

**COST-SHARING AGREEMENT BETWEEN THE UNITED NATIONS
DEVELOPMENT PROGRAMME AND THE GOVERNMENT OF THE
REPUBLIC OF PALAU**

WHEREAS the United Nations Development Programme (hereinafter referred to as "UNDP") and the Government of the Republic of Palau (hereinafter referred to as the "Government") have agreed to co-operate in the implementation of a project in the Republic of Palau (hereinafter referred to as "the Project "), as described in the Project document Project no. 00096488 Palau Local Governance Strengthening Project, in the Republic of Palau, and submitted to the Government for information. Add the Government's reference if any;

WHEREAS the Government has informed UNDP of its willingness to contribute funds (hereinafter referred to as "the contribution") to the UNDP on a cost-sharing basis to increase the resources available for the Project;

WHEREAS the UNDP shall designate an Implementing Partner for the implementation of each Project financed from the contribution (hereinafter referred to as "Implementing Partner")

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

Article I

1. The Government shall, in the manner referred to in paragraph 2 of this Article, place at the disposal of UNDP the contribution of USD\$450,000.
2. The Government shall, in accordance with the schedule of payments set out below, deposit the contribution in the following UNDP bank account:

Bank name:	Citibank, N.A., 111 Wall Street New York, NY 10043
ABA/ ACH routing no.:	021000089
Account no:	36349562
Account name:	UNDP Contribution Account
Swift Code:	CITIUS33

	<u>Date payment due</u>	<u>Amount (stated currency)</u>
(a)	31 August 2016	USD\$150,000
(b)	31 March 2017	USD\$150,000
(c)	31 October 2017	USD\$150,000

3. The Government will inform UNDP when the Contribution is paid via an e-mail with remittance information to contributions@undp.org, providing the following information: Government's name, UNDP Pacific Office, Project no. 00096488 Palau Local Governance Strengthening Project, Government reference (if available). This information should also be included in the bank remittance advice when funds are remitted to UNDP.
4. The above schedule of payments¹ takes into account the requirement that contributions shall be paid in advance of the implementation of planned activities. It may be amended to be consistent with the progress of project delivery.
5. All financial accounts and statements shall be expressed in United States dollars.
6. UNDP may agree to accept Contributions in a currency other than United States dollars provided such currency is fully convertible or readily usable by UNDP and subject to the provisions of paragraph 6 above. Any change in the currency of the Contribution shall be made only in agreement with UNDP.
7. Any interest revenue attributable to the contribution shall be credited to the UNDP Account and shall be utilized in accordance with established UNDP procedures.

Article II

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 3%. Furthermore, as long as they are unequivocally linked to the specific project(s), all direct costs of implementation, including the costs of 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 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.

¹ It is recommended that country offices negotiate the number of installments to ensure at least six months' anticipated disbursements are funded with each installment. This will make processing of contributions and reporting more efficient for the country offices.

Article III

1. The contribution shall be administered by the UNDP in accordance with UNDP regulations, rules, policies and procedures, applying its normal procedures for the execution of its projects.
2. Project management and expenditures shall be governed by the regulations, rules, policies and procedures of UNDP and, where applicable, the regulations, rules, policies and procedures of the Implementing Partner.

Article IV

1. The implementation of the responsibilities of the UNDP and of the Implementing Partner pursuant to this Agreement and the relevant project document shall be dependent on receipt by the UNDP of the contribution in accordance with the schedule of payments set out in Article I, paragraph 2, above. UNDP shall not start implementation of the activities prior to receiving the Contribution or the first tranche of the Contribution (whichever is applicable).
2. If unforeseen increases in expenditures or commitments are expected or realized (whether due to inflationary factors, fluctuation in exchange rates or unforeseen contingencies) UNDP shall submit to the Government on a timely basis a supplementary estimate showing the further financing that will be necessary. The Government shall use its best endeavors to make available to UNDP the additional funds required.
3. If the Contribution referred to in Article I, paragraph 2, above, 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 the Government or other sources, the assistance to be provided to the Project under this Agreement may be reduced, suspended or terminated by UNDP.

Article V

Ownership of equipment, supplies and other property 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

The contribution shall be subject exclusively to the internal and external auditing procedures provided for in the financial regulations, rules, policies and procedures of UNDP.

Article VII

UNDP shall provide the Government on request with financial and other reports prepared in accordance with UNDP reporting procedures.

Article VIII

1. UNDP shall notify the Government when all activities relating to the Project no. 00096488 Palau Local Governance Strengthening Project have been completed in accordance with the Prodoc.
2. Notwithstanding the completion of all activities relating to the Project, UNDP shall continue to hold unutilized funds from the Contribution until all commitments and liabilities incurred in implementation of the activities finance by the contribution have been satisfied and these activities brought to an orderly conclusion.
3. If the unutilized funds prove insufficient to meet such commitments and liabilities, UNDP shall notify the Government and consult with the Government on the manner in which such commitments and liabilities may be satisfied.
4. In cases where the Project is completed in accordance with the project document any funds below 5,000 USD (five thousand US Dollars) that remain unexpended after all commitments and liabilities have been satisfied shall be automatically reallocated by UNDP. Any funds above 5,000 USD (five thousand US Dollars) that remain unexpended after all commitments and liabilities have been satisfied shall be reallocated by UNDP after consultation with the Government.

Article IX

1. After consultations have taken place between the two Parties to this Agreement and provided that the funds from the Contribution 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 Government. The Agreement shall cease to be in force thirty days after either of the Parties may have given notice in writing to the other Party of its decision to terminate the Agreement.
2. If the unutilized contribution-payments, together with other funds available to the Project, are insufficient to meet such commitments and liabilities, UNDP shall notify

the Government and consult with the Government on the manner in which such commitments and liabilities may be satisfied.

3. Notwithstanding termination of this Agreement, UNDP shall continue to hold unutilized funds until all commitments and liabilities incurred in implementation of the activities financed by the contribution have been satisfied and these activities brought to an orderly conclusion.
4. In cases where this agreement is terminated before Project completion any funds below 5,000 USD (five thousand US Dollars) that remain unexpended after all commitments and liabilities have been satisfied shall be automatically reallocated by UNDP. Any funds above 5,000 USD (five thousand US Dollars) that remain unexpended after all commitments and liabilities have been satisfied shall be reallocated by UNDP after consultation with the Government.

Article X

Any notice or correspondence between UNDP and the Government will be addressed as follows:

(a) To the Government: Ministry of State

Address: PO Box 100, Koror, Palau 96940

(b) Upon receipt of funds, UNDP shall send an electronic receipt to the Government email address provided below as confirmation that the remitted funds have been received by UNDP

Government email address: dbnt@palaugov.org ; ruthwepalaugov.org

Attention: Ruth Wong, Director, National Treasury

(c) To UNDP: Osnat Lubrani, Resident Representative, UNDP Pacific Office in Fiji

Address: United Nations Development Programme

Article XI

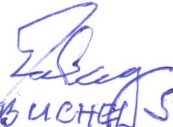
This Agreement shall enter into force upon the signature of this Agreement by parties hereto, on the date of the last signature.

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


For the Government:

For the United Nations Development Programme

(Signature)


Name: ELBUCHÉJ SADANG
Title: MINISTER OF FINANCE
Date: 8/4/16
Place: PALAU

(Signature)


Name: Osnat Lubrani
Title: UNDP Resident Representative
Date:
Place: Suva, Fiji