

Project: IDB - IV (00031454): The Emergency Small-Scale Infrastructure Projects in Areas Affected by the Separation Wall in the West Bank

MEMORANDUM OF UNDERSTANDING (MOU)

BETWEEN: The United Nations Development Programme, Programme of Assistance to the Palestinian People (UNDP/PAPP)

AND: Palestinian Ministry of Local Government (MoLG)

FOR: Project Title: *The Emergency Small-Scale Infrastructure Projects in Areas Affected by the Separation Wall in the West Bank*

I. PREAMBLE:

WHEREAS the United Nations Development Programme/Programme of Assistance to the Palestinian People (hereinafter called the UNDP/PAPP) has been entrusted by Al Aqsa Fund through the Islamic Development Bank (IDB) with a grant of U.S. \$4,000,000.00 for the implementation of the project "Project IDB - IV (00031454): *The Emergency Small-Scale Infrastructure Projects in Areas Affected by the Separation Wall in the West Bank*" as per the Trust Fund Agreement signed on 05 October 2004 between the IDB and UNDP/PAPP, represented by Dr. Ahmad Muhammad Ali and Mr. Timothy S. Rothermel, respectively (Annex II);

WHEREAS Al Aqsa Fund through the Islamic Development Bank (IDB) has agreed with the Palestinian Ministry of Local Government (MoLG) to provide urgent support for upgrading municipal services in the West Bank and Gaza Strip (WB & GS);

WHEREAS the IDB, UNDP/PAPP and MoLG have agreed to cooperate in the implementation of the Project IDB - IV (00031454) ("The Project") which is summarized in Annex 1 to this Agreement; and as per the MoLG fax to the IDB dated January 14th, 2004 (attached to Annex I)

WHEREAS the list of projects could be amended, if necessary, by mutual agreement between the MoLG and UNDP/PAPP, and official notification of the IDB of any changes;

WHEREAS the IDB agrees to contribute from its own funds through UNDP/PAPP towards the implementation of the Project;

WHEREAS UNDP/PAPP is prepared, through a Trust Fund established by its Administrator (UNDP Administrator) under its financial regulations and rules to receive and administer the Contribution for the implementation of the Project;



WHEREAS UNDP/PAPP shall be the Executing Agency (“the Executing Agency”) for the project;

WHEREAS UNDP/PAPP, for selected activities approved under the Project shall designate various local Palestinian Municipalities and City Councils, as the case may be, as Implementing Agencies for the implementation of the Project (“the Implementing Agencies”);

NOW THEREFORE, the MoLG and UNDP/PAPP hereby agree as follows:

II. Brief Description of the Projects

The *Emergency Small-Scale Infrastructure Projects in Areas Affected by the Separation Wall in the West Bank* project covers 42 (Forty-Two) projects in the West Bank as detailed in Annex I.

III. General Provisions

- This MOU will be effective upon its signature by the two parties, UNDP/PAPP and MoLG.
- The MoLG understands that the transfer of all allocated funds from UNDP/PAPP to the Implementing Agencies, when and if applicable, under the IDB grant, depends upon completing the agreed upon activities. If the project activities are completed and the maximum amount allocated has not been used, UNDP/PAPP has the right to re-allocate the remaining funds to be either utilized for additional activities in the said area or be used towards the completion of other projects under this agreement.
- The MOU shall remain effective until the completion of project activities or its termination as per article IX of the MOU.

IV. Responsibilities of the Ministry of Local Government - MoLG:

In fulfillment of its responsibility to participate and co-operate in the execution of the project implemented by the UNDP/PAPP under this Agreement, the MoLG shall perform the following tasks:

1. Issue Needed Licenses for the construction in the areas under the MoLG Administration.
2. Participate in the bid opening, evaluation and handing over committees assigned for the project activity, if and when applicable.
3. Assist the UNDP/PAPP and local councils’ staff in resolving any arising problems that may arise in regards to the implementation of the project.
4. Assist the UNDP/PAPP and local councils’ staff in obtaining a Zero-VAT status for all



projects and works covered by this MOU.

5. Assist and facilitate the collection of statistical data to be utilised in the evaluation of the project impact.
6. Assign one engineer in each district from amongst the MoLG staff to act as UNDP/PAPP's contact person for this project.
7. Assist UNDP/PAPP in the co-ordination of project implementation with the targeted municipalities/villages and provide UNDP/PAPP with all the information and support necessary to carry out the role of Implementing Agency, when applicable.
8. Assist the targeted localities in all possible ways throughout and following the completion of project implementation in order to ensure the sustainability of the project.

