**THIRD-PARTY COST-SHARING AGREEMENT
BETWEEN THE GOVERNMENT OF DENMARK (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 implementation of Output 4 Climate change policy and investment package developed under The Territorial Approach to Climate Change in the Mbale region of Uganda. The project is described in the project document Atlas ID: 000610006 Territorial Approach to Climate Change in the Mbale region of Uganda. The project document is formally annexed to this Agreement.

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

WHEREAS the Government of Uganda has been duly informed of the contribution of the Donor to the project,

WHEREAS UNDP has designated the Mbale District Local Government as Implementing Partner for the implementation of the Project ("Implementing Partner"),

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 **DKK 1,550,000 (including GMS)**. The contribution shall be deposited in the UNDP bank account identified below:

Account Title:	UNDP Contribution Account
Bank Name:	JP Morgan Chase Bank
Bank Address:	1166 Avenue of the Americas, 17th floor, New York
Account No.:	015-002284
Swift (BIC) code:	CHASUS33
Currency:	**US Dollars**
Special instructions:	For credit to United Nations Development Programme, Hub Trust Fund/TACC

Schedule of payments	Amount
1 December 2010	**DKK 1,550,000**

(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 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 implementation of the responsibilities of UNDP and of the Implementing Partner 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. The contribution should be utilized for Output 4 "Climate change policy and investment package developed" of the overall project document and cannot be transferred to other outputs under the project without the prior consent in writing by the Donor.

3. 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 Implementing Partner.

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 Hub for Innovative Partnerships 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/Office of Finance and Administration, 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 Hub for Innovative Partnerships 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/Office of Finance and Administration, 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 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 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. Evaluation

All UNDP programmes and projects are evaluated in accordance with UNDP Evaluation Policy. UNDP and the Government of Uganda in consultation with other stakeholders will jointly 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 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. 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 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 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 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 unutilized payments until all commitments and liabilities incurred in the 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 X. 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 XI. 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 the Donor:	For the United Nations Development Programme:
	(o.c)
Nathalia Feinberg	Cécile Molinier
Ambassador	Director
Royal Danish Embassy, Kampala	Hub Trust Fund Manager

UNDP PROJECT BRIEF TO THE ROYAL DANISH EMBASSY ON THE TERRITORIAL APPROACH TO CLIMATE CHANGE (TACC) PROJECT FOR MBALE REGION – NOVEMBER 2010

A. PROJECT SUMMARY

Project Title:	Territorial Approach to Climate Change in the Mbale region of Uganda
Project Duration	3 years
Implementing Partner:	Mbale District Local Government
Implementation modality	National Execution
Responsible Parties:	Districts of Mbale, Manafwa and Budada and; Ministry of Water and Environment
Project budget:	**Total budgeted resources required :USD 1,000,000** - Total resources secured :USD1,000,000 - DFID funding : £300,000 Approx: USD 450,000 - Regular UNDP Trac resources secured : USD 300,000 - Danish funding: USD 250,000 (for Outcome 4). **In Kind / Parallel contributions:** - Waterloo Foundation: £150,000, Approx: USD 225,000 - Welsh Assembly Government: £225,000 Approx: USD 330,000 - Government: (Not stipulated)

B. INTRODUCTION

Background

Climate change is one of the greatest challenges facing the world's environment, society and economy today. Its impacts can already be seen across the globe. Uganda is highly vulnerable to the effects of climate change. The Territorial Approach to Climate Change (TACC) project targets the Mbale region of Uganda. The project will assist the region to address priorities identified in the Uganda National Adaptation Programme of Action on Climate change. Mbale will serve as a pilot region for scaling up to other regions within Uganda for this holistic, territorial approach to addressing climate change.

This is a pilot project under a global common partnership initiative of United Nations (UNDP-UNEP) and The Association of Regions (NRG4SD, CPMR, NF, AIRF, AER, OLAGI, FOGAR, and the Climate Group).

Rationale and linkage with GOU and UNDP Strategic objectives

The TACC project responds to provisions of the National Development Plan (NDP) 2010-2014 particularly the objective to ensure climate proof development planning among others. The project is linked to the United Nations Development Assistance Framework (UNDAF) Outcome 2: "Vulnerable segments of the population in Uganda have sustainable livelihoods and employment including improved agricultural systems, to manage the population dynamics, economic disparities, environment shocks and recovery" specifically to sub Outcome 2.2: "Vulnerable communities, government, civil society and the private sector are sustainably managing and utilizing the environment and natural resources for improved livelihoods and to cope with the impact of climate change".

