THIRD-PARTY COST-SHARING AGREEMENT

BETWEEN THE NORWEGIAN MINISTRY OF FOREIGN AFFAIRS AND

THE UNITED NATIONS DEVELOPMENT PROGRAMME

WHEREAS THE UNITED NATIONS DEVELOPMENT PROGRAMME (UNDP) and THE NORWEGIAN MINISTRY OF FOREIGN AFFAIRS (MFA) have agreed to cooperate in the implementation of strengthening coordination systems for effective development partnerships (the Project).

WHEREAS UNDP and MFA concluded a Framework Agreement on 2 December 2003 (the Framework Agreement) setting out the general arrangements for receipt and use of resources from MFA,

WHEREAS MFA hereby agrees to contribute funds to UNDP on a cost-sharing basis for the implementation of the Project,

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

WHEREAS UNDP shall designate an Executing Entity or under the harmonized operational modalities an Implementing Partner for the implementation of the Project (The Executing Agency),

NOW THEREFORE UNDP and MFA hereby agree as follows:

Article I. Scope and Objective

This Agreement together with the Framework Agreement sets forth the terms and procedures for MFA's contribution to the Project which is summarized in Annex I to this Agreement and more fully described in the Project Document, Strengthening coordination systems for effective development partnerships, dated 19 November 2010.

The Goal of the Project is to maximise development results by pulling together development efforts and resources from the UN System and partners for effective and efficient response.

The Expected Outcome is Strengthened coherence and coordination between the UN System, development partners and national partners towards addressing national development priorities.

Article II. The Contribution

MFA shall, subject to Parliamentary appropriation and on the terms and conditions set forth in this Agreement, and Article II, Paragraph 5 of the Framework Agreement and in accordance with the schedule of payments set out below, contribute to UNDP an amount not exceeding **NOK 4 000 000** (equivalent to approximately USD 640 000) to be used exclusively to finance the Project and cover the costs referred to in Article VI, paragraph 1 covering the period December 2010 - December 2012..

The contribution shall be deposited in DNB NOR Bank ASA, Stranden 21, Aker Brygge, 0021 Oslo, Norway, UNDP Contributions (NOK) Account #7001-02-43287, IBAN# NO4370010243287, SWIFT# DNBANOKK, Bank Code: 00019, Account code: 1001;

Schedule of payments	Amount
December 2010	NOK 1 000 000,-
First disbursement 2011	NOK 500 000,-
Second disbursement 2011	NOK 1 000 000,-
First disbursement 2012	NOK 750 000,-
Second disbursement 2012	NOK 750 000,-

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The Grant will be disbursed upon semi-annual written requests from UNDP based on the financial needs of the Project. The first disbursement, not exceeding NOK 1 000 000 (Norwegian Kroner One million) will be made upon signing of this Agreement.

UNDP shall promptly upon identification in writing acknowledge receipt of the funds.

The value of the 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 the UNDP of the 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 MFA with a view to determining whether any further financing could be provided by MFA. Should such further financing not be available, the assistance to be provided to the Project may be reduced, suspended or terminated by UNDP.

After consultation with UNDP, MFA may withhold disbursements in case of:
(a) substantial deviations from agreed plans and budgets;
(b) failure of UNDP to provide the reports in Article IV as agreed;
(c) evidence of financial mismanagement of the Project.

MFA may claim repayment in full or in part of funds from the contribution to the extent UNDP has been able to obtain repayment from the negligent party if the funds are found to be misused or not satisfactorily accounted for. Such repayment shall be in accordance with the Financial Regulations and Rules of the UNDP. Before withholding disbursement or reclaiming payment UNDP and MFA shall consult with a view to resolving promptly the matter. UNDP reserves the right to reduce, suspend or terminate the activities, in its sole discretion.

Article III. Utilization of the Contribution

1. The implementation of the responsibilities of UNDP pursuant to this Agreement and the Project Document shall be dependent on receipt by UNDP of the contribution in accordance with the schedule of payment as set out in Article II, Paragraph 1.

2. If unforeseen increases in expenditures or commitments are expected or realized (whether owing to inflationary factors, fluctuation in exchange rates or unforeseen contingencies), UNDP shall submit to MFA on a timely basis a supplementary estimate showing the further financing that will be necessary.

3. If the payments referred to in Article II, Paragraph 1 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 MFA or other sources, the assistance to be provided to the Project under this Agreement may be reduced, suspended or terminated by UNDP.

Article IV. Administration and reporting

1. For the implementation of this Agreement MFA shall be represented by the Royal Norwegian Embassy in Asmara and UNDP by UNDP office in Asmara, Eritrea. All communication concerning the Project shall be between the abovementioned representatives.

2. Representatives of MFA and UNDP shall have annual consultations once a year, in accordance with the Framework Agreement Article VIII, in order to:

a. review the progress of the Project
b. discuss possible revisions of plans and budgets
c. discuss issues of special concern for the implementation of the Project.

3. The documents specified in the Framework Agreement Articles V and VI shall form the basis for the annual consultations.

4. Project management and expenditures shall be governed by the Financial Regulations and Rules of UNDP. If matters arise during the execution of the Project, which are considered by UNDP of substantive character, UNDP shall inform and consult with MFA. UNDP shall ensure that the contribution is recorded in the

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accounts of UNDP and reported together with all other non-core (Other resources) contributions to UNDP from Norway.

5. UNDP headquarters and country office shall provide reporting to MFA as outlined in the Framework Agreement prepared in accordance with UNDP accounting and reporting procedures.

6. If special circumstances so warrant, UNDP may provide more frequent reporting at the expense of MFA. The specific nature and frequency of this reporting shall be specified in an annex of the Agreement.

