

**Letter of Agreement
between
the Grand Duchy of Luxembourg
and
the United Nations Development Programme**

WHEREAS, UNDP and UNCDF hereinafter referred to collectively as the “Participating UN Organizations” have developed a joint programme as part of their respective development cooperation with the Government of Lao PDR, as more fully described in the detailed Joint Programme Document entitled “Governance and Public Administration Reform – Support to Better Service Delivery” (hereinafter referred to as the “Joint Programme Document”), document no. 00056568 a copy of which is attached hereto as ANNEX A, and have agreed to establish a coordination mechanism (hereinafter referred to as the “Project Board”) to facilitate the effective and efficient collaboration between the Participating UN Organizations and the host Government for the implementation of the Joint Programme;

WHEREAS, the Participating UN Organizations have agreed that they should adopt a coordinated approach to collaboration with donors who wish to support the implementation of the Joint Programme and have developed a Joint Programme Document to use as the basis for mobilising resources for the Joint Programme, and have further agreed that they should offer donors the opportunity to fund the Joint Programme and receive reports on the Joint Programme through a single channel;

WHEREAS, the Participating Organizations have appointed UNDP (hereinafter referred to as the “Administrative Agent” or the “AA”) (which is also a Participating UN Organisation in connection with this Joint Programme) in a Memorandum of Understanding concluded between the Administrative Agent and Participating UN Organizations on 28 June 2007, to serve as their administrative interface between donors and the Participating UN Organizations for these purposes and to that end the Administrative Agent has established a separate ledger account under its financial regulations and rules for the receipt and administration of the funds received from donors who wish to provide financial support to the Joint Programme through the Administrative Agent (hereinafter, the “Joint Programme Account”); and

WHEREAS, Luxembourg (hereinafter referred to as the “Donor”) wishes to provide financial support to the Joint Programme on the basis of the Joint Programme Document as part of its development cooperation with the Government of Lao PDR and wishes to do so through the Administrative Agent as proposed by the Participating UN Organizations.

NOW, THEREFORE, the Administrative Agent and the Donor (hereinafter referred to collectively as the “Parties”) hereby agree as follows:

Article I
Disbursement of funds to the Administrative Agent
and the Joint Programme Account

1. The Donor agrees to make a contribution of United States dollars four million (USD 4,000,000) and such further amounts as it may decide (hereinafter referred to as the "Contribution") to support the Joint Programme. The Contribution shall be a contribution to the Participating UN Organizations to support the Joint Programme in accordance with the Joint Programme Document, as amended from time to time in writing as jointly agreed by the Project Board. The Donor authorizes the Administrative Agent to use the Contribution for the purposes of the Joint Programme and in accordance with this Letter of Agreement. The Donor acknowledges that the Contribution will be mingled with other contributions to the Joint Programme Account and that it will not be separately identified or administered.

2. The Donor shall deposit the Contribution by wire transfer, in accordance with the schedule of payments set out in ANNEX B to this Agreement, in convertible currencies of unrestricted use, to the following account:

Bank of America
1401 Elm Street, Dallas, Texas, USA
ABA No. 111000012
Account Number: 3751-555-555
Account Name: UNDP Lao PDR Representative
Reference: Luxembourg Contribution to 00056568: GPAR-SBSD

3. When making a transfer to the Administrative Agent, the Donor will notify the Administrative Agent's Treasury Operations of the following: (a) the amount transferred, (b) the value date of the transfer; and (c) that the transfer is from Luxembourg in respect of the joint programme in Lao PDR pursuant to this Letter of Agreement.

4. The value of a contribution-payment, if made in currencies other than United States dollars, shall be determined by applying the United Nations operational rate of exchange in effect on the date of payment. Gains or losses on currency exchanges shall be recorded in the Joint Programme Account by the Administrative Agent.

5. The Joint Programme 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 Joint Programme Account 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.

