

**MEMORANDUM OF UNDERSTANDING**  
**BETWEEN**  
**THE UNITED NATIONS**  
**AND**  
**THE UNITED NATIONS DEVELOPMENT PROGRAMME**  
**RELATING TO THE MANAGEMENT OF THE**  
**PEACEBUILDING FUND**

This Memorandum of Understanding (MOU) is concluded between the United Nations, represented by its Peacebuilding Support Office (PBSO), and the United Nations Development Programme (UNDP), represented by its Multi-Donor Trust Fund (MDTF) Office. The United Nations and UNDP are hereinafter collectively referred to as the "Parties".

**WHEREAS**, the General Assembly of the United Nations has requested the Secretary-General in its resolution 60/180 of 30 December 2005, to establish a multi-year standing Peacebuilding Fund (PBF) to support post-conflict peacebuilding activities, which has been endorsed by the General Assembly in resolution A/60/287 of 21 September 2006 on "The Peacebuilding Fund;"

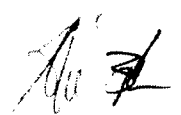
**WHEREAS**, under the Terms of Reference ("TOR") for the PBF contained in the annex to the Secretary-General's report A/60/984 of 22 August 2006 on "Arrangements for establishing the Peacebuilding Fund," attached hereto as ANNEX 1, and incorporated herein by reference into this MOU, UNDP has been appointed to serve as the fund manager (Administrative Agent), responsible for the administration of the Fund, under the overall direction and guidance of the head of the Peacebuilding Support Office (PBSO);

**WHEREAS**, UNDP is ready, willing and able to administer the PBF in accordance with this MOU and the Terms of Reference for the PBF;

**WHEREAS**, UNDP will also participate in the PBF as a recipient UN Organization, under a separate agreement, which role is separate and distinct from its management functions related to the PBF; and

**WHEREAS**, the United Nations will also participate in the PBF as a recipient UN Organization;

**NOW, THEREFORE**, the Parties agree as follows:



## Article I

### The Roles of the PBSO and the Administrative Agent


#### Responsibilities of the PBSO

1. The PBSO functions with respect to the PBF are as follows:
  - a. Submit recommendations to the Peacebuilding Commission for determining which countries would be financed from the PBF;
  - b. Review, in consultation with DPKO, DPA, OCHA, OHCHR, UNDP and financial institutions the priority plan and related budget estimates, submitted by the Special Representative of the Secretary-General together with the national authorities.
  - c. Determine overall funding envelope for the country and advise the Administrative Agent, after which project activities at the country level will be reviewed and approved by the SRSG and the Government counterparts;
  - d. May authorize up to \$1 million for emergency disbursements by the Administrative Agent in accordance with paragraph 3.8 of the Terms of Reference;
  - e. Prepare reports to the Peacebuilding Commission on activities financed by the PBF; and
  - f. Submit annual report to General Assembly on the basis of consolidated substantive and expenditure reports received from the Administrative Agent;
2. The independent Advisory Group appointed by the Secretary-General will provide advice and oversight on the speed and appropriateness of the PBF allocations and will also examine performance of the PBF and financial reports provided by the recipient UN Organizations and consolidated by the Administrative Agent.

#### Responsibilities of UNDP

3. UNDP shall serve as Administrative Agent in accordance with the TOR for the PBF and the terms and conditions set out in this MOU. In case of any conflict between this MOU and the TOR, the TOR shall prevail. The Administrative Agent agrees to assume this responsibility on the understanding that recipient United Nations organizations (United Nations, its funds and programmes and specialized agencies) receiving funds from the PBF assume full programmatic and financial accountability for the funds disbursed to them by the Administrative Agent.

4. On behalf of the United Nations, the Administrative Agent shall:



a. Conclude a standardized Memorandum of Understanding with recipient UN organizations wishing to support the implementation of peacebuilding activities for which they will receive funds from the PBF, incorporating this MOU and the TOR for the PBF;

b. Receive contributions from donors that wish to provide financial support to the PBF; the Administrative Agent shall enter into a letter of agreement, in the form attached hereto as ANNEX 2 (hereinafter referred to as a "Letter of Agreement") and incorporated herein by reference, with each donor that wishes to provide financial support to the PBF;

c. Administer such funds received, in accordance with this MOU and the TOR of the PBF;

d. Establish a PBF Account as specified in Article II, paragraph 1, of this MOU, and designate country accounts in accordance with instructions received from the PBSO;

