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United Nations Development Programme

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DEVELOPMENT SERVICES DOCUMENT
Republic of Serbia

Development Services Title: Thematic Bonds for SDG Financing
Project Number:
Start Date: 20. 01. 2025 **End Date:** 20.01.2027

Recipient	Public Debt Administration, Ministry of Finance
Address	Balkanska 53
Phone / Fax	+ 381 11 7652 742
Email	kabinet@javnidug.gov.rs

The development services to be provided under this project will assist the Ministry of Finance, the Public Debt Administration (PDA) to enhance its capacity to utilize and manage debt instruments effectively for Sustainable Development Goal (SDG) financing. Through expert advisory services, that will develop the impact report design and methodology for selected thematic bonds, the PDA will be assisted to create annual impact reports for selected thematic bonds, continuously refining the process based on lessons learned. Also, through expert assistance PDA's thematic bond allocation reporting will be assisted and improved. Lastly, the PDA will be supported to identify and understand, and adopt where prudent, international/EU best practices relating to thematic bond issuance, management, and reporting to meet global standards and attract sustainability-focused investors.
Through these activities, the assistance will be provided to improve the capacities of the MoF/PDA to contribute to the facilitation of a growth-driven, sustainable economy in Serbia.

Total value:		USD 192,610

Agreed by (signatures)[1]:

Public Debt Administration	UNDP
Signed by: Tatjana Paulica Milovanovic B877FEB4D7CE454...	DocuSigned by: Yakup Beris 8E8AB6D378F0463...
Print Name: Tatjana Paulica Milovanović, Acting Director	Print Name: Yakup Beris, UNDP Serbia Resident Representative
Date: 31.01.2025	Date: 31.01.2025

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I. Objectives and Scope of Work

The Development Services Agreement is entered with the Ministry of Finance Public Debt Administration (PDA) to provide services to the Ministry/PDA, in areas relating to improved issuance, management and reporting on thematic bonds for financing Sustainable Development Goals (SDGs).

In recent years, Serbia has positioned itself as a regional leader in sustainable debt financing through its innovative issuance of thematic bonds, aligning its public debt management with SDGs. These efforts underscore the importance of transparent impact assessment and reporting, an area where collaboration with UNDP Serbia has been successful.

Serbia's journey into thematic bond financing began in 2021 with the issuance of its first sovereign green bond in the international market, raising EUR 1 billion. This issuance followed the adoption of a robust legal framework, developed in accordance with the standards of the International Capital Markets Association (ICMA). The green bond, a seven-year security with a 1% annual coupon rate, marked a milestone for Serbia, achieving the lowest yield rate in the country's history at 1.26%. The bond attracted offers exceeding EUR 3 billion, reflecting strong investor confidence.

Proceeds from the green bond were earmarked exclusively for financing and refinancing projects in renewable energy (with emissions of up to 100 grams of CO2 equivalent per kilowatt-hour), energy efficiency, sustainable water and wastewater management, pollution prevention, circular economy, biodiversity protection, and sustainable agriculture. The bond issuance highlighted Serbia's commitment to environmental sustainability and green transition. UNDP Serbia has provided critical support to the Public Debt Administration in developing impact assessment and reporting mechanisms for Serbia's sovereign green bonds. This collaboration encompassed data collection, the design of impact methodologies, measurement of outcomes, and preparation of detailed impact reports. As a result, two Impact and Allocation Reports were published in 2022 and 2024, demonstrating the environmental benefits achieved through the financed projects. Both reports received positive second-party opinions, highlighting their alignment with international best practices and boosting investor confidence in Serbia's thematic bonds.

Building on successful green bond issuance, Serbia issued its first U.S. dollar-denominated ESG bond in 2024, raising $1.5 billion (EUR 1.38 billion) to finance sustainable development and social responsibility projects. This 10-year ESG bond, issued at a 6% coupon rate and secured at 4.754% after a swap transaction, attracted $6.5 billion in investor demand, demonstrating strong international interest. The decision to issue the bond in U.S. dollars allowed Serbia to tap into a broader investor base.

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Looking ahead, the collaboration between UNDP and the Public Debt Administration will remain critical in advancing Serbia's sustainable financing agenda, ensuring that the impact of these investments is both measurable and transformative.

The support that will be provided will focus on priorities of the Ministry of Finance/ PDA to manage Serbian public debt, through improved capacities to issue, manage and report on selected thematic bonds and efficiently contribute to the maintenance of Serbia's fiscal policy development and implementation, as well as economic growth.

