

**THIRD-PARTY COST-SHARING AGREEMENT
BETWEEN THE IRISH AID (THE DONOR) AND
THE UNITED NATIONS DEVELOPMENT PROGRAMME (UNDP)**

WHEREAS the Donor hereby agrees to contribute funds to UNDP on a cost-sharing basis for the execution/implementation of the Joint Project **Local Governance Support Programme (LGSP)**.¹

WHEREAS UNDP are prepared to receive and administer the contribution for the execution/implementation of the project,

WHEREAS the Government of Timor-Leste has been duly informed of the contribution of the Donor to the project,

WHEREAS UNDP shall jointly execute the project,

NOW THEREFORE UNDP and the Donor hereby agree as follows:

Article I. The Contribution

1. (a) The Donor shall, in accordance with the schedule of payments set out below, contribute to UNDP the amount of **€300,000**. The contribution shall be deposited in:

Account Holder:	UNDP Contributions (Euro) Account
Bank Name:	Bank of America
Bank Address:	26 Elmfield Road Bromley, Kent, BR1 1WA England
Acc.No.	6008-62722-022
Swift:	BOFAGB22
Reference:	Timor-Leste, UNDP/UNCDF Joint LGSP (Local Governance Support Programme)

Schedule of payments

Upon signature

2006

Amount

€300,000

UNDP and will give due notification of any meetings or missions during and at the completion of the project. The Irish Aid will be invited to participate in such meetings or missions in accordance with UNDP's policies and procedures. The costs for the Irish Aid participation will be borne by the donor.

¹ The project document is formally annexed to this Agreement.

(b) The Donor will inform UNDP when the contribution is paid via an e-mail message with remittance information to contributions@undp.org

2. 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 the Donor with a view to determining whether any further financing could be provided by the Donor. Should such further financing not be available, the assistance to be provided to the project may be reduced, suspended or terminated by UNDP.
3. The above schedule of payments takes into account the requirement that the payments shall be made in advance of the execution/implementation of planned activities. It may be amended to be consistent with the progress of project delivery.
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 execution/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 I, paragraph 1, above.
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 the Donor on a timely basis a supplementary estimate showing the further financing that will be necessary. The Donor shall use its best endeavours to obtain the additional funds required.
3. 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 accordance with paragraph 2 above 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.
4. Any interest income attributable to the contribution shall be credited to UNDP Account and shall be utilized in accordance with established UNDP procedures.

Article III. Administration and reporting

1. Project management and expenditures shall be governed by the regulations, rules and directives of UNDP and, where applicable, the regulations, rules and directives of the Executing Entity/ Implementing Partner.

2. UNDP headquarters shall provide to the Donor all or parts of the following reports prepared in accordance with UNDP accounting and reporting procedures.

2.1 For Agreements of one year or less:

- (a) From the country office (or relevant unit at headquarters in the case of regional and global projects) 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;
- (b) From UNDP Bureau of Management/Comptroller's Division, an annual certified financial statement as of 31 December to be submitted no later than 30 June of the following year;
- (c) 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.

2.2. For Agreements of more than one year:

- (a) From the country office (or relevant unit at headquarters in the case of regional and global projects) an annual status report of project progress for the duration of the Agreement, as well as the latest available approved budget.
- (b) 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.
- (c) From the country office (or relevant unit at headquarters in the case of regional and global projects) 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.
- (d) 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 an annex of the Agreement.

Article IV. Administrative 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 by UNDP for two distinct cost categories related to the provision of support services, namely:

(a) 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%.

(b) Direct costs incurred for implementation support services (ISS) provided by UNDP. As long as they are unequivocally linked to the specific project, these costs are built into the project budget against a relevant budget line and, in the case of clearly identifiable transactional services, charged to the project according to standard service rates (5%).

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 the biennial 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.

Article VII. 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 execution/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 VIII. Termination of the Agreement

1. After consultations have taken place between the Donor, UNDP and the programme country 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 execution/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 all or part of this Agreement, UNDP shall continue to hold up to the date of termination, unutilized payments until all commitments and liabilities incurred in the execution/implementation of all or the part of the project, for which this Agreement has been terminated, 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 IX. Amendment of the Agreement

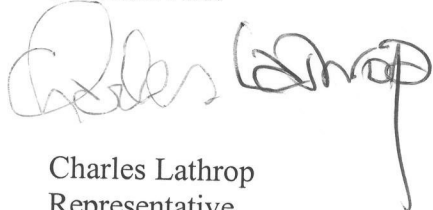
The Agreement may be amended through an exchange of letters between the Donor and UNDP. The letters exchanged to this effect shall become an integral part of the Agreement.

Article X. Entry Into Force

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

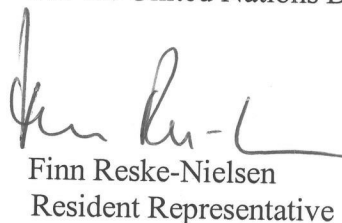
IN WITNESS WHEREOF, the undersigned, being duly authorized thereto, have signed the present Agreement in the English language in two copies.

For Irish Aid:



Charles Lathrop
Representative

For the United Nations Development Programme:



Finn Reske-Nielsen
Resident Representative

December 2006

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