e. Subject to availability and within the overall funding envelope for the country concerned as advised by the PBSO, disburse such funds to each of the recipient UN Organizations in accordance with the instructions of the Special Representative of the Secretary-General, or the Representative of the Secretary-General, or the Resident Coordinator/Humanitarian Coordinator where there is no peacekeeping or peacebuilding mission (hereinafter "SRSG"), as agreed with the Government counterpart, in line with the budget of the Project approved, pursuant to paragraph 3.6 of the TOR;

f. Subject to availability, make emergency disbursements not to exceed \$1 million per disbursement as instructed by the head of the PBSO, in accordance with paragraph 3.8 of the TOR;

g. Compile interim summary financial and narrative reports produced by each of the recipient UN Organizations into a consolidated report, and distribute such reports to the PBSO and to each donor that has contributed to the Fund, in accordance with Article III below;

h. Compile and provide final reporting, including notification that the Projects involved have been operationally and financially completed, in accordance with Article III below, based on reports received from the recipient UN Organizations;

i. Request that each recipient UN Organization establish a separate ledger account under its financial regulations and rules for the receipt and administration of the funds disbursed to it by the Administrative Agent from the PBF Account referred to in Article II, paragraph 1, below;

j. Request that each recipient UN Organization use the funds disbursed to it by the Administrative Agent from the PBF Account to carry out the activities for which it is responsible as set out in the Project approved by the SRSG in agreement with the Government counterparts, covering both direct and indirect costs; and



- k. Perform such other activities as the Parties may agree in writing.

**Article II**  
**Financial Matters**

**The Administrative Agent**

1. The Administrative Agent shall establish a separate bank account under its financial regulations and rules for the receipt and administration of the funds received pursuant to Letters of Agreements (hereinafter, the "PBF Account"). The PBF Account shall be administered by the Administrative Agent in accordance with the regulations, rules, directives and procedures applicable to it, including those relating to interest. The PBF Account and all financial accounts and statements shall be subject exclusively to the internal and external auditing procedures laid down in the financial regulations, rules, directives and procedures applicable to the Administrative Agent.
2. The Administrative Agent will not absorb gains or losses on currency exchanges. Such amounts will increase or decrease the funds available for disbursements to recipient UN Organizations.
3. The Administrative Agent shall make disbursements from the PBF Account in accordance with the TOR for the PBF and this MOU, in line with the budget of the Project approved by the SRSG in agreement with the Government counterparts. The disbursements shall consist of direct and indirect costs as set out in the approved Project.
4. The Administrative Agent shall also make emergency disbursements from the PBF Account and all related accounts, referred to in Article I, paragraph 4(f) of this MOU, as instructed in writing by the head of the PBSO.
5. The Administrative Agent and the recipient UN Organizations shall be entitled to deduct their indirect costs on contributions received in accordance with the following formula: (i) the Administrative Agent's administrative fee of 1 %. The fee will be deducted from the Contribution to the PBF at the time it is deposited; and (ii) indirect costs of the recipient UN Organizations will be based on the applicable regulations and rules of the recipient UN Organizations, taking into account the size and complexity of the particular Project and will be reflected in the Projects approved by the SRSG in agreement with the Government counterparts. It is expected that such costs will be in the range of 5%-9%, with an average of approximately 7%.
6. In addition to the above administrative fee and the indirect costs of between 5% and 9%, the Administrative Agent may also deduct (a) direct cost related to the implementation by PBSO of activities related to the PBF; (b), expenditures related to the Advisory Group; (c) support to the office of the SRSG and the national counterparts involved in the review of projects submissions and (d) subject to prior agreement between the Parties, tasks requested of the Administrative Agent by the PBSO that fall outside its administrative agent responsibilities specified in Article I, Paragraph 2. Payment of direct costs shall be approved



in writing by the head of the PBS Office. The total management fees for both programme implementation and fund management shall not exceed 11%.

7. Subject to the availability of funds, the Administrative Agent shall normally make each disbursement within three (3) to four (4) business days after receipt of instructions the SRSG, in agreement with the Government counterparts, accompanied with the relevant project proposals approved and which has been duly signed by all the concerned parties. In the case of emergency disbursements it will be made within one (1) day following receipt instruction of the head of the PBSO. The Administrative Agent shall transfer funds to each recipient UN Organization through wire transfer in US dollars.

8. Where the balance in the PBF Account on the date of a scheduled disbursement is insufficient to make that disbursement in full, the Administrative Agent shall consult with the head of PBSO and the SRSG, and through the SRSG the Government counterpart, and make a partial disbursement, if any, in accordance with the SRSG's instructions, provided that such partial disbursement will not exceed the funds available in the PBF Account.

### **Article III** **Reporting**

1. For each country receiving a PBF allocation, the Administrative Agent shall provide the head of the PBSO with the following reports, based on reports provided to the Administrative Agent by each recipient UN organization:

- Consolidated narrative progress reports every twelve months, to be provided no later than four months after the end of the applicable reporting period;
- Consolidated annual financial reports as of 31 December each year with respect to the funds disbursed to it from the PBF, to be provided no later than four months after the end of the applicable reporting period;
- A final consolidated narrative report and financial report, after the completion of all project activities financed from the PBF and including the final year of the project activities, to be provided no later than 30 June of the year following the financial closing of the Project activities; and
- A consolidation of final certified financial statements, to be provided no later than 30 days after the last date of receipt of the financial statements from the participating UN organizations of the year following the financial closing of the project activities.

2. Following the review and approval by the head of the PBSO of the reports referred to in paragraph 1 above, the Administrative Agent shall provide the consolidated reports to each donor contributing to the PBF in accordance with the timetable established in Article V of the Letter of Agreement.

3. The Administrative Agent shall also provide a financial report and a final certified financial statement to the PBSO, Donors and recipient UN Organizations, on its activities as Administrative Agent, to be provided no later than 30 June of the year following establishment of the PBF and each year thereafter.

**Article IV**  
**Monitoring and Evaluation**

1. The head of the PBSO will provide overall direction and guidance on the programme management of the PBF and monitor its operations.
2. Monitoring and evaluation of the Projects shall be undertaken by the respective recipient UN Organizations in accordance with the provisions contained in the approved Projects, which are to be consistent with the respective regulations, rules and procedures of the recipient UN Organizations.
3. In addition, the Advisory Group or head of the PBSO may request an independent lessons-learned and review exercise(s) relating to the operations of the PBF to be undertaken.

**Article V**  
**Expiration, modification and termination of the MOU**

1. This MOU shall expire upon termination of the PBF, subject to the continuance in force of paragraph 4 below for the purposes therein stated, unless terminated earlier by either party, upon thirty (30) days prior written notice to the other party.
2. This MOU may be modified only by written agreement between the Parties.
3. The Administrative Agent's appointment shall terminate upon termination of the PBF, or, if the TOR for the PBF is amended and under the revised TOR, UNDP would not be the Fund Manager for the PBF, subject to the continuance in force of paragraph 4 below for the purpose therein stated, unless terminated earlier by the United Nations.
4. Obligations assumed by the Parties under this MOU shall survive the expiration or termination of this MOU to the extent necessary to permit the orderly conclusion of the activities or transfer of such activities to the United Nations. Any balance remaining in the PBF Account shall be transferred to the United Nations or used for a purpose mutually agreed upon by the United Nations and the Administrative Agent. Any balance remaining in the individual recipient UN Organizations' separate ledger accounts shall be used for a purpose mutually agreed upon by the PBSO, the Administrative Agent, and the respective recipient UN Organization.

**Article VI**  
**Notices**

1. Any action required or permitted to be taken under this MOU may be taken on behalf of the United Nations, by the head of the PBSO, or his or her designated representative, in consultation with the Office of Programme Planning, Budgets and Accounts, and on behalf of the Administrative Agent by the Executive Coordinator of the MDTF Office, or his or her designated representative.



2. Any notice or request required or permitted to be given or made in this MOU shall be in writing to the head of the PBSO and to the Executive Coordinator of the MDTF Office, UNDP. Such notice or request shall be deemed to be duly given or made when it shall have been delivered by hand, mail, or facsimile to the party to which it is required to be given or made, at such party's address as the party shall have specified in writing to the party giving such notice or making such request.

**Article VII**  
**Entry into force**

This MOU shall enter into force upon signature by the authorized officials of the Parties and shall continue in full force and effect until it is expired or terminated.

**Article VIII**  
**Settlement of disputes**

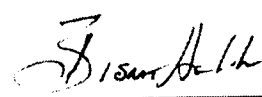
The Parties shall use their best efforts to amicably settle any dispute, controversy or claim arising out of this MOU or the breach, termination or invalidity thereof. Should the Parties not be in a position to find a mutually acceptable solution, after full and careful consideration by the Administrator of UNDP and the head of the PBSO, the matter shall be deferred to the Secretary-General of the United Nations for resolution.

**IN WITNESS WHEREOF**, the undersigned, duly authorized representatives of the respective Parties, have signed this Memorandum of Understanding in English.

*For the United Nations:*

*For the United Nations Development Programme (UNDP):*

Signature: 

Signature: 

Name: Carolyn McAskie  
Title: Assistant Secretary-General for  
Peacebuilding  
Place: New York  
Date: 28 Nov 2006

Name: Bisrat Aklilu  
Title: Executive Coordinator  
UNDP MDTF Office  
Place: New York  
Date: 28 November 2006