The single deliverable envisaged under the present Agreement has the following objective:

1. Support to the Ministry of Finance/Public Debt Administration for improved utilization and management of debt instruments for SDG Financing

This deliverable will be completed through the following activities:

- *Activity 1.1 Thematic Bond Impact Reporting* - the overall objective of this activity is to provide the specific expertise to develop the report design and methodology and assist the PDA to create an annual impact report for selected thematic bonds. The Ministry of Finance/PDA will select the thematic bonds for which the reports will be provided. The advisory service will develop the Annual thematic bond impact reports, based on lessons learned through the assistance provided, adjust, and improve the report design and methodology, as needed.
- *Activity 1.2 Thematic Bond Allocation Reporting* - The purpose of this activity is to provide expert advisory services to the Ministry of Finance/PDA, to enhance the methodology on thematic bond allocation, and support the MoF/PDA to create the annual thematic bond allocation report. The advisory services will focus on several key aspects, including monitoring crucial data relevant to GDP, employment rate trends, and other vital areas for the Investment Sector's operations; as well as the development of studies and elaborations to assess the long-term effects of incentive allocations and other areas of interest.
- *Activity 1.3 Integration of International Best Practices in Thematic Bond Issuance, Management and Reporting for SDG financing* - This activity aims to support the Ministry of Finance/PDA in understanding and adopting international best practices in thematic bond issuance and reporting, with the aim of achieving the SDGs. By learning from the experiences of other countries, the Ministry of Finance/PDA will be better equipped to design and implement effective strategies for the issuance, management and reporting on thematic bonds that contribute to financing the SDG. This

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initiative will provide essential knowledge and resources to ensure that the country's thematic bonds meet global standards and attract potential investors focused on sustainability.

II. Risks/Mitigation Measures, including any due diligence as may be required

The risks identified for the deliverable envisaged under this Development Services Agreement are as listed below.

- *Changing priorities of the Government of Serbia*- Mitigation measure for this risk is maintaining the open coordination and communication line with the MoF, the Minister's Cabinet, the PDA and other relevant representatives of the MoF to adjust the project implementation in a timely manner.
- *Changes in leadership* – Mitigation measures to this risk include continual communication and collaboration with the Ministry of Finance's and the Public Debt Administration leadership, consultations on project implementation at the highest level (Minister and Cabinet) if changes in leadership occur to discuss further project implementation; using existing mechanism for coordination between UNDP and host country.
- *MoF/PDA has capacity to achieve outcomes during the project implementation*. To mitigate the risk of insufficient sustainable capacity within the Ministry/PDA to achieve outcomes during project implementation, the implementation team will continually communicate and collaborate with the Ministry/PDA, and to share information, take decisions and to identify any capacity gaps early on, allowing for timely interventions.
- *Delays in transfer of government funds impacting a postponement of the planned activities*. In order to overcome the risk, the focal point within MoF/PDA will be established to coordinate all financial matters regarding the agreement.

III. Monitoring and Reporting Arrangements

As a distinct programming instrument, development services enable UNDP to help partners achieve development results. UNDP plays a specific and pre-defined role, delivering outputs and activities towards a result for which the partner (recipient of services) has accountability for strategy, design, oversight and quality assurance. UNDP is only responsible for the quality of the deliverables it provides, as shown in Annex 1.

