaries were the microfinance institutions (MFIs), whose institutional capacities have been consolidated through technical assistance from highly qualified technical service providers, namely the Alexandria Business Association. These MFIs succeeded in making the difficult transition from a purely charitable approach to a business/banking oriented approach, and have successfully utilized computerized financial and programme management systems. At the present, the activities of the MFIs are financially sustainable in the sense that the amounts generated by the interest rates are greater than the cost of staffing and administering the programme. As a result, in the process of successfully delivering a large amount of micro credit, the Micro Start programme positioned the participating MFIs to manage growing portfolios of financial assistance to needy families in the future.

By facilitating a large volume of profitable activities in the informal sector, mostly trading and small craft activities, the beneficiaries under the programme increased their revenues between 25% and 50%, as reported in an impact survey conducted, in addition to raising their contributions to their household budgets. Consequently, the experience of the Micro Start Project by 2002 clearly indicates that there is a fairly large market of micro-finance services in the country, as over 15% of all Bahraini families are presently receiving direct government assistance and, therefore, the continuation of the Micro Start programme in Bahrain will undoubtedly make a significant and lasting contribution to the social and economic development of the country over the coming years.

## Part II. Strategy

Global experiences show micro entrepreneurship as being one of the most effective means of job creation and poverty reduction in developing countries. As a result, with an unemployment rate in the double digits, promoting the rapid growth of micro enterprises as a vehicle for generating employment is of a critical importance for Bahrain.

Due to the highly favorable impact the Micro Start Project has had on poverty reduction and civil society capacity development under the Microfinance project/programme, UNDP in collaboration with the Ministry of Social Development in the Kingdom of Bahrain are continuing the programme in order to expand its impact and focus its results on youth as a primary target (youth unemployment rate at about 40%), in addition to women. The relaunched scheme will be designed to tackle one of the most pressing socio-economic and political concerns facing the country, which is to ensure the availability of sufficient local employment opportunities for the ever increasing national labor force, as well as the creation of an entrepreneurship mentality in lieu of the social welfare concept.

The follow-up to the Micro Start project now being called as the “Microfinance” Project will expand the total number of NGOs and loan recipients in order to achieve a significant impact in reducing the high level of unemployment in the country and develop capacity of NGOs to manage micro finance initiatives. UNDP will also establish partnership with other UN agencies and different stakeholders such as Ministry of Labour, EDB, Supreme Council for Women, Chamber of Commerce, private sector and banks and others to monitor successful beneficiaries and assist them to move from Micro to Small and Medium entrepreneurship projects. The primary focus for expanding the number of beneficiaries and micro enterprise opportunities under the Microfinance project will be:

- **Target Youth and Introduce Group Lending:** In order to have a real and sustainable impact on unemployment, micro finance efforts in the country must target the youth. as it is a large proportion of the youth in the country who are suffering from unemployment. With the proper guidance, support and some access to capital, the large proportion of Bahraini youth who are suffering from unemployment could evolve into resourceful and dynamic micro-entrepreneurs. At the same time, the programme will introduce the micro-finance methodology of group lending to the beneficiaries, as it is especially appealing and appropriate for youth.
- **Focus on Women:** International experience has demonstrated that a high degree of female participation as borrowers in micro finance programmes serves as an impetus for the strong performance of the overall lending portfolio. Moreover, women have proven in all cultures to be more responsive than men to the opportunities gained through micro-finance schemes, as well as more reliable regarding loan repayment. As such, one major proposed component for the renewed programme is to focus on maintaining the number of women beneficiaries at no less than 50% of all loan recipients. The component will be coordinated with the Supreme Council for Women and women NGOs.
- **Increase the number of NGOs and loan recipients:** In order to expand the positive impact of the programme in reducing unemployment and developing

the capacity of civil society in Bahrain, the total number of NGOs benefiting from the project will be increased from three (under Micro Start project) to six. NGOs involved in the Micro Start project will be used as trainers for the new NGOs that will act as MFIs to benefit from the lessons learned and strengthen cooperation and coordination between civil society organizations. In addition, the number of loan recipient beneficiaries will be increased with the aim of improving the standard of living of a greater number of disadvantaged and low income individuals in the country.

