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**EXCHANGE OF LETTERS
(EoL)
BETWEEN
THE MINISTRY OF LOCAL GOVERNMENT (MoLG)
AND
THE UNITED NATIONS DEVELOPMENT PROGRAMME/PROGRAMME OF
ASSISTANCE TO THE PALESTINIAN PEOPLE (UNDP/PAPP)**

Reference is made to the consultations between officials of the United Nations Development Programme/Programme of Assistance to the Palestinian People (hereinafter referred to as "UNDP/PAPP") and the Ministry of Local Government (hereinafter referred to as "MoLG") with respect to the management arrangement and implementation of the **"Facilitating Access to Infrastructure Resilience in Area 'C' and East Jerusalem Programme- FAIR Programme"**.

MoLG and UNDP/PAPP may individually be referred to as the "Party" and collectively as the "Parties".

This EoL is valid for 36 months, commencing on 15 July 2014, unless terminated earlier by either party upon two months' notice in writing to the other party.

The agreement is subject to extension and amendment as mutually agreed to and in writing by both parties.

The cooperation formalized by both parties is meant to reinforce the existing partnership framework for the ongoing and the planned interventions in line with the FAIR Programme Document.

The general outline of cooperation is summarized as follows:

1. Facilitate the implementation of current initiative(s) and ensure smooth operations and sustainability
2. Fundraising and resource mobilization and implementation of planned activities.

The agreement is applicable for the current interventions in Area "C" and East Jerusalem, including the new contribution made by the Government of Italy





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totalling **Euro 3.0 million**, as shown under Annex 1, and all the upcoming interventions.

Towards achieving the programme outcomes and outputs, both parties reconfirmed the following management arrangements and roles and responsibilities in line with the duly signed Programme Document (Annex 2).

I. Roles and Responsibilities:

MoLG will:

- Establish a Programme Steering Committee in close coordination with the Prime Minister's Office PMO, a Review Committee, a Joint Technical Team and set up a MoLG-Programme Management Team (PMT);
- Manage the established MoLG-PMT and carry out all related activities such as recruitment, payroll, logistic support, and other HR needs;
- Liaise with the Palestinian line ministries in close coordination with the Prime Minister's office;
- Create special accounts for the MoLG operational expenses under the treasury of the Ministry of Finance (MoF);
- Prepare the technical designs for the activities under the Programme;
- Implement the activities in 'Area C' in close coordination with UNDP/PAPP, including the preparation of the detailed designs and technical documents, carrying out the procurement activities according to the UNDP rules and regulation, awarding contracts, management of the contracts, reporting, commissioning and handing-over to the Palestinian counterparts/ beneficiaries;
- Prepare and submit the financial claims by contractors/ suppliers or vendors for processing by UNDP;
- Facilitate the process of obtaining the needed VAT TAX exemptions for the contracted parties.

UNDP/PAPP will:

- Provide overall management for the programme and funds including fund administration and accountability;
- Provide the overall Quality Assurance and Control;
- Prepare the donor reporting and request donor instalments;
- Participate in the Programme Steering Committee, Review Committee, Joint Technical Team and establish the UNDP-PMT;





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- Facilitate the implementation of the 'Area C' activities and provide all necessary support to the MoLG for ensuring smooth and successful delivery of interventions, especially, in case of any interference by the Israeli Authorities ;
- Transfer advances to the MoLG special account of the Programme created under the MoF for the MoLG operational expenses;
- Implement activities in East Jerusalem in close coordination with the MoLG, including the preparation of the detailed designs and technical documents, procurement, tender evaluation and contracts awarding, management of the contacts, issuing vendor payments, reporting, commissioning and handing-over to the Palestinian counterparts/ beneficiaries;
- Provide Audit and Monitoring & Evaluation of the overall activities implemented under the programme in East Jerusalem and Area "C";
- Provide communication and visibility for the programme.

II. Financial Arrangements:

UNDP/PAPP will be responsible for managing the funds and hold the full financial accountability for the FAIR Programme. The Programme financial arrangements will be as follows:

For Area "C" activities:

A. MoLG Operational Expenses:

1. The MoLG will open a special account under the Treasury of Ministry of Finance (MoF);
2. The MoLG will nominate two authorized persons to manage the special account;
3. The MoLG Programme Manager will request advances for the MoLG-PMT operational expenses from UNDP/PAPP through the General Accountant in the Ministry of Finance;
4. UNDP/PAPP will transfer advances for the MoLG-PMT operational expenses according to duly-signed liquidation reports including supporting documents for previous transactions;

B. Programmable Amount

1. The MoLG-PMT will review and endorse the vendors claims and payments; and prepare the supporting documents to be shared with UNDP;
2. The UNDP will transfer the amounts directly to the contractors, suppliers or vendors





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For the East Jerusalem Activities:

UNDP/PAPP will assume full responsibility and accountability according to its rules and regulations under the Direct Implementation Modality.

- III. The Selection of activities and Programme Structure will be fully ensured in line with the duly signed Programme Document by the Palestinian Government and UNDP/PAPP.

- IV. MoLG and UNDP/PAPP, and in close coordination with the Prime Minister's office, will cooperate in embarking on resource mobilization and fundraising activities for the FAIR Programme.

If you are in agreement with the provisions set forth above, please sign and return two copies of the letter.

H.E. Dr. Nayef Abu Khalaf

Minister of MoLG

2.7.2014

Date:



Frode Mauring

Special Representative
of the Administrator

Date: 2/7/14



Annex 1: Third Party Cost Sharing Agreement
Annex 2: FAIR duly-signed project document