6. The Administrative Agent shall be entitled to allocate an administrative fee of one percent (1%) of the amount contributed by the Donor, to cover the Administrative Agent's costs of performing the Administrative Agent's functions. Notwithstanding the foregoing, in cases the contribution is less than \$2 million, the fee will be subject to a minimum floor of \$20,000; if the contribution is above \$10 million, the fee will be subject to a maximum ceiling of \$100,000. Each Participating UN Organization will recover indirect costs in

accordance with its financial regulations and rules and as documented in the Memorandum of Understanding signed with the AA.

7. All financial accounts and statements shall be expressed in United States dollars.

Article II
Disbursement of Funds to the Participating UN Organizations
and a Separate Ledger Account

1. The Administrative Agent shall make disbursements from the Joint Programme Account in accordance with instructions from the Project Board, in line with the Joint Programme Document, as amended in writing from time to time as jointly agreed by the Project Board. The disbursements will also be made in accordance with the Memorandum of Understanding between the Participating UN Organizations and the AA regarding the Operational Aspects of the Joint Programme dated 28 June 2007. The Administrative Agent shall promptly notify the Donor of any amendment to the budget made by the Project Board. The disbursement to the Participating UN Organizations shall consist of direct and indirect costs as set out in the Joint Programme budget.

2. Each Participating UN Organization shall establish a separate ledger account under its financial regulations and rules for the receipt and administration of the funds disbursed to it from the Joint Programme Account. Each Participating UN Organization assumes full programmatic and financial accountability for the funds disbursed to them by the Administrative Agent. That separate ledger account shall be administered by each Participating UN Organization in accordance with its own regulations, rules, directives and procedures, including those relating to interest. That separate ledger account shall be subject exclusively to the internal and external auditing procedures laid down in the financial regulations, rules, directives and procedures applicable to the Participating UN Organization.

3. Where the balance in the Joint Programme Account on the date of a scheduled disbursement is insufficient to make that disbursement, the Administrative Agent shall consult with the Project Board and make a disbursement, if any, in accordance with the Project Board's guidance. The Administrative Agent shall promptly notify the Donor in such circumstances and shall advise the Donor of the Project Board's decision in that regard.

Article III
Implementation of the Joint Programme

1. The Participating UN Organizations shall carry out the activities for which they are responsible, in line with the budget contained in the Joint Programme Document, as amended from time to time by the Project Board in accordance with the regulations, rules, directives and procedures applicable to it. Accordingly, personnel shall be engaged and administered, equipment, supplies and services purchased, and contracts entered into in accordance with the provisions of such regulations, rules, directives and procedures.

2. The Participating UN Organizations shall commence and continue to conduct operations for the Joint Programme only upon receipt of disbursements as guided by the Project Board.

3. The Participating UN Organizations shall not make any commitments above the budgeted amounts in the Joint Programme Document, as amended from time to time by the Project Board.

4. If unforeseen expenditures arise, the Project Board may recommend, through the Administrative Agent, a supplementary budget to the Donor showing the further financing that will be necessary. If no such further financing is available, the activities to be carried out under the Joint Programme may be reduced or, if necessary, terminated by the Participating UN Organizations. In no event will the Participating UN Organizations assume any liability in excess of the funds provided in the Joint Programme Account.

Article IV **Equipment and Supplies**

On the termination or expiration of this Agreement, the matter of ownership shall be determined in accordance with the regulations, rules, directives and procedures applicable to such Participating UN Organization, including where applicable its basic agreement with the Government of Lao PDR.

Article V **Reporting**

The Administrative Agent shall provide the Donor and the Project Board with the following reports, based on reports provided to the Administrative Agent by each Participating UN Organization prepared in accordance with the accounting and reporting procedures applicable to it, as set forth in the Joint Programme Document:

- (a) Consolidated narrative progress reports every twelve months, to be provided no later than three months after the end of the applicable reporting period;
- (b) Consolidated annual financial reports as of 31 December each year with respect to the funds disbursed from the Joint Programme Account, to be provided no later than five months after the end of the applicable reporting period;
- (c) A final consolidated narrative report and financial report, after the completion of the Joint Programme and including the final year of the Programme, to be provided no later than 30 June of the year following the financial closing of the Programme;
- (d) A consolidation of final certified financial statements, to be provided no later than 30 days after receipt from the Participating UN Organizations in the year following the financial closing of the Programme;
- (e) A financial report and final certified financial statement on its activities as Administrative Agent, to be provided no later than 30 June of the year following the financial closing of the Programme.