In order to maintain the sustainability of the programme towards the achievement of its objectives, the project's duration will be for three years, with a total budget of US \$1.4 million—US \$500,000 by the Ahli United Bank B.S.C, and US \$500,000 from the Ministry of Social Development, and UNDP will make all efforts to mobilize US \$400,000 as part of its partnership with the government of Bahrain or other sources.

Special emphasis will be made on building of professional capacities of MFIs (NGOs) capable of reaching thousands of poor people, particularly women, on a sustainable basis to ensure the access by the poor to productive assets. Technical Assistance to these MFIs will focus on institutional capacity building, with a specific focus on product development and IT innovations, to ensure that the unbanked in Bahrain have access to a wide array of products, including those particularly tailored to meet the needs of the unemployed youth and female entrepreneurs in the Kingdom.

Furthermore, at the inception stage of the project implementation, close links with ongoing upstream policy dialogue will be made to establish a new model for the future development of microfinance in the Kingdom of Bahrain that can serve as a model for the Arab States region more broadly. It will contribute to the development of knowledge, expertise, and information sharing concerning microfinance. Working with the Government of Bahrain and the various stakeholders operating in the microfinance sector at national and international level, to identify the key priorities for the development of the microfinance sector. The resulting National Microfinance Strategy will map out the current demand for and supply of microfinance in the kingdom and identify key impediments and opportunities for growth. It will also map out appropriate roles for the various actors operating in the sector and the use of government subsidies, if any, to facilitate the healthy growth of the industry.

### **Part III: Management Arrangements**

#### **Roles and responsibilities:**

##### **Ministry of Social Development**

The project will be implemented by the **Ministry of Social Development**, applying the UNDP National Execution (NEX) modality. Other UN agencies and international bodies (i.e. UNDCF) may be utilized as 'other partners' to support the execution of the project. In order to ensure the proper and effective coordination of activities during the project's implementation, a **Project Director (PD)** will be recruited for the total duration of the project. The **PD** will report to the **Steering Committee (SC)** and will be in charge of developing the workplan of the project and ensuring the timely achievement of high-quality project outputs during the implementation stages, which will include the preparation of periodic progress reports. In addition, provisions will be made for an

administrative support team to assist the **PD** in organizing and executing the project activities. The institutional management of the project will be headed by the **SC**, which will be comprised of the concerned stakeholders, such as:

- Ministry of Social Development
- Ministry of Finance
- Supreme Council for Women
- Ministry of Labour
- Ahli United Bank B.S.C
- Bahrain Economic Development Board (EDB)
- UNDP
- NGOs
- MPs
- Others; based on the recommendation of the SC majority vote.

The main responsibility of the SC will be to provide:

- Policy guidance to the Micro Finance modality
- Endorse the project workplan prepared by the **PD** during the initial stage of the project implementation.
- Approve the NGOs through which the funds will be disbursed.
- Approve the criteria relating to the borrowers
- Assess the project progress and monitor the high-level execution of the project through receipt of annual audited reports, regular updates from NGOs and the progress receipt from the Project Director.

The total number of members on the SC shall not exceed 10. All financial reports required under UNDP NEX procedures will be prepared by the **PD** and approved by the **Ministry of Social Development** prior to their submission to UNDP and the **SC**.

### **UNDP**

UNDP will facilitate the implementation of the project and the creation of partnerships and coordination among stakeholders. UNDP will use its global and local knowledge networks to provide timely and most appropriate technical solutions and advice to the **SC**, and will be responsible for monitoring and evaluating of the implementation of the project activities in accordance with the policies and procedures established for this purpose by UNDP.

#### **Part IV: Monitoring and Evaluation**

The project will be subject to the standard UNDP review, monitoring and evaluation guidelines.

Monitoring and evaluation will focus on outputs and their contribution towards the intended outcomes. Information from monitoring will provide the basis for making decisions and taking action under the project, and an evaluation of the project will be organized together with that of other related projects and programmes. The evaluation will primarily focus on assessing the long-term results (or impacts) and sustainability of the project following completion of the yearly plan and draw lessons for further programming and policy making. The timing for and necessity of this evaluation will be decided upon at a later date, based on the mutual agreement between the NEX Agency and UNDP.