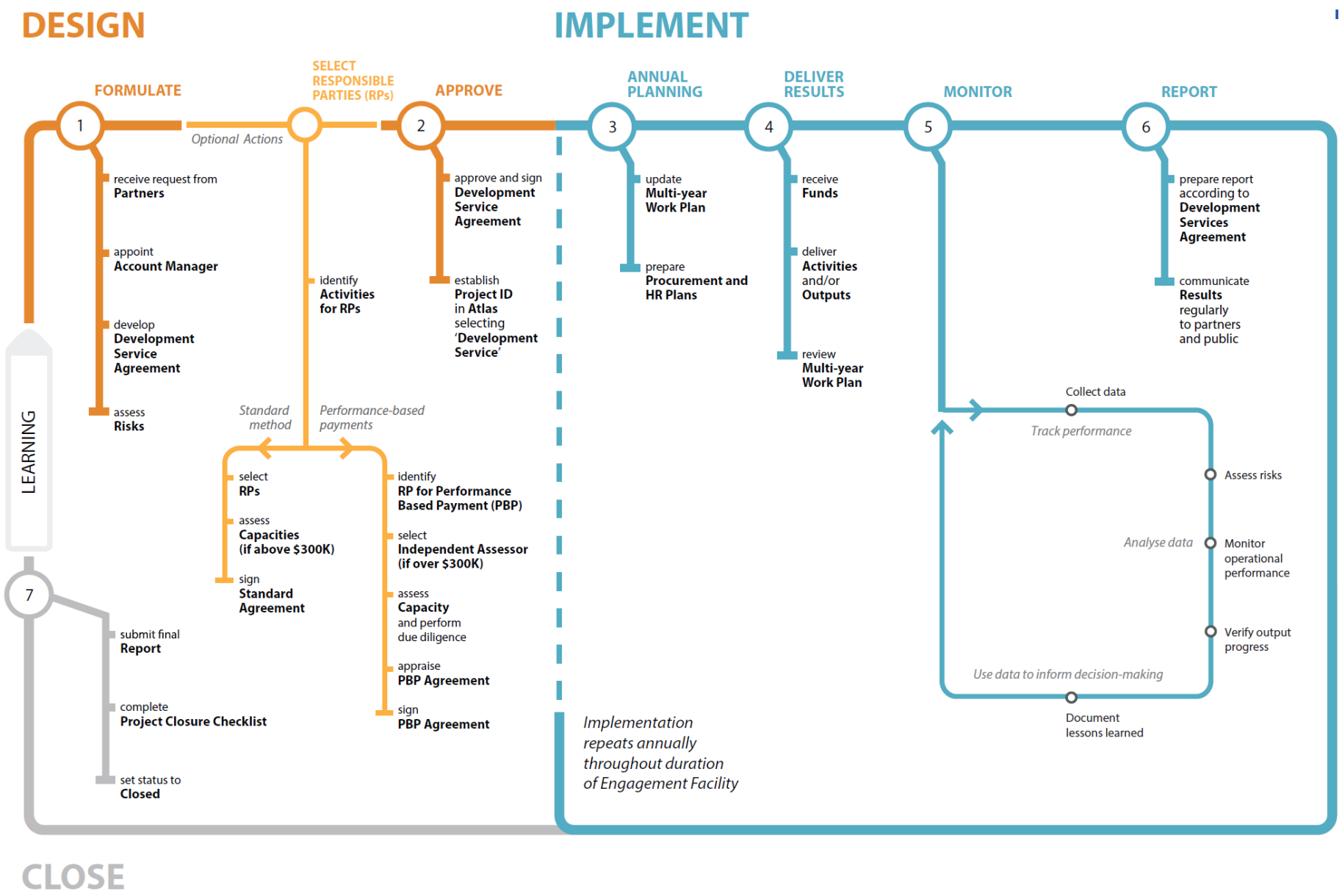
All UNDP policies on audit and risk management, including application of the Social and Environmental Screening Procedure, equally apply to development services. The programme manager/Resident Representative is accountable for overseeing performance, approving the budget and making course corrections, within the approved workplan.

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If the corrections required are of substantive nature and/or exceed the ones set under Annex 1, the UNDP-Government Council shall approve the corrections prior to execution.

The following is a visual guide to UNDP development services:

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For the sake of financial monitoring of project progress, Combined Delivery Reports/CDRs shall be issued on a quarterly basis, while semi-annual narrative reports will be compiled by the account manager to document the services rendered. Standard quality assurance of procurement, recruitment, human resource management and travel processes will be provided by UNDP Operations.

The project will be subject to UNDP internal audit.

IV. UNDP's Core Service Team and Responsible Parties

The SDG Acceleration Framework will be serviced by UNDP Serbia – by the SDG Integration Center, supported by the Operations Team. The account manager for this Development Services Agreement will be the Team Leader of the SDG Integration Center.

In accordance with the approved Country Program Document 2021-2025, the UNDP Country Office shall provide services for the Project as described below:

- Procurement of commodities, labor and services
- Identification and/or recruitment and solution of administrative issues related to project personnel
- Identification and facilitation of training activities, seminars and workshops
- Administration of travel if any
- Financial monitoring and reporting
- Supervision of project implementation, monitoring and assistance in project assessment.
- Costs for such services shall be covered through direct project costs as presented in the Multiyear Workplan.

The procurement of goods and services and the recruitment of project personnel by UNDP shall be in accordance with the UNDP's policies and procedures. Goods/end products procured or built/developed within the framework of the Project shall be transferred to the ownership of relevant national partners. The relevant provisions of the Standard Basic Assistance Agreement (SBAA) between the Government and UNDP, including the provisions on liability and privileges and immunities, shall apply to the provision of such support services.