The TACC project also responds to the provisions of the UN Joint Programme on Climate Change particularly to address capacity for and implementation requirements related to adaptation and mitigation at the district and local levels. Further, the project is in support of the UNDP Country Programme (CP) Outcome 2.3: Enabling Environment for Sustainable Environment and Natural Resources Management (ENRM) as well as Climate Change (CC) adaptation and mitigation in place.

C. OBJECTIVES

The overall objective of the TACC project is to assist the Mbale region of Uganda, encompassing the three districts of Mbale, Manafwa and Bududa, to realize low carbon and climate change resilient development.

Specific outcomes:

1. To assist the Mbale region to develop their Integrated Territorial Climate Plan (ITCP), to fully integrate climate change adaptation and mitigation strategies into their regional development planning;
2. To develop a policy and investment plan that will identify appropriate regulatory and financial instruments for the implementation of the actions that have been selected by the ITCP and
3. To assist the region to access, combine and sequence a variety of financial resources needed to implement the ITCP.

D. OUTPUTS AND BUDGETS

Outputs	Amount US$
1. Partnership, coordination and participation platforms for climate change planning and programming established.	60,000
2. Capacity to integrate climate change issues into regional development plans and actions built.	230,000
3. Integrated Territorial Climate Plan (ITCP) formulated.	250,000
4. Climate change policy and investment package developed.	280,000
5. Lessons learned and best practices disseminated	31,000
Project management	133,000
M&E	16,000
Total	1,000,000

E. BRIEF DESCRIPTION OF THE CLEAN DEVELOPMENT MECHANISM (CDM) COMPONENT UNDER OUTPUT 4 OF THE TACC PROJECT

The CDM component is covered under output 4 which basically aims to produce 1) an investment package, or a set of projects, that will assist the Mbale region to access, combine and sequence appropriate funding required to implement the ITCP, 2) a set of policy reform options that would direct public, private and foreign investments towards low-carbon and climate change resilient development options, and 3) pre-feasibility studies that generate preliminary results on the potential for selected pilot projects to be financed by the CDM or other Carbon Financing mechanisms. In the investment package, the expected level of investment (and potential investors if identified already) and timeline will be specified for each priority activity/project identified. A targeted scale for the investment package is in the range of USD 30 million in total.

Climate change opens new financing opportunities through sources such as carbon finance or the UNFCCC Adaptation Fund, as well as other bilateral and multilateral funds (SCCF, LDCF, etc). However, accessing these funds requires a sound understanding of their requirements and funding modalities. It also requires well researched, technically-, economically- and environmentally-sound projects that are well grounded in local priorities and circumstances. The project will support the implementation of an Integrated Territorial Climate Plan through the development of a portfolio of innovative, low-carbon and climate-resilient project concepts for short-term and medium-long term implementation, which are technically and financially feasible and meet the criteria of available financial instruments.

The portfolio of project concepts will be developed based on the strategic options that emerge from a more complete understanding of local priorities for climate-resilient and low-carbon development. Options that will help stimulate innovation, foster economic growth and create new jobs will be sought. The investment options that have greater potential for multiple benefits, by bringing a combination of adaptation, mitigation, environmental and development dividends (such as new business and employment opportunities in the region, enhancement of land, water and agricultural productivity, forest protection and management, improvement in public services, waste management and reduction of air pollution, etc) will be identified and developed in more detail for subsequent funding. Project ideas for no-regret and negative/no/low cost options will be prioritized.

During the first phase1 of the Mbale Territorial Approach project, the intention in each case is to develop thoroughly researched, fully consulted-upon project concepts (Project Idea Notes for the carbon-related projects), potentially coupled with parallel small-scale pilot implementation or barrier-removal activities. Financing will subsequently be mobilised so as to fully implement the project concepts (for example, as CDM projects) during Phase 2 of the Mbale Territorial Approach project. Realistically, it will probably take one year to undertake all of the necessary feasibility studies, project designs, local capacity development / awareness raising, and engagement with donors and carbon buyers necessary for implementation of the

[1] The first phase refers to the period that is governed by this project document, i.e., the ITCP development phase. The second phase refers to the following period during which the ITCP will be implemented through the implementation of various projects as well as policy reforms that are developed during the first phase.

three project priorities. The Afforestation / Reforestation (AR) activities, in particular, will require considerable preparation: mapping of the terrain and delimitation of the project boundary; establishment of a seedling nursery and development of a planting regime; land preparation; extensive stakeholder consultation, particularly with local communities; clarification of legal issues (e.g. land ownership); design of the project in conformity with CDM regulations; and so on.

Although this time-lag in full implementation may not satisfy local stakeholder interest in immediate on-the-ground action, it is inevitable given the complexity of carbon finance and it is fully consistent with the overarching goal of Phase 1 of the Mbale project, that of developing a coherent, 'joined-up' regional climate strategy for which additional resources are then mobilised.

F. BUDGET DETAILS FOR THE OUTPUT 4

OUTPUT	FUNDING SOURCE	PLANNED BUDGET		
		Code	Budget Description	Amount (US$)
Output 4. Climate change policy and investment package developed.	DANIDA	71400	Contractual Svc – Individual	65,000
	DANIDA	71200	International Consultants	50,000
	DANIDA	71300	Local Consultants	55,000
	DANIDA	72100	Contractual Svc – Companies	50,000
	DANIDA	71600	Travel	30,000
	UNDP	71600	Travel	30,000
		Sub-total for Output 4 (Of which DANIDA contribution)		**280,000 (250,000)**

G. INDICATIVE ACTIVITIES AND INDICATORS UNDER OUTPUT 4: CLIMATE CHANGE POLICY AND INVESTMENT PACKAGE DEVELOPED

Intended Outputs	Indicator/s	Baseline	Target	Indicative Activities	Inputs
Output 4: Climate change policy and investment package developed.	(Pre-)feasibility study conducted for priority project ideas	• No CDM or Voluntary Carbon projects developed so far in the Mbale region. • Some work by UWA through FACE on voluntary carbon opportunities. • No feasibility study conducted for possibility of CDM projects in the Mbale region.	• (Pre-) feasibility study conducted for at least 3 priority activities, identified by stakeholders during the scoping mission, by December 2010. • Based on the findings of the feasibility study, 3 project concepts further developed and submitted to access appropriate carbon markets by March 2011	4.1 Conduct pre-feasibility studies for priority project ideas. 4.2 Development of a list of climate change project ideas, including the identification of project-level emissions mitigation and/or sequestration activities. 4.3 Identification of options for the introduction of legal and financial instruments to address climate change. 4.4 Identification of potential sources of funding for project ideas. 4.5 Preparation of project proposals and submission to donors, carbon financiers and other relevant parties. 4.6 Undertake project concept marketing and partnership	• PMU inputs • WAG inputs • International experts. • Local experts. • Global Programme inputs • Inputs from UNDP facilities
	Investment Package developed to mobilize resources for the ITCP implementation	• No climate change mitigation or adaptation projects proposal developed in Mbale Region. • Some small scale projects to promote fuel efficient cook stoves exist, but not systematically promoted to link them to the low-carbon regional development.	• A set of project ideas identified based on ITCP by Sept 2011. • Project ideas prioritized in the order of no regret, negative/ no/low cost options and the expected potential development dividends of each project ideas by Dec 2011. • At least 5 project proposals developed from project ideas by March 2012.		

Intended Outputs	Indicator/s	Baseline	Target	Indicative Activities	Inputs
	Policy reform options identified to direct investments towards low carbon and climate resilient development	• No climate change policy exists yet. • Few policies incorporate climate change considerations. • Policy consistencies are not assessed between sectors to achieve low carbon and climate resilient society.	• At least 5 policy reform options (legal and financial instruments) to address climate change and/or to direct investment identified through consultation with industry and the public sector by March 2012. • At least 3 policy reform options identified to mainstream climate change considerations into development planning tools (i.e. NAADs report etc.) by March 2012.	building.	
	Financial resources secured for the implementation of the ITCP by marketing the investment package though networks, partnerships, and to various carbon markets		• Donor consultation held on March 2012 (soon after the endorsement of the ITCP) • Financing for at least three climate change initiatives secured for implementation by June 2012.		

NB: Activities and indicators are indicative and subject to review during the inception phase. Project will periodically review and revise the activities and indicators during the project implementation as part of the adaptive management practices to ensure the project will achieve its stated outputs in the most cost effective manner.