#### **Part V: Legal Context**

This project shall be the instrument referred to as such in Article I of the Standard Basic Agreement between the Kingdom of Bahrain and the United Nations Development Programme (UNDP), signed by the parties in September 1972. The Government implementing agency (MoSD) shall for the purposes of this Standard Basic Agreement, refer to the Government Cooperating Agency described in the Agreement.

As in all agreements between the Kingdom of Bahrain and UNDP, the programme document referred to in the Standard Basic Agreement shall be the main instrument governing the conduct and performance of the contractors and agents.

The following type of revisions may be made to this programme document with the signature of the UNDP Resident Representative, provided he is assured that the other parties involved in the programme have no objection to the proposed changes:

- i. Revisions in, or addition of, any of the annexes of the programme document;
- ii. Revisions which do not involve significant changes in the immediate objectives, outputs or activities of the programme, but are caused by the rearrangement of inputs already agreed to or by cost increases due to inflation;
- iii. Mandatory annual revisions which re-phase the delivery of agreed programme inputs, agency expenditure flexibility; and
- iv. Semi-final and final budget revisions based on Combined Delivery Reports (CDRs) signed by the project manager.

#### **Section VI: Results Framework**

Please see attached table (Annex I)

#### **Section VII: Work Plan**

Will be developed in due course.

**Part V: Budget**

<b>Components</b>	<b>Budget (US\$)</b>
A. Technical Components (Consultants, Training, Monitoring and Evaluation)	\$ 215,000
B. Credits	\$ 1,100,000
C. Audit reports, miscellaneous	\$ 23,000
D. Overhead cost at 3% for Govt. Cost Sharing and 7% for Third Party (bank)	\$ 62,000
<b>TOTAL</b>	<b>\$ 1,400,000</b>



## PROJECT RESULTS AND RESOURCES FRAMEWORK

<p><b>Intended Outcome as stated in the Country Programme Results and Resources Framework:</b> Enhanced Environment for equitable, job creating and sustainable economic growth.</p> <p><b>Outcome Indicators as stated in the Country Programme Results and Resources Framework:</b> Increase in the number of NGOs managing micro finance initiatives, target Youth Groups and Women and initiate support system to transform Micro entrepreneurs to Small and Medium Enterprises finance.</p> <p><b>Partnership Strategy: Main partners will be:</b></p> <p>a. The Ministry of Social Development      c. NGOs  b. The Ministry of Labour                      d. Ahli United Bank B.S.C                      e. UNDP</p>			
<p><b>Project title and ID (ATLAS Award ID):</b> Expansion of Micro Finance Services to the Needy Citizens</p>			
Intended Outputs	Output targets	Indicative Activities	Resp. Agency
<p><b>Output 1</b></p> <p>Professional Microfinance Institutions (MFIs) capable of reaching poor people (particularly women and youth) on a sustainable basis developed.</p>	<ul style="list-style-type: none"> <li>• 3-6 NGOs trained as MFIs.</li> <li>• National Microfinance Steering formed</li> <li>• 3-4 tailored packages of technical assistance for MFIs for a range of products and services prepared.</li> </ul>	<p>1.1.1 Assess experience of current NGOs and their capacities that started functioning as MFIs during Micro Start project since 1997. Identify their role and contribution to the new Micro Finance project.</p> <p>1.1.2 Select additional NGOs to act as MFIs based on clear and agreed upon criteria's and develop training programmes to be executed by existing MFIs and international consultants.</p> <p>1.1.3 Invite relevant stakeholders as members of the National SC and convene at least 2 meetings/year</p> <p>1.1.4 Design concentrated institutional capacity building training to the selected MFIs with a specific focus on product development and IT innovations, to ensure that the unbanked in Bahrain have access to a wide array of products, including those particularly tailored to meet the needs of the unemployed youth and female entrepreneurs</p>	<p>UNDP  UNCDF  MoSD</p>
			<p><i>Inputs</i></p> <p>International Consultants: \$ 75,000  Local Consultants: 50,000  Workshops: 20,000</p>