V. General Responsibilities of the United Nations Development Programme / Programme of Assistance to the Palestinian People (UNDP/PAPP)

1. UNDP/PAPP shall establish and administer the Trust Fund and the activities financed there from in accordance with the applicable regulations, rules, procedures and directives of UNDP, and shall maintain separate financial records.
2. UNDP/PAPP shall undertake the responsibility of monitoring the implementation of the Project by the Implementing Agencies and ensure full cooperation and coordination with the MoLG. If matters arise during the implementation of the Project, which are considered by UNDP of substantive character, UNDP/PAPP shall inform and consult with the IDB.
3. If, for any particular project, the local council lacks the adequate capacity to implement the project in a satisfactory manner, the UNDP/PAPP will implement the project through its Engineering Unit. In this case, the UNDP/PAPP will act as the Implementing Agency as well as the Executing Agency.
4. UNDP/PAPP, in cooperation with the MoLG and Implementing Agencies, shall ensure the full visibility of the IDB during and after the project implementation through advertisements in local newspapers, press releases, signs on projects' sites and commemorative plaques at the completed projects referring to the IDB as the donor.
5. UNDP/PAPP shall prepare operational and financial progress reports to be submitted to the IDB on a quarterly basis. The quarterly operational reports shall include information on outputs compared to targets, work plans and time schedules, use of inputs, problems encountered or foreseen and other information related to the implementation of the Project. The quarterly financial reports shall include a statement of expenditures showing expenditures as compared to budgets including comments on substantial deviations if any.
6. UNDP/PAPP shall submit to the IDB a Final Progress and Financial Report within six (6) months after the date of completion or termination of the Project. The Final Report shall give a summary of activities undertaken, outputs realized and an assessment of the Project effectiveness and efficiency as well as provisional financial data.



7. From the UNDP Bureau of Management/Controller's Division, on completion of the project, the IDB shall receive a certified financial statement to be submitted no later than 30 June of the year following the financial closing of the project.

VI. Contracting Procedures:

1. Works will be undertaken by pre-qualified contractors on the basis of competitive bidding in accordance with UNDP rules and regulations. Selected contractors have to be registered with the Palestinian Contractors Union and able to acquire the Zero VAT authorization from the VAT department.
2. The bidding procedures to be followed will be based on the bill of quantities with particular specifications and general conditions.
3. The general conditions governing the works will be similar to those applied on UNDP contracts.
4. Contracts will include the payment of minimum wages to laborers by the contractors and a maximum number of laborers feasible that will be hired by the contractor.
5. The Implementing Agency will float the bids in accordance with the PA rules and regulations related to contracting procedures for material, equipment and works **(All bids have to be approved by UNDP before floating)**.
6. A bidding committee will be formed that will have amongst its members a representative of the following organizations:
 - UNDP/PAPP
 - The Partner (Ministry of Local Government)
 - The Implementing Agencies (Municipalities and VCs)
7. The Implementing Agency will inform the bidding committee at least three days prior to the day of the bid opening.
8. The bidding committee will recommend to UNDP/PAPP team the most suitable bidder and following the approval of the UNDP/PAPP, the local Implementing Agency and UNDP/PAPP may prepare the contract with the approved bidding party. The contract will be signed by the Implementing Agency and the approved bidding party.

VII. Payment Modalities

The maximum amount of funds received from the IDB to be allocated by UNDP for the project realization shall be the maximum of **US \$4,000,000**. Project funds will be disbursed according to the implementation modalities utilized for each particular project as follows:

Implementation by UNDP/PAPP

1. The UNDP/PAPP shall pay the Contractor an advance payment the value of which will be determined by UNDP at the time of contract preparation. The advance



payment will be effected upon signature of the contract between the Contractor and UNDP/PAPP and the submission of the following by the Contractor:

- An advance payment request for the disbursement of funds, endorsed by the Implementing Agency;
 - An irrevocable bank guarantee for the same value valid for the period specified in the Contract Data Sheet in the Bidding Documents, to be submitted by the Contractor on behalf of UNDP/PAPP;
 - A performance guarantee on behalf of UNDP/PAPP equivalent to 10% of the contract value valid for the period specified in the Contract Data Sheet in the Bidding Documents.
2. The amount of the advance payment will be deducted from due payments to the Contractor for executed works, at an equal rate, such that the whole sum of the advance payment will be recovered when 80% of the work has been completed. In the event that the Contractor fails to acquire the necessary tax clearances from the Tax Department, the UNDP retains the right to en-cash the full amount of the Contractor's advance payment guarantee without prior notice, and if necessary terminate the Contract.
 3. Progress payments: The UNDP shall pay directly to the Contractor according to invoices for progress payments based on the Contractor's submittal of statements for the value of the work executed, in compliance with contract documents and subject to the Implementing Agency and the UNDP checking and endorsement of all invoices. In addition, the Contractor shall provide the UNDP with an updated cash flow forecast of the project, progress and financial reports, endorsed by the Implementing Agency. Original copies of all sub-contracts and invoices must be attached to the financial report.
 4. The UNDP shall withhold a percentage of the invoice value on each invoice for progress payment, up to a maximum of (10%) of the total contract value for due performance of execution. Half of this amount (5%) shall be returned to the Contractor within forty (40) days upon the substantial completion and taking-over of the works, and the remaining (5%), will be released at the end of the defects liability period.
 5. The final payment to the Contractor will be paid upon submission of a payment request and a final progress and financial report, which must account for all the value and works under the contract, endorsed by the Implementing Agency, as well as upon successful completion of all the works certified by the issuance of a "Certificate of Completion of Works", signed by the Implementing Agency, and the UNDP/PAPP designated staff. Original copies of all contracts and invoices must be attached to the financial report.
 6. In the event of variations in the quantities specified in the "Bill of Quantities", the readjustment in the price will be calculated based on the unit price of the bid and no other adjustment is permitted even if variations exceed twenty five percent (25%) of the originally estimated quantities.
 7. The Contract between UNDP/PAPP and the Contractor must be exempted from Value Added Tax, and accordingly, no Value Added Tax will be paid under this project.



8. Payments will be issued within no less than 45 days of submission of all invoices to the UNDP/PAPP with all the necessary documentation, receipts, certificates and endorsements. All invoices must be original and in the name of UNDP/PAPP.
9. All payments will be processed in United States Dollars.

Implementation by the Local Council

1. An advance payment of 40% project amount will be transferred to the Counterpart upon signing of a memorandum of understanding (MOU) between UNDP/PAPP and the Counterpart, after receiving bank details of the special bank account that was opened for the particular project, and the finalization of the tender documents by the Counterpart.
2. The second payment of 50% will be transferred following receipt of a liquidation report detailing how the previous payment was disbursed along with all supporting documents.
3. The final payment of 10% will be transferred upon completion of the works receipt of a liquidation report of all funds disbursed by the Counterpart for the project activity, and obtaining the UNDP/PAPP approval for operation and utilization plans for finished works, submitted by the local counterparts to UNDP/PAPP.

VIII. Use of Assistance

UNDP/PAPP, the MoLG and the Local Implementing Agencies shall exert their best efforts to make the most effective use of the assistance for the purpose for which it is intended, and shall make sure it is properly administered and accessible to all the beneficiaries. If, for any reason, one or more of the project activities described in the project document can not be implemented, the UNDP/PAPP in coordination with the MoLG and Local Implementing Agency will substitute that activity (ies) with other activity (ies) in the same target area. These activities will contribute towards the same objectives of the project and are subject to the donor's approval.

IX. Suspension or termination of Assistance

1. The UNDP/PAPP may, by written notice to the MoLG and Local Implementing Agency, if and when applicable, suspend its assistance to this project if, in the judgment of the UNDP/PAPP, any circumstances arise which interfere or threaten to interfere with the successful completion of the project or the accomplishment of its purposes. The UNDP/PAPP may, in the same or a subsequent written notice, indicate the conditions under which it is prepared to resume its assistance to the project. Any suspensions shall continue until such time as such conditions are accepted by the UNDP/PAPP. The UNDP/PAPP shall give written notice to the Local Implementing Agency that it is prepared to resume its assistance. In the event that the MoLG and the Local Implementing




- Agencies do not take such remedial steps to comply with the terms of this Agreement, UNDP/PAPP reserves the right to terminate the assistance to the project.
2. All terms of the present Memorandum of Understanding, including the respective responsibilities of UNDP/PAPP, the MoLG and the Local Implementing Agencies, are conditional upon the actual receipt by UNDP/PAPP of the full amount of the contribution for the project activities that has been committed in advance by IDB.
 3. The provisions of this article shall be without prejudice to any other rights or remedies the UNDP/PAPP may have in the circumstances, whether under general principles of law or otherwise.
 4. The implementation of the responsibilities of UNDP/PAPP and of the MoLG and Local Implementing Agency, pursuant to this MOU, shall be dependent on the receipt by UNDP/PAPP of the full amount of the contribution for the project activities committed in advance by IDB. If such funds are not received by UNDP/PAPP in accordance with the payment schedule agreed to with the donor, the assistance to be provided to this MOU may be reduced, suspended or terminated by UNDP.