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Deliverables and Indicators

Deliverable(s)	INDICATORS	Expected Date of Achievement
Deliverable 1 *Support to the Ministry of Finance/Public Debt Administration for improved utilization and management of debt instruments for SDG Financing*	*1.1.1. Report design and methodology developed (yes/no)* *1.1.2. Annual Thematic Bond Impact Report on selected thematic bonds developed annually for the duration of the DSA (2 annual thematic bond impact reports developed)* *1.1.3 Improved design, based on lessons learned (yes/no)*	20/01/2027
	1.2.1 Annual Thematic Bond Allocation Report developed every year for the duration of the DSA (2 annual thematic bond allocation reports developed)	20/01/2027
	1.3.1 Best practices identified through a knowledge exchange with selected country (Yes/No)	20/01/2027

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V. Multi-Year Work Plan/Budget [2]

All anticipated programmatic and operational costs to support the development service, need to be identified, estimated and fully costed in the budget.

EXPECTED OUTPUT	PLANNED ACTIVITIES	TIMEFRAME		RESPONSIBLE PARTY	PLANNED BUDGET	
		2025	2026		Budget Description	Amount USD
Support to the Ministry of Finance/Public Debt Administration for improved utilization and management of debt instruments for SDG Financing	Activity 1: Thematic Bond Impact Reporting	x	x	UNDP	72100 - company contracts	**$80,000**
	Activity 2: Thematic Bond Allocation Reporting	x	x	UNDP	71200-71300 - consultants	**$80,000**
	Activity 3: Integration of International Best Practices in Thematic Bond Issuance, Management and Reporting for SDG financing				72100 - company contracts	**$5,000**
			x	UNDP	71600 - travel	**$5,000**
					71400-64300 Mngmnt & backstopping	**$17,000**
Sub-Total Direct Project Costs						**$187,000**
General Management Services (GMS) (3%)						**$5,610**
TOTAL PROJECT COST (Direct Project Costs with GMS)						**$192,610**

[2] Cost definitions and classifications for programme and development effectiveness costs to be charged to the project are defined in the Executive Board decision DP/2010/32

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ANNEX 1

SCHEDULE OF PAYMENT

This schedule of payment indicates the amount and timing of payment. Fees for the Development Services provided by UNDP must be paid by the Recipient before UNDP initiates the provision of Development Services.

A. Fee and Expenses Breakdown per Deliverable*

	Deliverables	Fee + Expenses (Lump Sum, All Inclusive with GMS and DPC as per Multiyear Workplan)	Payment Timing (Date)
1	Deliverable 1	USD **192,610**	February 2025
	Total Amount	USD **192,610**	

**Basis for payment tranches*

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ANNEX 2

UNDP GENERAL CONDITIONS

FOR PROVISION OF DEVELOPMENT SERVICES

1. BASIS OF ARRANGEMENT AND LEGAL STATUS OF THE PARTIES:

The United Nations Development Programme ("UNDP") and the Recipient shall each be referred to as a "Party" hereunder, and:

1.1 Pursuant, inter alia, to the Charter of the United Nations and the Convention on the Privileges and Immunities of the United Nations, the United Nations, including its subsidiary organs, has full juridical personality and enjoys such privileges and immunities as are necessary for the independent fulfillment of its purposes.

1.2 Nothing contained in or relating to the Agreement to which these General Conditions apply and to which such General Conditions form an integral part thereof, (each, an "Agreement"), shall be construed as establishing or creating between the Parties the relationship of employer and employee or of principal and agent. The officials, representatives, employees, or responsible parties (in the case of UNDP) or subcontractors (in the case of Recipient) of each of the Parties shall not be considered in any respect as being the employees or agents of the other Party, and each Party shall be solely responsible for all claims arising out of or relating to its engagement of such persons or entities.

1.3 The Development Services are being provided by UNDP as assistance to the Recipient, further to the Agreement of the Government, towards the Recipient's contribution to international development goals. The Development Services are performed by UNDP further to and consistent with its mandate. The Parties agree that nothing herein shall be construed as the Parties engaging in a commercial relationship.

1.4 UNDP will undertake the Development Services in accordance with its regulations, rules, policies

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and procedures, and without prejudice to its privileges and immunities.

2. SOURCE OF INSTRUCTIONS:

2.1 UNDP staff and personnel performing the Development Services may not receive instruction from anyone other than UNDP.

3. UNDP'S RESPONSIBILITY FOR ITS PERSONNEL:

3.1 UNDP shall be responsible for the professional and technical competence of its personnel.

4. RECIPIENT'S DUTIES AND RESPONSIBILITIES:

4.1 The Recipient will make available in a timely manner for UNDP's use, at no charge to UNDP, all technical data, computer facilities, programs, files, documentation, test data, sample output, or other information, resources, and its personnel that may be required by UNDP to perform the Development Services. Recipient will be responsible for, and assumes the risk of any issues or problems resulting from the content, accuracy, completeness, competence, or consistency of all Recipient computer facilities, programs, files, documentation, test data, sample output, or other information, resources, and personnel supplied by Recipient. Recipient will provide, at no charge to UNDP, reasonable office space and equipment at Recipient's facilities (e.g., telecommunications requirements, copiers, etc.) as UNDP requires in performing the Development Services. The Recipient's personnel provided to UNDP further to the foregoing, shall in no way be considered staff or personnel of UNDP, and among other things, shall not be covered by UNDP's privileges and immunities and shall not be included in UNDP's security arrangements. Recipient shall make all necessary arrangements for its personnel with respect to safety and security.