		<p>in Bahrain.</p> <p>1.1.5 Develop separate plan for MFIs to ensure strengthening the development of knowledge, expertise, and information sharing concerning microfinance to enhance the impact of development cooperative activities.</p>		<p style="text-align: right;"><u>Sub Total: \$ 145,000</u></p>
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**COST-SHARING AGREEMENT BETWEEN  
THE UNITED NATIONS DEVELOPMENT PROGRAMME (UNDP),  
MINISTRY OF SOCIAL DEVELOPMENT (GOVERNMENT OF BAHRAIN),  
AND AHLI UNITED BANK B.S.C (THE DONOR)**

WHEREAS Ahli United Bank B.S.C (the "Donor") has informed United Nations Development Programme ("UNDP") of Donor's willingness to contribute funds (hereinafter referred to as "the contribution") to UNDP on a cost-sharing basis towards implementation of the project of Expansion of Microfinance Services to Needy Citizens of Bahrain implemented in partnership with the Ministry of Social Development of the Kingdom of Bahrain.

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

WHEREAS the Government of Bahrain is fully supporting this initiative, assume the role of implementing partner under UNDP National Execution Modality, and agrees to contribute funds to this project as stated below.

WHEREAS UNDP, in consultation with the project Steering Committee shall designate Bahraini Non Governmental Organizations to execute the project (hereinafter referred to as "the Executing Agencies"),

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

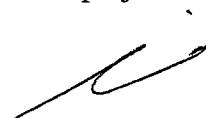
**Article I. The Contribution**

1. The Donor shall, in accordance with the schedule of payments set out below, Contribute to UNDP the amount of US\$ 500,000. The contribution shall be deposited in UNDP Bahrain's ZBA account in New York:

Account Name : UNDP Representative in Bahrain (US Dollar Account)  
Account Number : **375 218 4077**  
Name of the Bank : **Bank of America**  
Swift Code : BOFAUS3N  
Address : Bank of America, N.A.  
New York, USA

<u>Schedule of payment</u>	<u>Amount</u>
February 1, 2008	US\$ 165,000
January 2, 2009	US\$ 165,000
January 2, 2010	US\$ 170,000

2. The above schedule of payment takes into account the requirement that the payment Shall be made in advance of the implementation of planned activities of the 1<sup>st</sup> year. Subsequent payments are subject to satisfactory review of the project. It may be amended to be consistent with the progress of project delivery.



3. The Government of Bahrain (out of the budget of the Ministry of Social Development) will contribute a total amount of US\$ 500,000 to UNDP deposited to the account mentioned above.

<u>Schedule of payment</u>	<u>Amount</u>
February 1, 2008	US\$ 165,000
January 2, 2009	US\$ 165,000
January 2, 2010	US\$ 170,000

3. UNDP will, subject to final agreement with the Ministry of Finance, allocate US\$ 400,000 to this project out of its programme resources provided in partnership with the government.

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

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

#### **Article II. Utilization of the Contribution**

1. The implementation of the responsibilities of UNDP and of the Executing Agencies pursuant to this Agreement shall be dependent on receipt by UNDP of the contribution in accordance with the schedule of payment as set out in Article I, above and to be in line with the **Project Document, and Results and Resources Framework** attached to this agreement.

2. 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 case of unforeseen expenditures, beyond our control, 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.

3. Any interest income attributable to the contribution shall be credited to UNDP Account and to be used for activities under this project.

#### **Article III. Administration and Reporting**

1. Project management and expenditures shall be governed by the regulations, rules and directives of UNDP.

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.

- (a) From the Country Office in Bahrain every year, the status of project progress for the duration of the Agreement, as well as the latest available approved budget.
- (b) From the Executing Agencies, through UNDP Country Office, annual audited report no later than end of March of the following year.



- (c) 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.
- (d) 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.
- (e) 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 writing by the Donor.

#### **Article IV. Administration and Support Services**

1. In accordance with the decision and directives of UNDP's Executive Board, the Contribution, shall be charged 7 per cent for the additional cost incurred by UNDP in administering the contribution and for administrative and operational services provided to the executing agencies.

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**

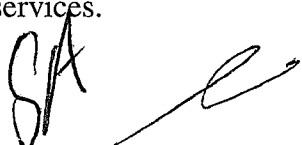
Ownership of equipment, supplies and other properties financed from the contribution shall vest in UNDP. Matters relating to the transfer of ownership by UNDP shall be determined in accordance with the relevant policies and procedures of UNDP.