Article V. Evaluation

All UNDP programmes and projects are evaluated in accordance with UNDP Evaluation Policy. UNDP in consultations with the UN Resident Coordinator's Office (UNRCO) will agree on the purpose, use, timing, financing mechanisms and terms of reference for evaluating a project including an evaluation of its contribution to an outcome which is listed in the Evaluation Plan. UNDP and the UNRCO shall commission the evaluation, and the evaluation exercise shall be carried out by external independent evaluators.

Article VI. 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 VII. Management and Support Services

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 for 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 a fee equal to 7%. Furthermore, as long as they are unequivocally linked to the specific project(s), all direct costs of implementation, including the costs of executing entity or implementing partner, will be identified in the project budget against a relevant budget line and borne by the project accordingly.

2. The aggregate of the amounts budgeted for the programme/project, together with the estimated costs of reimbursement of related support services, shall not exceed the total resources available to the programme/project under this Agreement as well as funds which may be available to the programme/project for programme/project costs and for support costs under other sources of financing.

Article VIII. Audit

Arrangements for audit of project activities are as set forth in the Framework Agreement.

Article IX. Completion, termination and amendments

1. UNDP shall notify MFA when all activities relating to the Project have been completed.

2. After consultations have taken place between MFA and UNDP, 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 MFA. 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.

3. 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 the Project activities brought to an orderly conclusion.

4. Any payments that remain unexpended after such commitments and liabilities have been satisfied may be utilized for the benefit of other activities within the Project upon agreement between the Parties.

5. The Agreement may be amended through an exchange of letters between MFA and UNDP. The letters exchanged to this effect shall become an integral part of the Agreement.

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Article X. Entry into Force

1. This Agreement shall enter into force upon its signature by both Parties and shall remain in force until all obligations arising from it have been fulfilled and all commitments and liabilities incurred in the implementation of the Project have been satisfied. Whether these obligations shall be regarded as fulfilled shall be determined in consultations between the Parties.

IN WITNESS WHEREOF, the undersigned, acting on behalf of their respective institution, have signed the present Agreement in the English language in two copies.

For the Norwegian Ministry of Foreign Affairs:

Name: Kari Bjørnsgaard
Title: Ambassador

Date: 7/12/10

For the United Nations Development Programme:

Mamadou P. Diallo

Name: Dr. Mamadou P. Diallo
Title: UN Resident/Humanitarian Coordinator
UNDP Resident Representative

Date: 08/12/2010

Annex 1
Agreed Project Summary

Identification of the Project

- **Project Title:** Strengthening coordination systems for effective development partnerships.
- **Implementing Agency:** UNDP and UN Resident Coordinators' Office (UNRCO)

The lead responsibility for implementing the project rests with the UNRCO with the administration of UNDP Eritrea Country Office. The UNDP rules and procedures will apply to the execution and implementation of this project. The UNRCO will be the focal points for the project and for liaising with UNDP in the whole process of the implementation.

Description of the Project

The overall goal is to maximise development results by pulling together development efforts and resources from the UN System and partners for effective and efficient response.

The Expected Outcome is Strengthened coherence and coordination between the UN System, development partners and national partners towards addressing national development priorities.

The following are the **expected outputs** of the project:

1. Coherent UN system guided by the UN Reform agenda and UNDG expectations.
2. One UNDAF programme adopted;
3. Functional Eritrean Development Partners Forum (EDPF) recognised by Government;
4. Functional UNDAF Management structure/system; and
5. Functional UNDAF Monitoring and Evaluation system.
6. Gender mainstreamed in all programmes and projects

Activities: Project activities are guided by the Annual UNCT work plan, UNDG emerging issues, UNDAF programming and implementation and the Terms of References of the RCO.

Inputs

- Personnel from UNDP, UNRCO and UN Country Team (UNCT)
- Financial resources from MFA

Major risk factors (internal and external)

By the nature of the project, minimal risks are foreseen. However, the following risks may impact on the smooth running of the project:

- Lack of interest from the Government to lead the UNDAF Coordination mechanisms. However, recent engagement of the UN with Government in the UNDAF Mid Term Review is expected to pave way for better strategic engagement.

- Limited data and information to fully carry out some of the activities. The ongoing UN support towards the Eritrea Population and Health Survey (EPHS) is expected to go a long way in addressing some of the data gaps.

- Limited capacity with the development partners. The rationalisation of the various coordination mechanisms in the development partners will take into account this issue.

The UNRCO will monitor the project regularly to arrest on time, factors that might affect smooth implementation of the project as scheduled.

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Annex II

Estimated budget to support the RCO

Description	Grade	Annual Cost per person	Term	Total Cost (USD)
Coordination Specialist	P3 (Fixed Term International (FTI))	182,244	2 years	364,488
Gender Advisor	P2 (FTI)	162,402	2 years	324,804
Total				**689,292**

Type of training	Unit	Training Unit Cost (USD)	Total (USD)
Monitoring and Evaluation (Africa Region)	4 people	5,500.00	22,000.00
Training on Coordination capacity (Turin)	2 people	6,000.00	12,000.00
Leadership and Coordination Skills training for Heads of Agencies (Turin)	5 people	6,000.00	30,000.00
Data Management training (Africa Region)	2 people	5,500.00	11,000.00
Staff Capacity Development	4 people		25,000.00
RCO Staff Induction workshop (New York)	3 people	7,000.00	21,000.00
Total Training Budget			**121,000.00**

Grand Total	**810,292.00**

Financing plan	
From The Norwegian Ministry of Foreign Affairs(MFA)	approx. USD 640,000.00
To be mobilised	170,292.00

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