

**THIRD-PARTY COST-SHARING AGREEMENT
BETWEEN**

**THE DIRECTORATE GENERAL FOR DEVELOPMENT COOPERATION (DGCS) OF THE
MINISTRY OF FOREIGN AFFAIRS AND INTERNATIONAL COOPERATION
OF THE ITALIAN REPUBLIC (THE DONOR)
AND
THE UNITED NATIONS DEVELOPMENT PROGRAMME (UNDP)**

WHEREAS the Donor hereby agrees to contribute funds to UNDP on a cost-sharing basis(hereinafter referred to as "the Contribution") for the implementation of STAR2 – Consolidation of the Territorial and Administrative Reform Project(hereinafter referred to as "the Project"), as described in the Project document [Project no. 00097212 and title "Consolidation of the Territorial and Administrative Reform"], in Albania, and submitted to the Donor for information.

WHEREAS UNDP is prepared to receive and administer the Contribution for the implementation of the Project,

WHEREAS the Italian Agency for Development Cooperation (AICS), established by Italian Law no. 125/2014, was created for the implementation of development cooperation policies and carries out the activities related to technical and operational investigative stages, financing, operation, monitoring of cooperation initiatives;

WHEREAS the Government of Albania has been duly informed of the Contribution of the Donor to the Project,

WHEREAS UNDP shall designate an Implementing Partner for the implementation of the Project (hereinafter referred to as the "Implementing Partner"),

NOW THEREFORE, The Donor and the UNDP, referred to collectively as the "Parties" and each individually as a "Party", 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 1,200,000 Eur (One Million and Two Hundred Thousand Euro). AICS will transfer the Contribution into the following bank account:

Bank Name:	Bank of America
Bank Address:	5 Canada Square, London E14 5AQ, United Kingdom
Account Title:	UNDP Contribution (Euro) Account
Account Number:	600862722022
SWIFT Address:	BOFAGB22
IBAN:	GB59BOFA16505062722022

<u>Schedule of payments</u>	<u>Amount</u>
2016	400,000 Eur;
2017	400,000 Eur;
2018	400,000 Eur.

(b)AICS will inform UNDP when the Contribution is paid via an e-mail message with remittance information to contributions@undp.org, providing the following information: Italian Agency for Development Cooperation Office in Albania, UNDP Albania Country Office, Project no. 00097212 and title "Consolidation of the Territorial and Administrative Reform (STAR2)". This information should also be included in the bank remittance advice when funds are remitted to UNDP.

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 rules, regulations, policies and procedures 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. UNDP shall not start the implementation of the activities prior to receiving the Contribution or the first tranche of the Contribution (whichever is applicable).

2. If unforeseen increases in expenditures or commitments are expected or realized (whether owing to inflationary factors, fluctuation in exchange rates or unforeseen contingencies), UNDP shall submit to the Donor on a timely basis a supplementary estimate showing the further financing that will be necessary. The Donor shall use its best endeavours to make available to UNDP 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, retained by UNDP 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 rules, regulations, policies and procedures of UNDP and, where applicable, the rules, regulations, policies and procedures of the Implementing Partner.

2. UNDP shall provide to the Donor and AICS the following reports in accordance with UNDP accounting and reporting procedures.

- (a) From the country office an annual status report of Project progress for the duration of this 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 country office within six months after the date of completion or termination of this 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 or AICS. The nature and frequency of this reporting shall be detailed in an annex to this Agreement.

Article IV. Administrative and support services

1. In accordance with the decisions, policies and procedures 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 8%. Furthermore, as long as they are unequivocally linked to the Project, all direct costs of implementation, including the costs of 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 Albania 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, policies and procedures of UNDP. Should the annual Audit Report of the UN Board of Auditors to its governing body contain observations relevant to the Contribution, such information shall be made available to the Donor and AICS by the country office.

Article VIII. Completion of the Agreement

1. UNDP shall notify the Donor when all activities relating to the Project have been completed in accordance with the Project document.
2. Notwithstanding the completion of the Project, UNDP shall continue to hold unutilized funds from the Contribution until all commitments and liabilities incurred in implementation of the Project have been satisfied and Project activities brought to an orderly conclusion.
3. If the unutilized funds 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. In cases where the Project is completed in accordance with the project document any funds below 5,000 USD (five thousand US Dollars) that remain unexpended after all commitments and liabilities have been satisfied shall be automatically reallocated by UNDP. Any funds above 5,000 USD (five thousand US Dollars) that remain

unexpended after all commitments and liabilities have been satisfied shall be reallocated by UNDP after consultation with the Donor and AICS.

Article IX. Termination of the Agreement

1. This Agreement may be terminated by UNDP or by the Donor after consultations between the Donor, UNDP and the programme country Government, and provided that the funds from the Contribution 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 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 this Agreement.

2. Notwithstanding termination of all or part of this Agreement, UNDP shall continue to hold unutilized funds until all commitments and liabilities incurred in the implementation of all or the part of the Project have been satisfied and Project activities brought to an orderly conclusion.

3. In cases where this agreement is terminated before Project completion any funds below 5,000 USD (five thousand US Dollars) that remain unexpended after all commitments and liabilities have been satisfied shall be automatically reallocated by UNDP. Any funds above 5,000 USD (five thousand US Dollars) that remain unexpended after all commitments and liabilities have been satisfied shall be reallocated by UNDP after consultation with the Donor and AICS.

Article X. Prevention of Corruption and Fraud

1. Both the Donor and UNDP are firmly committed to preventing and detecting fraudulent and corrupt practices. Consistent with the UN Charter, the Standards of Conduct for the International Civil Service, the United Nations Staff Rules and Regulations, and UNDP Financial Rules and Regulations and Procurement Manual, UNDP will use reasonable efforts to ensure that the utilization of the Contribution conforms to the highest standard of ethical conduct and that every part of the organization, as well as all individuals acting on behalf of UNDP, observe the highest standards of ethics and integrity.

2. UNDP, in accordance with its regulations, rules and directives, will ensure that any allegations of fraud and corruption in connection with the implementation of the Project are reported to the Office of Audit and Investigations (OAI) in a timely manner. Credible allegations will be investigated by OAI in accordance with its regulations, rules, policies and procedures. UNDP will, in a timely manner and consistent with its regulations, rules, policies and procedures, provide details to the Donor of the outcome of substantiated allegations of fraud and corruption, along with details of action taken by UNDP.

3. Following the conclusion of any investigation which identifies fraud or corruption involving any activities funded in whole or in part with a Contribution made under this Agreement, UNDP will:

- a. Use reasonable efforts to recover any part of the Contribution, which OAI has established as being diverted through fraud or corruption;

- b. In connection with (a) above, in consultation with the UN Office of Legal Affairs, give proper consideration to referring the matter to the appropriate authorities of the Member State where the fraud or corruption is believed to have occurred and to the provisions of General Assembly resolution 62/63; and
- c. As required by the Donor and AICS, and following consultations between the Parties, reimburse to the Donor and AICS any part of the Contribution which UNDP has recovered further to sub-section (a) above, or credit it to a mutually agreed activity.

4. Any information provided to the Donor and AICS in relation to any matters arising under the Article shall be treated by the Donor and AICS as strictly confidential.

Any action further to the above paragraphs shall be consistent with UNDP regulations, rules and directives.

Article XI. Settlement of Disputes

Any dispute, controversy or claim arising out of this Agreement shall be resolved amicably between the Parties.

Article XII: Notice

Any notice or correspondence between UNDP and the Donor will be addressed as follows:

- (a) To AICS: Director, Italian Agency for Development Cooperation (AICS) in Albania
Address: Rruga Abdi Toptani, Torre Drin, V Floor, Tirana
- (b) Upon receipt of funds, UNDP shall send an electronic receipt to the Donor email address provided below as confirmation that the remitted funds have been received by UNDP.

Donor email address: utl.albania@esteri.it

Attention: Director, Italian Agency for Development Cooperation (AICS) in Albania

- (c) To UNDP: Brian J Williams
UN Resident Coordinator and UNDP Resident Representative
Address: United Nations Development Programme
Skenderbej Street
Gurten (Volkswagen) Building, 2nd Floor
Tirana


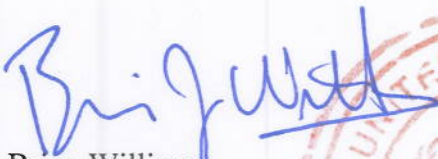
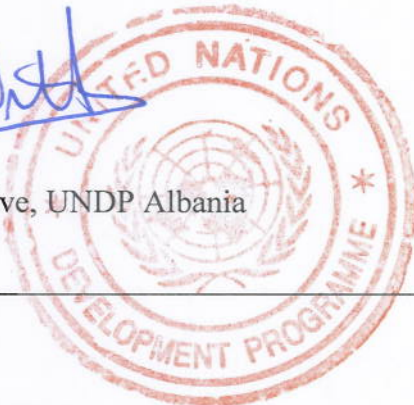
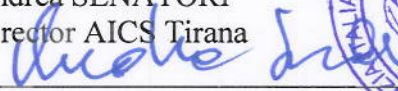

Article XI. Amendment of the Agreement

This 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 this Agreement.

Article XII. Entry Into Force

This Agreement shall enter into force upon the signature of this Agreement by the parties hereto, on the date of the last signature.

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

<p>For the Directorate General for Development Cooperation (DGCS) of the Ministry of Foreign Affairs and International Cooperation of the Italian Republic:</p> <p>Alberto CUTILLO Ambassador of Italy in Albania</p> 	<p>For the United Nations Development Programme:</p> <p> Brian Williams Resident Representative, UNDP Albania</p> 
<p>Aknowledged by the Italian Agency for Development Cooperation (AICS):</p> <p>Andrea SENATORI Director AICS Tirana</p>  	
<p>Date: <u>18 OTT. 2016</u></p>	<p>Date: <u>18-10-2016</u></p>