#### **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. Executing Agencies will be required to provide annual audited reports to UNDP, to be shared with the Donor and the Government.

#### **Article VII. Advertisement of the Contribution**

1. The Donor shall not use the UNDP name or emblem, or any abbreviation thereof, in connection with its business or otherwise without the express prior written approval of UNDP in each case. In no event will authorization be granted for commercial purposes, or for use in any manner that suggests an endorsement by UNDP of Ahli United Bank B.S.C, its products or services.



2. UNDP shall not use the Donor or its affiliates' names, trademark or emblem, or any abbreviation thereof in connection with UNDP's businesses, this contribution or otherwise without the express prior written approval of the Donor. In no event shall the Donor's contribution be considered endorsement by the Donor or its affiliates of UNDP, the Executing Agencies or any of the programmes conducted by each of the latter two entities.

3. The Donor acknowledges that it is familiar with UNDP's ideals and objectives and recognizes that its name and emblem may not be associated with any political or sectarian cause or otherwise used in a manner inconsistent with the status, reputation and neutrality of UNDP.

4. The Donor may make representations to its shareholders and internal budget officials as required about the fact of the contribution to UNDP. Any other use of the UNDP name or emblem, and any other form of recognition or acknowledgement of the contribution of the Donor are subject to consultations between the Parties, and the prior written agreement of UNDP.

5. UNDP will report on the contribution to its Executive Board in accordance with its regular procedures regarding contributions from private donors.

6. The Donor's contribution will be recognized in the media and other events and publications related to the project. Other forms of recognition and acknowledgement of the contribution are subject to consultations between the Parties, but the manner of such recognition and acknowledgment shall be determined at the sole discretion of UNDP.

### **Article VIII. 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 IX. Termination of the Agreement**

1. After consultations have taken place between the Donor, UNDP and the 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 this Agreement, UNDP shall continue to hold unutilized payments and liabilities incurred in implementation of the project up to the date of termination have been satisfied and project activities brought to an orderly conclusion.

3. 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 X. Amendment of the Agreement**

1. The Agreement may be amended through mutual agreement expressed by an exchange of letters between the Donor, UNDP and the Government of Bahrain. The letters exchanged to this effect shall become an integral part of the Agreement.

#### **Article XI. Settlement of Disputes**

1. The parties shall use their best effort to settle amicably any dispute, Controversy or claim arising out of, or relating to this agreement or the breach, termination or invalidity thereof. Where the parties wish to seek such an amicable settlement through conciliation, the conciliation shall take place in accordance with UNCITRAL Conciliation Rules then obtaining, or according to such procedure as may be agreed between the parties.

2. Any dispute, controversy or claim between the Parties arising out of or relating to this agreement or the breach, termination or invalidity thereof, unless settled amicably under the preceding paragraph within sixty (60) days after receipt by one Party of the other Party's request for such amicable settlement, shall be referred by either party to arbitration in accordance with the UNCITRAL Arbitration Rules then obtaining. The arbitral tribunal shall have no authority to award punitive damages. The parties shall be bound by any arbitration award rendered as a result of such arbitration as the final adjudication of any such controversy, claim or dispute.

#### **Article XII. Privileges and Immunities**

Nothing in this agreement shall be deemed a waiver, express or implied, of any of the privileges and immunities of the United Nations, including UNDP.

#### **Article XII. Entry Into Force**


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

This Agreement shall be valid from the date it enters into force through 31<sup>st</sup> January 2011.



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

**For Donor**



Adel A. El-Labban  
Group Chief Executive Officer &  
Managing Director Ahli United Bank B.S.C  
Manama, Bahrain  
24 January, 2008

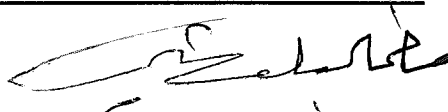
**For the United Nations Development Programme**



Sayed Aqa  
Resident Representative UNDP  
Manama, Bahrain

24 January 2008

**For the Government of Bahrain**



H.E. Fatima Bint Mohammed Al Balooshi  
Minister of Social Development  
Manama, Bahrain  
24 January 2008