Article VI
Monitoring and Evaluation

Monitoring and evaluation of the Joint Programme including, as necessary and appropriate, joint evaluation by the Participating UN Organizations, the Administrative Agent, the Donor, the Government and other partners shall be undertaken in accordance with the Joint Programme Document.

Article VII
Joint Communication

Information given to the press, to the beneficiaries of the Joint Programme, all related publicity material, official notices, reports and publications, shall acknowledge the role of the Government of Lao PDR , the donors, the Participating UN Organizations, the Administrative Agent and any other relevant parties.

Article VIII
Expiration, Modification and Termination of the Agreement

1. The Administrative Agent shall notify the Donor when it has received notice from all Participating UN Organizations that the activities for which they are responsible under the Joint Programme have been completed. The date of the last notification received from a Participating UN Organization shall be deemed to be the date of expiration of this Agreement, subject to the continuance in force of paragraph 4 below for the purposes therein stated.

2. This Agreement may be modified only by written agreement between the parties.

3. This Agreement may be terminated by either party on [thirty (30)] days of a written notice to the other party, subject to the continuance in force of paragraph 4 below for the purpose therein stated.

4. Obligations assumed by the Donor and the Administrative Agent under this Agreement shall survive the expiration or termination of this Agreement to the extent necessary to permit the orderly conclusion of activities, the withdrawal of personnel, funds and property, the settlement of accounts between the Parties hereto and the Participating UN Organizations and the settlement of contractual liabilities required in respect of any subcontractors, consultants or suppliers. Any balance remaining in the Joint Programme Account or in the individual Participating UN Organizations' separate ledger accounts shall be used for a purpose mutually agreed upon by the Administrative Agent, the donors and the Project Board.

Article IX
Notices

1. Any action required or permitted to be taken under this Agreement may be taken on behalf of the Donor by H.E. M. Jean Marc Hoscheit, Permanent Representative of Luxembourg to the United Nations in New York, or his or her designated representative, and on behalf of the Administrative Agent by Bisrat Aklilu or his designated representative.

2. Any notice or request required or permitted to be given or made in this Agreement shall be in writing. Such notice or request shall be deemed to be duly given or made when it shall have been delivered by hand, mail, cable or telex to the party to which it is required to be given or made, at such party's address specified below or at such other address as the party shall have specified in writing to the party giving such notice or making such request.

For the Donor:

Name: Ms. Béatrice Kirsch
Title: Counsellor
Address: Ministry of Foreign Affairs
6, rue de la Congrégation,
L-1352 Luxembourg
Telephone: + 352 478 23 59
Facsimile: + 352 46 38 42
Email: beatrice.kirsch@ma.etat.lu

For the Administrative Agent:

Name: Mr. Bisrat Aklilu
Title: Executive Coordinator, MDTF Office, Partnerships Bureau, UNDP
Address: 828 Second Ave. 4th Floor, New York, NY 10017
Telephone: +1 212 906 6880
Facsimile: +1 212 906 6990
Email: bisrat.aklilu@undp.org

Article X
Entry into force

This Agreement shall enter into force upon signature thereof by the Parties and shall continue in full force and effect until it is expired or terminated.

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



ANNEX A: Joint Programme Document

ANNEX B: Schedule of Payments

Payments shall be made in accordance with the following schedule:

<u>Date payment due:</u>	<u>Estimated amount:</u>
i. Upon signature of the LOA	\$ 1,800,000
ii. First half 2008	\$ 1,700,000
iii. First half 2009	\$ 250,000
iv. First half 2010	\$ 250,000

By decision of Luxembourg, the second, third and fourth instalments may vary by up to 10% of the total contribution on the understanding that the funds must be received in advance of activities and that UNDP will have received a 100% of the contribution with the last instalment according to the schedule.