IN WITNESS WHEREOF the undersigned, duly appointed representatives of the United Nations Development Programme and the Palestinian Ministry of Local Government (MOLG) have on behalf of the parties agreed to and signed this agreement.

For the United Nations
Development Programme





Mr. Timothy S. Rothermel
Special Representative

Signed on 8 Nov 2004

For the Palestinian Ministry
of Local Government




H.E. Mr. Jamal Shobaki
Minister

Signed on _____ 2004

Annex I - Project Activities

#	District/Locality	Sector	Activity	Est. Allocation (US\$)
	Tulkarem			
1	Tulkarem area	Roads	Asphalting and Rehabilitating Internal Roads	\$200,000
2	'Aqqaba	Roads & Electricity	Electric Generator & Internal Roads Rehabilitation	\$60,000
3	Baqa Sharqiyyeh	Roads	Asphalting and Rehabilitating Internal Roads - 2 kilometers	\$80,000
4	Nazlet Issa	Electricity	Maintaining & Expanding Electricity Services	\$80,000
5	Qaffin	Health	Establishing a Medical Services Center	\$80,000
6	Al Maskoufah	Roads	Asphalting and Rehabilitating Internal Roads - 2 kilometers	\$60,000
7	Al Jaroushiyyeh	Construction	Continued Construction of Community Services Building	\$60,000
8	Zeita	Roads	Constructing Phase III of Main Roads	\$150,000
9	Nazlet Abou Nar	Education	Constructing a Kindergarten	\$50,000
10	An-Nazlah Al Wastah	Education	Building a Sanitary Unit and School Wall	\$50,000
11	Kufr Zeibad	Roads	Asphalting and Rehabilitating Internal Roads - 2 kilometers	\$80,000
	Total Tulkarem Area			\$950,000
	Qalqilya			
12	Qalqilya	Education	Finishing Works for Basic Kfar Saba Neighborhood School for Girls	\$300,000
13	Qalqilya	Water/Sanitation	Construction of 500 Cubic Meter Reservoir	\$130,000
14	Beit Amin/ Siniyya	Roads	Asphalting and Rehabilitating Connecting Roads - 3 kilometers	\$150,000
15	Ras Atiyyah	Education	Constructing New School with 12 classrooms	\$150,000
16	Habliah	Water/ Sanitation	Construction of 500 Cubic Meter Reservoir	\$130,000
17	'Azzoun 'Atmah	Roads	Asphalting and Rehabilitating Internal Roads - 2.5 kilometers	\$100,000
18	Falameya	Water/Sanitation & Electricity	Maintaining & Expanding Water and Electricity Services	\$100,000

	\$1,060,000
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	Jenin			
19	'Aneen	Roads	Asphalting and Rehabilitating Internal Roads - 2 kilometers	\$80,000
20	Taybeh	Infrastructure/Health	Finishing Works & Construction of Community Services Building and Clinic	\$150,000
21	Barta'a Sharqiyyeh	Water/Sanitation	Maintaining Internal Water Network - Phase II	\$150,000
22	Im Reehan	Roads	Asphalting and Rehabilitating Internal Roads - 1.5 kilometers	\$60,000
23	Khirbet Abdallah El Youmis	Water/Sanitation	Maintaining Internal Water Network	\$60,000
24	Khirbet Barta'a	Water/Sanitation	Maintaining Internal Water Network	\$60,000
25	Zeidah	Water/Sanitation	Maintaining Internal Water Network	\$100,000
26	Al-'Arqah	Roads	Asphalting and Rehabilitating Internal Roads - 2 kilometers	\$80,000
	Total Jenin Area			\$740,000
	Ramallah			
27	Al-Midyah	Water/Sanitation/Roads	Rehabilitation and Maintenance of Water Network	\$80,000
28	Badras	Education	Construction and Finishing of Classrooms	\$60,000
29	Na'aleen	Water/Sanitation	Rehabilitation and Maintenance of Internal Water Supply Network	\$90,000
30	Safa	Infrastructure	Construction of Community Services Center	\$60,000
31	Beit Seera	Roads	Asphalting and Rehabilitating Internal Roads - 2 kilometers	\$80,000
32	Rantis	Roads	Asphalting and Rehabilitating Internal Roads - 2 kilometers	\$80,000
33	Qibya	Roads	Asphalting and Rehabilitating Internal Roads - 2.5 kilometers	\$100,000
	Total Ramallah Area			\$550,000