5. ASSIGNMENT:

5.1 Neither Party may assign, transfer, pledge or make other disposition of this Agreement or any part thereof, or any of their respective rights, claims or obligations under this Agreement except with the prior written consent of the other Party.

6. USE OF DEVELOPMENT SERVICES OF OTHER ENTITIES:

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6.1 UNDP may require the Development Services of other entities ("Responsible Parties") to assist it in certain aspects of the provision of Development Services. UNDP's use of a Responsible Party shall not relieve the UNDP of any of its obligations under this Agreement.

7. COMPENSATION AND PAYMENT

7.1 The compensation of UNDP for the provision of Development Services will be further to the Agreement. UNDP shall not be required to commence the provision or continuation of Development Services until the payments referred to in **Annex 2** have been received in accordance with the terms set forth therein.

7.2 Compensation for any additional Development Services provided by UNDP relating to the Service shall be as agreed by the Parties, as set forth in the Agreement.

7.3 Recipient shall make all payments under this Agreement in United States dollars (**USD)** within thirty (30) calendar days after the date of UNDP's payment notice. The value of the payment received, if made in a currency other than **USD**, shall be determined by applying the United Nations operational rate of exchange in effect on the date of payment. If, in such a case, the value of the payment received is less than the invoiced amount due (in **USD**), UNDP shall inform the Recipient with a view to determining whether any further financing could be provided by the Recipient. Should such further financing not be available, the assistance to be provided further to this Agreement may be reduced, suspended or terminated by UNDP.

7.4 In addition to any other remedy available to UNDP for late payments as may be specified anywhere in this Agreement, Recipient will be obligated to pay UNDP interest on the overdue amount at the rate of one and one-half percent (1.5%) per month for each month, or partial month, calculated from the date such payment was due until the date paid. Recipient will reimburse UNDP for all costs incurred by UNDP in connection with any collection efforts related to or arising out of this Agreement.

7.5 In no event shall UNDP's obligation and liability to the Recipient hereunder exceed the undertaking of the Development Services. If the Development Services are not performed in accordance with Annex 1, UNDP shall re-perform such Development Services to bring them into compliance with the foregoing and such correction shall be the Recipient's sole remedy under this Agreement with respect to the provision of the Development Services.

8. ADMINISTRATION AND REPORTING

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8.1 UNDP's management of resources received and expenditures incurred under/further to the Agreement, shall be in accordance with UNDP's regulations, rules, policies and procedures. UNDP shall provide to the Recipient, reports and documents prepared in accordance with UNDP accounting and reporting procedures, in the form, numbers and within the time periods set forth in the said **Annex 1**.

9. INDEMNIFICATION; LIABILITY

9.1.1 The Recipient agrees to indemnify and hold UNDP harmless from and against all claims, liabilities, losses, damages, and expenses (including the costs of UNDP's professional time) as incurred (collectively "Losses") relating to the Development Services, including any Losses asserted by the Recipient, its agents or representatives, or third parties and any Losses, costs, etc. sustained by UNDP when participating in any legal, regulatory, or administrative proceeding relating to the Development Services, except to the extent those Losses are determined by a final, non-appealable order or arbitral award to have resulted from UNDP's gross negligence or willful misconduct in the performance of the Development Services.

9.1.2 Notwithstanding the foregoing, the Recipient shall not be liable for any lost profits or other indirect, consequential, incidental, punitive or special damages.

9.2 In no event shall the UNDP, its members, officials, staff, other personnel and advisors have any liability, financial or otherwise, under any paragraph of this Agreement, except as provided in Article 8 of the General Conditions, above.

10. RECIPIENT ACKNOWLEDGEMENT

10.1 It is the long-standing practice of UNDP to serve and work with multiple stakeholders within and across countries, including those with opposing economic interests. These include, but are not limited to, governments and affiliated organizations, inter-governmental organizations, non-governmental organizations, civil society organizations, as well as other private sector entities. UNDP is committed to maintaining the confidentiality of each Recipient's information (generally as described in this Agreement) in all such situations. Accordingly, the Recipient acknowledges the possibility and agrees that UNDP may have served, may currently be serving or may in the future serve other organizations and entities whose interests are adverse to those of the Recipient, including parties with whom the Recipient (i) competes; (ii) has a commercial relationship or potential commercial relationship (e.g., suppliers, distributors); (iii) enters

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into competitive bidding situations; and (iv) enters into or considers entering into merger, acquisition, divestiture, alliance or joint venture transactions.

11. INSURANCE AND LIABILITIES TO THIRD PARTIES

11.1 The Parties note that the UNDP is self-insured. Without prejudice to the foregoing, throughout the execution of this Agreement, UNDP shall:

11.1.1 maintain appropriate insurance coverage with respect to third-party motor vehicle liability insurance;

11.1.2 maintain appropriate cargo insurance against loss of or damage to supplies and equipment, if any, purchased in whole or in part with funds provided under this Agreement until transferred to the Recipient;

11.1.3 with regard to its Staff, Consultants and other personnel, maintain appropriate health insurance; provide for compensation in respect of injury, sickness or death while performing official duties of UNDP; and maintain malicious acts insurance.

12. TITLE TO EQUIPMENT

12.1 Title to any equipment and supplies that may be furnished by the Recipient shall rest with the Recipient and any such equipment shall be returned to the Recipient at the conclusion of this Agreement or when no longer needed by the UNDP. Such equipment, when returned to the Recipient, shall be in the same condition as when delivered to UNDP, subject to normal wear and tear. UNDP shall be liable to compensate the Recipient for equipment determined to be damaged or degraded beyond normal wear and tear.

13. COPYRIGHT, PATENTS AND OTHER PROPRIETARY RIGHTS

13.1 Except as is otherwise expressly provided in writing in the Agreement, the Recipient shall be entitled to all intellectual property and other proprietary rights including, but not limited to, patents, copyrights, and trademarks, with regard to products, processes, inventions, ideas, know-how, or documents and other materials which the UNDP has developed for the Recipient under the Agreement and which bear a direct relation to or are produced or prepared or collected in consequence of, or during the course of, the performance of the Agreement. Nonetheless, the Recipient shall grant UNDP a perpetual, royalty-free license to (reproduce, adapt, modify, distribute, sub-license) make use of such intellectual property or other

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proprietary rights for non-commercial purposes, including the ability to further license to other non-private sector Recipients and its programme governments in accordance with the requirements of the agreement between UNDP and the Recipient(s) concerned and its basic cooperation agreement with programme governments, respectively.

13.2 To the extent that any such intellectual property or other proprietary rights consist of any intellectual property or other proprietary rights of UNDP: (i) that pre-existed the performance by UNDP of its obligations under the Agreement, or (ii) that UNDP may develop or acquire, or may have developed or acquired, independently of the performance of its obligations under the Agreement, the Recipient does not and shall not claim any ownership interest thereto, and UNDP grants to the Recipient a perpetual license to use such intellectual property or other proprietary right solely for the purposes of and in accordance with the requirements of the Agreement.

13.3 Subject to the foregoing provisions, all maps, drawings, photographs, mosaics, plans, reports, estimates, recommendations, documents, and all other data compiled by or received by UNDP from the Recipient under the Agreement shall be the property of the Recipient, shall be made available for use or inspection by the Recipient at reasonable times and in reasonable places, shall be treated as confidential, and shall be delivered only to the Recipient authorized officials on completion of work under the Agreement.

14. USE OF NAME, EMBLEM OR OFFICIAL SEAL OF UNDP OR THE UNITED NATIONS

14.1 Recipient shall not advertise or use the name, emblem or trademarks of UNDP, or any of its programmes, projects or affiliates (including the UN, UNCDF and UNV), or any abbreviation thereof, without the express prior written approval of UNDP in each case. In no event will authorization to use the UNDP name or emblem, or any abbreviation thereof, be granted for commercial purposes, or for use in any manner that suggests an endorsement by UNDP of the Recipient and/or its business or Development Services. In making such request, the Recipient must submit an outline and draft of the proposed use of the name or emblem to UNDP.

15. CONFIDENTIAL NATURE OF DOCUMENTS AND INFORMATION

Information and data that is considered proprietary by either Party, and that is delivered or disclosed by one Party (“Discloser”) to the other Party (“Disclosee”) during the course of performance of the Agreement,

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and that is designated as confidential ("Information"), shall be held in confidence by that Party and shall be handled as follows:

15.1 The recipient ("Disclosee") of such information shall:

15.1.1 use the same care and discretion to avoid disclosure, publication or dissemination of the Discloser's Information as it uses with its own similar information that it does not wish to disclose, publish or disseminate; and,

15.1.2 use the Discloser's Information solely for the purpose for which it was disclosed.

15.2 Provided that the Disclosee has a written agreement with the following persons or entities requiring them to treat the Information as confidential in accordance with the Agreement and this Article 13, the Disclosee may disclose Information to: **15.2.1** any other party with the Discloser's prior written consent; and,

15.2.2 the Disclosee's employees, officials, representatives and agents who have a need to know such Information for purposes of performing obligations under the Agreement, and employees, officials, representatives and agents of any legal entity that it controls, controls it, or with which it is under common control, who have a need to know such Information for purposes of performing obligations under the Agreement, provided that, for these purposes a controlled legal entity means:

15.2.2.1a corporate entity in which the Party owns or otherwise controls, whether directly or indirectly, over fifty percent (50%) of voting shares thereof; or,

15.2.2.2any entity over which the Party exercises effective managerial control; or,

15.2.2.3 for the UNDP, an affiliated Fund such as UNCDF and UNV.

15.3 The Disclosee may disclose Information to the extent required by law, provided that, subject to and without any waiver of the privileges and immunities of the United Nations, the Disclosee will give the UNDP sufficient prior notice of a request for the disclosure of Information in order to allow the UNDP to have a reasonable opportunity to take protective measures or such other action as may be appropriate before any such disclosure is made.

15.4 The UNDP may disclose Information to the extent as required pursuant to the Charter of the UN, resolutions or regulations of the General Assembly, or rules promulgated by the Secretary-General, and consistent with its Information Disclosure Policy.

15.5 The Disclosee shall not be precluded from disclosing Information that is obtained by the Disclosee from a third party without restriction, is disclosed by the Discloser to a third party without any obligation

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of confidentiality, is previously known by the Disclosee, or at any time is developed by the Disclosee completely independently of any disclosures hereunder.

15.6 These obligations and restrictions of confidentiality shall be effective during the term of the Agreement, including any extension thereof, and, unless otherwise provided in the Agreement, shall remain effective following any termination of the Agreement.

16. FORCE MAJEURE; OTHER CHANGES IN CONDITIONS

16.1 In the event of and as soon as possible after the occurrence of any cause constituting force majeure, UNDP shall give notice and full particulars in writing to the Recipient, of such occurrence or change if UNDP is thereby rendered unable, wholly or in part, to perform its obligations and meet its responsibilities under this Agreement. UNDP shall also notify the Recipient of any other changes in conditions or the occurrence of any event that interferes or threatens to interfere with its performance of this Agreement. On receipt of the notice required under this Article, the Recipient shall take such action as, in its sole discretion; it considers to be appropriate or necessary in the circumstances, including the granting to UNDP of a reasonable extension of time in which to perform its obligations under this Agreement.

16.2 If UNDP is rendered permanently unable, wholly, or in part, by reason of force majeure to perform its obligations and meet its responsibilities under this Agreement, the Recipient shall have the right to suspend or terminate this Agreement on the same terms and conditions as are provided for in Article 17, "Termination", except that the period of notice shall be seven (7) days instead of thirty (30) days.

16.3 Force majeure as used in this Article means acts of God, war (whether declared or not), invasion, revolution, insurrection, or other acts of a similar nature or force; failure of carrier or utilities, equipment or transmission failure or damage that is reasonably beyond the non-performing party's control, or any other cause that is reasonably beyond the control of the non-performing party; governmental acts, order or restrictions, failure of government or suppliers to act or any other reason when the failure to perform is beyond the reasonable control and not caused by negligence or international conduct or misconduct of the non-performing party and such party has exerted all reasonable efforts to avoid or remedy such force majeure provided however that the non-performing party shall not be obligated to remedy or settle any labour dispute or disturbance.

17. TERM AND TERMINATION

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17.1 The term of this Agreement will commence on the Effective Date and will continue in effect until the Completion Date unless earlier terminated pursuant to the terms of this Agreement.

17.2 Either party may terminate this Agreement for cause, in whole or in part, upon thirty (30) days' notice, in writing, to the other party. The initiation of arbitral proceedings in accordance with Article 18.3 ("Arbitration"), below, shall not be deemed a termination of this Agreement.

17.3 The Recipient reserves the right to terminate without cause this Agreement at any time upon 15 days prior written notice to UNDP, in which case the Recipient shall reimburse UNDP for all costs incurred by UNDP prior to receipt of the notice of termination.

17.4 In the event of any termination by UNDP under this Article, no payment shall be due from the Recipient to the UNDP except for work and Development Services performed in conformity with the express terms of this Agreement.

17.5 Upon any expiration or termination of this Agreement, each party will return promptly or, at the other Party's request, destroy all documents and other tangible objects containing or representing Confidential Information of the other Party except to the extent that such documents must be retained to satisfy auditing or regulatory requirements.

17.6 Notwithstanding any other provision to the contrary in this Agreement, UNDP shall have the right to terminate this Agreement with immediate effect if it becomes aware of any event that, in the sole opinion of UNDP, may cause reputational risk or injury to UNDP or may be contrary to UNDP's status, neutrality, ideals or objectives.

18. SETTLEMENT OF DISPUTES

18.1 This Agreement shall be governed by the terms provided herein, to the exclusion of application of any national and/or subnational law.

18.2 **Amicable Settlement**: The Parties shall use their best efforts to amicably settle any dispute, controversy or claim arising out of this Agreement or the breach, termination or invalidity thereof.

18.3 **Arbitration:** Any dispute, controversy, or claim between the Parties arising out of the Agreement or the breach, termination, or invalidity thereof, unless settled amicably under Article 18.2, above, within sixty (60) days after receipt by one Party of the other Party's written request for such amicable settlement, shall be referred by either Party to arbitration in accordance with the UNCITRAL Arbitration Rules then obtaining. The decisions of the arbitral tribunal shall be based on general principles of international commercial law. The arbitral tribunal shall be empowered to order the return or destruction of goods or

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any property, whether tangible or intangible, or of any confidential information provided under the Agreement, order the termination of the Agreement, or order that any other protective measures be taken with respect to the goods, Development Services or any other property, whether tangible or intangible, or of any confidential information provided under the Agreement, as appropriate, all in accordance with the authority of the arbitral tribunal pursuant to Article 26 ("Interim Measures") and Article 34 ("Form and Effect of the Award") of the UNCITRAL Arbitration Rules. The arbitral tribunal shall have no authority to award punitive damages. In addition, unless otherwise expressly provided in the Agreement, the arbitral tribunal shall have no authority to award interest in excess of the London Inter-Bank Offered Rate ("LIBOR") (or should LIBOR be no longer available, then the arbitral tribunal shall have no authority to award interest in excess of the Federal Reserve Bank of New York's Secured Overnight Financing Rate) then prevailing, and any such interest shall be simple interest only. The Parties shall be bound by any arbitration award rendered as a result of such arbitration as the final adjudication of any such dispute, controversy, or claim.

19. PRIVILEGES AND IMMUNITIES

19.1 Nothing in or relating to this Agreement shall be deemed a waiver, express or implied, of any of the privileges and immunities of the United Nations, including UNDP.

20. TAX EXEMPTION

20.1 The Compensation paid to UNDP hereunder shall be net of taxes. Section 7 of the Convention on the Privileges and Immunities of the United Nations provides, inter-alia that the United Nations, including its subsidiary organs, is exempt from all direct taxes, except charges for public utility services, and is exempt from customs duties and charges of a similar nature in respect of articles imported or exported for its official use. In the event any governmental authority refuses to recognize the United Nations exemption from such taxes, duties or charges, UNDP shall immediately consult with the Recipient to determine a mutually acceptable procedure, which may include the Recipient paying the taxes in relation to the Development Services directly to the competent Governmental authority(ies). In such case, if UNDP is able to recover the taxes paid, it shall reimburse them to the Recipient.

21. INTEGRITY CLAUSE

21.1 The Recipient and UNDP undertake to institute any such measures as are required to avoid corruption, ensuring in particular that no such payments or other considerations are offered or accepted.

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Both Parties acknowledge that a violation of the integrity clause shall, as a rule, result in revocation and early termination of the Agreement.

21.2 The parties will inform each other in case of any well-founded suspicions of corruption.

22.0 AUDIT AND INVESTIGATION

22.1 All payments received by UNDP under this Agreement shall be subject exclusively to internal and external audit in accordance with the United Nations audit principles and procedures and UNDP's Financial Regulations and Rules. Information related to the implementation of this Agreement may be provided in so far as it shall be deemed compatible with UNDP's Financial Regulations and Rules, policies and procedures, and its juridical status as an International Organization of the UN System.

23.0 AUTHORITY TO MODIFY

23.1 Pursuant to the Financial Regulations and Rules of UNDP, only the UNDP Authorized Official possesses the authority to agree on behalf of UNDP to any modification of or change in this Agreement, to a waiver of any of its provisions or to any additional contractual relationship of any kind with the Recipient. Accordingly, no modification or change in this Agreement shall be valid and enforceable against UNDP unless provided by an amendment to this Agreement signed by the Recipient and jointly by the UNDP Authorized Official.