	Jerusalem				
34	Biddo	Water/Sanitation		Construction of Main Sewage Lines	\$100,000
35	Khirbet Im Ellaheem	Roads		Asphalting and Rehabilitating Main Road	\$50,000
36	Al Qbeibeh	Roads		Asphalting Internal Roads - 2 kilometers	\$80,000
37	Beit Soureek	Roads		Asphalting Internal Roads - 2 kilometers	\$80,000
38	Beit Ijzah	Roads		Asphalting Internal Roads - 1.5 kilometers	\$60,000
39	Beit Diqgo	Roads		Asphalting Internal Roads - 1.5 kilometers	\$60,000
40	Beit Iksa	Water/Sanitation		Rehabilitation and Maintenance of Water Network	\$100,000
41	Qatanna	Infrastructure		Construction and Finishing Works for Classrooms	\$100,000
42	Beit 'Anan	Water/Sanitation		Rehabilitation and Maintenance of Water Network	\$100,000
	Total Jerusalem Area				\$730,000
	Sub-Total Activities				\$4,000,000
	Contingencies				
	Total Programmable				



Annex II - Trust Fund Agreement Signed Between IDB & UNDP/PAPP

ISLAMIC DEVELOPMENT BANK
JEDDAH - SAUDI ARABIA



Registry / Seta
IBB - IV
البنك الإسلامي للتنمية
جدة - المملكة العربية السعودية

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Date: ١٤٢٥ / ٢ / ٥
5 - OCT 2004

No. : ٢٥ / ٢٣٦ / ٧٨
Enc. : اتفاقية

سعادة الأخ / كيموشي روفزل
الممثل الخاص للمدير العام
برنامج الأمم المتحدة الإنمائي
القاهرة - فلسطين

الموضوع: مشروع الدعم للطلاب المحتاجين السكنية الفلسطينية المقيمة
تحت بناء الجدار الفاصل

تحية طيبة وبعد،،
يسرني أن أرفق بطلبه نسخة موقعة حسب الأصول من الاتفاقية بين البنك
الإسلامي وبرنامج الأمم المتحدة الإنمائي لتنفيذ مشاريع البنية التحتية في
المناطق التي تضررت من بناء الجدار الفاصل في الضفة الغربية.
راجياً لتخاذل إجراءاتكم بسرعة البدء بتنفيذ المشروع.

شكراً لكم حسن تعاونكم،،

منسق وحدة صندوق الأقصى بالإجابة
عبدالله
محمود خالد عز الدين

KINGDOM OF SAUDI ARABIA
P.O. Box 8888 JEDDAH - 21488
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TELEPHONE : 009-1400 - FAX : 009871

البنك العربي السعودي
صندوق ٥١٢٥ جدة ٢١٤٣٣
مبنى البنك الإسلامي جدة - نوكس - ٦٠١٤٤٥ - كرسى : إسلام
هاتف : ٩٣٩٩٨٩٩ - فاكس : ٩٣٩٩٤٠٠

الخطوط (15) B.A.M.
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TRUST FUND AGREEMENT**BETWEEN****THE ISLAMIC DEVELOPMENT BANK (IDB)****AND****THE UNITED NATIONS DEVELOPMENT PROGRAMME
(UNDP/PAPP)****REGARDING****The Emergency Small-Scale Infrastructure Projects in Areas
Affected by the Separation Wall in the West Bank**

WHEREAS the United Nations Development Programme ("UNDP") and the Islamic Development Bank ("IDB") have agreed to cooperate in the implementation of the Project IDB- Phase IV (#0051454) ("The Project") which is summarised in Annex 1 to this Agreement and more fully described in the Project Document " Emergency Small-Scale Infrastructure Projects in Areas Affected by the Separation Wall in the West Bank- ("the Project Document");

WHEREAS the IDB hereby agrees to contribute funds from Al-Aqsa Fund established to support the Palestinian People ("the Contribution") to UNDP towards implementation of the Project;

WHEREAS UNDP is prepared, through a trust fund established by its Administrator under its financial regulations and rules to receive and administer the Contribution for the implementation of the Project;

WHEREAS UNDP shall designate the UNDP Programme of Assistance to the Palestinian People (UNDP/PAPP) as the Executing Agency ("the Executing Agency");

WHEREAS UNDP/PAPP, for selected activities approved under the Project shall designate various local Palestinian Municipalities, City Councils, Non Governmental Organizations and other organisations/institutions, as the case may be, as Implementing Agencies for the implementation of the Project ("the Implementing Agencies");

WHEREFORE, the IDB and UNDP hereby agree as follows: