

**Memorandum of Understanding
between
the Participating UN Organizations
and
The United Nations Development Programme
Regarding the Operational Aspects of the Lebanon Recovery Fund**

WHEREAS, the Government of Lebanon has requested the United Nations Development Group ("UNDG") through the United Nations Resident Coordinator for Lebanon, to assist in the establishment of a pooled funding mechanism for the recovery and reconstruction of Lebanon's social and physical infrastructure (hereinafter referred to as the "Lebanon Recovery Fund" or "LRF") that will finance priority projects approved by the Government which projects will be executed with the support of UN organizations (hereafter referred to as "Participating UN Organizations") in cooperation with other implementing partners,

WHEREAS the LRF will complement other channels for the transfer of donor resources to the Government of Lebanon, United Nations Organizations and other implementing organizations involved in the national recovery efforts and will operate in accordance with the LRF Terms of Reference attached hereto as **Annex A**,

WHEREAS, the Government of Lebanon and the Participating UN Organizations have agreed that they should make it possible for donors to fund the priority Projects approved by the Government of Lebanon (hereinafter referred to as the "Projects"), through the LRF,

WHEREAS, the Government of Lebanon and the Participating UN Organizations have further agreed that the United Nations Development Programme (UNDP) (which is also a Participating UN Organization) administer the LRF and UNDP has agreed to do so in accordance with this Memorandum of Understanding and the LRF Terms of Reference,

WHEREAS, the Participating UN Organizations have agreed to receive funds through the LRF and carry out Projects in accordance with the LRF Terms of Reference and this Memorandum of Understanding,

NOW, THEREFORE, UNDP and the Participating UN Organizations (hereinafter referred to collectively as the "Parties") hereby agree as follows:

Article I
Appointment of Administrative Agent: Duties and Fee

1. The Participating UN Organizations hereby appoint UNDP (the "Administrative Agent" or the "AA") to serve as their Administrative Agent in connection with the administration of the LRF, in accordance with the terms and conditions set out in this Memorandum of Understanding. UNDP accepts its appointment as the Administrative Agent on the understanding that the Participating UN Organizations assume full programmatic and financial accountability for the funds disbursed to them by the Administrative Agent. This appointment shall continue until it terminates, or is terminated, in accordance with Article VII below.

2. On behalf of the Participating UN Organizations, and as agreed with the Government of Lebanon, the Administrative Agent shall:

- a. Receive contributions from donors who wish to contribute to the LRF;
- b. Administer such funds received, in accordance with this Memorandum of Understanding including the provisions relating to winding up the LRF and related matters;
- c. Subject to availability of funds, disburse such funds to each of the Participating UN Organizations in accordance with provisions of the applicable Letters of Agreement and this Memorandum of Understanding, in line with the budget set out in the specific project proposals submitted by the concerned Participating UN Organization and approved by the LRF Steering Committee or Project Approval Group;
- d. Compile financial and narrative progress reports produced by each of the Participating UN Organizations into a consolidated report and distribute such reports to the Fund Steering Committee, in accordance with Article IV below;
- e. Compile and provide final reporting, including notification that the Projects involved have been operationally and financially completed, in accordance with Article IV below, based on reports received from the Participating UN Organizations;
- f. At the request of the LRF Steering Committee, provide staffing support to the Committee that will assist in the review and appraisal of Project proposals;
- g. Perform such other activities as the Participating UN Organizations and the Administrative Agent may agree in writing.

3. The Administrative Agent shall enter into a letter of agreement, in the form attached hereto as **ANNEX B** (hereinafter referred to as a "Letter of Agreement"), with each donor that wishes to provide financial support through the LRF. The Administrative Agent shall not amend the terms of Annex B without prior written agreement of the Participating UN Organizations. The Administrative Agent shall post each Letter of Agreement it enters into on a website established for the LRF. Participating UN Organizations shall not be liable for the acts or omissions of the Administrative Agent or its personnel, or of persons performing services on its behalf, except in regard to any contributory acts or omissions of the other Participating UN Organizations. With respect to such contributory acts or omissions of the Participating UN Organizations, the resulting liability shall be apportioned among them or any one of them to the extent of such contributory acts or omissions, or as may otherwise be agreed.

4. The Administrative Agent and the Participating UN Organizations shall be entitled to deduct their indirect costs on contributions received in accordance with the following formula:

- a. The Administrative Agent's administrative fee will be 1 percent (1%). The fee will be deducted from the Contribution to the LRF at the time it is deposited.
- b. Upon securing approval from the LRF Steering Committee, the Administrative Agent may also deduct from the LRF and transfer to itself the actual costs of the staffing support that it may be requested to provide to the LRF Steering Committee pursuant to Article I, paragraph 2(f) above.
- c. Indirect costs of the Participating UN Organizations will be based on the applicable regulations and rules of the Participating UN Organizations, taking into account the size and complexity of the particular Project and will be reflected in the Project proposals approved by the LRF Steering Committee or Project Approval Group. It is expected that such costs will be in the range of 5%-9%, with an average of approximately 7%.

5. In the event of any inconsistency between this MoU and Annex A, this MoU shall prevail.

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 referred to as the "Lebanon Recovery Fund Account"). The Lebanon Recovery Fund 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 Lebanon Recovery Fund 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.

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 Participating UN Organizations.

3. The Administrative Agent shall make disbursements from the Lebanon Recovery Fund Account in accordance with provisions in the applicable Letters of Agreement and this Memorandum of Understanding, in line with the budget set out in the specific Project proposals submitted by the concerned Participating UN Organization and approved by the LRF Steering Committee. The disbursements shall consist of direct and indirect costs as set out in the Project proposals.

4. Subject to the availability of funds, the Administrative Agent shall make each disbursement within three (3) to four (4) business days after receipt the approval of specific project proposals by the LRF Steering Committee or Project Approval Group along with copy of the project proposal duly signed by all the parties concerned. The Administrative Agent shall transfer funds to each Participating UN Organization through wire transfer in US dollars. Each Participating UN Organization shall advise the Administrative Agent in writing of the bank account for transfers pursuant to this Memorandum of Understanding. When making a transfer to a Participating UN Organization, the Administrative Agent will notify that Participating UN Organization's Treasury Operations, with a copy to the Ministry of Finance of Lebanon, of the following: (a) the amount transferred, (b) the value date of the transfer; (c) that the transfer is from UNDP as Administrative Agent in respect of the LRF pursuant to this Memorandum of Understanding; and (d) the name or title of the project.

5. Where the balance in the Lebanon Recovery Fund Account on the date of a scheduled disbursement is insufficient to make that disbursement, the Administrative Agent shall consult with the LRF Steering Committee and make a partial disbursement, if any, in accordance with the LRF Steering Committee's instructions, provided however that such disbursement will not exceed the funds available in the Lebanon Recovery Fund Account.

The Participating UN Organizations

6. 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 by the Administrative Agent from the Lebanon Recovery Fund Account. 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.

7. Each Participating UN Organization shall use the funds disbursed to it by the Administrative Agent from the LRF Account to carry out the activities for which it is responsible as set out in the specific Project approved by the LRF Steering Committee, covering both direct and indirect costs. The Participating UN Organizations shall commence or continue to conduct operations only upon receipt of disbursements in advance of implementation of the approved Project activities. The Participating UN Organizations shall not make any commitments above the amounts budgeted in the approved Projects. If the Participating UN Organization anticipates the need to incur expenditures above the budgeted amounts, such Participating UN Organization shall request approval and the necessary additional funding from the Steering Committee. If no such further financing is available, the activities to be carried out under the LRF may be reduced or, if necessary, terminated by the Participating UN Organizations.

8. As an exceptional measure, particularly during the start up phase of the LRF, subject to conformity with their financial regulations, rules and directives, Participating UN Organizations may elect to start implementation of Project activities in advance of receipt of initial or subsequent transfers from the LRF Account by using their own resources. Such advance activities shall be undertaken in agreement with the LRF Steering Committee or Project Approval Group on the basis of funds it has allocated or approved for implementation by the particular Participating UN Organization following receipt by the Administrative Agent of an official commitment form or signature of the Letter of Agreement by donors contributing to the LRF. Participating UN Organizations shall be solely responsible for decisions to initiate such advance activities or other activities outside the parameters set forth above.

Article III Activities of the Participating UN Organizations

1. Each of the Participating UN Organizations shall carry out its activities contemplated in the approved Projects, 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. On the termination or expiration of this Agreement, the matter of ownership of such equipment and supplies shall be determined in accordance with the regulations, rules, directives and procedures applicable to such Participating UN Organizations.
2. The Administrative Agent shall be notified in writing through the LRF Steering Committee or the Project Approval Group of any change in the budget as set out in the approved Project.
3. Where a Participating UN Organization wishes to carry out its Projects through or in collaboration with a third party, it shall be responsible for discharging all commitments and obligations with such third parties, and no other Participating UN Organization, or the Administrative Agent, shall be responsible for doing so. Without restricting the generality of the preceding sentence, other international organizations, non-governmental organizations and national institutions may receive funds from the LRF Account through a Participating UN Organization, based on a project agreement concluded with such entities as implementing partners of the concerned Participating UN Organization and in accordance with the regulations, rules and procedures of that Participating UN Organization. Use of funds, reporting obligations, liability, audit and other related matters to management of the funds provided and the activities shall be addressed in such project agreements in the manner that is customary for the concerned Participating UN Organization.
4. In carrying out their activities, none of the Participating UN Organizations shall be considered as an agent of any of the others and, thus, the personnel of one shall not be considered as staff members, personnel or agents of any of the others. Without restricting the generality of the preceding sentence, none of the Participating UN Organizations shall be liable for the acts or omissions of the others or their personnel, or of persons performing services on their behalf. In no event shall the Administrative Agent be liable or responsible for the acts or omissions of the Participating UN Organizations or any one of them in carrying out their activities.
5. Each Participating UN Organization shall advise the Administrative Agent and the LRF Steering Committee in writing, when, all activities for which it is responsible under an approved Project have been completed.

Article IV
Reporting

1. Each Participating UN Organization shall provide the Administrative Agent with the following statements and reports prepared in accordance with the accounting and reporting procedures applicable to it:

- a. Monthly contract commitment and disbursement data against approved project budgets;
- b. Narrative progress reports every six (6) months, to be provided no later than four (4) months after the end of the applicable reporting period;
- c. Semi-annual financial reports as of 31 December and 30 June each year with respect to the funds disbursed to it from the LRF Account, to be provided no later than four (4) months after the end of the applicable reporting period;
- d. A final narrative report and financial report, after the completion of the particular Project, to be provided no later than 30 April of the year following the financial closing of the Project; and
- e. A final certified financial statement to be provided no later than 30 June of the year following the financial closing of the Project.

2. The Administrative Agent shall prepare consolidated narrative progress and financial reports consisting of the reports referred to in paragraph 1 (a) to (e) above submitted by each Participating UN Organization, and shall provide the consolidated reports to the LRF Steering Committee for submission to each donor, that has contributed to the LRF Account in accordance with the timetable established in the Letter of Agreement.

3. The Administrative Agent shall provide a financial report and a final certified financial statement (including the actual costs of the staffing support that it may be requested to provide to the LRF Steering Committee pursuant to Article I, paragraph 2(f) above) to the Steering Committee and Participating UN Organizations, on its activities as Administrative Agent, to be provided no later than 30 June of the year following the financial closing of the LRF.

Article V
Monitoring and Evaluation

1. Monitoring and evaluation of the Projects shall be undertaken in accordance with the provisions contained in the approved Projects, which are to be consistent with the respective regulations, rules and procedures of the Participating UN Organizations.

2. In addition, the LRF Steering Committee and the Participating UN Organizations may commission an independent lessons-learned and review exercise(s) relating to the operations of the LRF, the details of which will be approved by the undg Management Group.

Article VI
Joint Communication

1. Each Participating UN Organization shall take appropriate measures to publicize the LRF and to give due credit to the Government of Lebanon and other Participating UN Organizations. Information given to the press, to the beneficiaries of the assistance provided through the LRF, all related publicity material, official notices, reports and publications, shall acknowledge the leading role of the Government and national partners, the Participating UN Organizations, the Administrative Agent and any other relevant parties. In particular, the Administrative Agent will include and ensure due recognition of the role of the Government of Lebanon, the Participating UN Organizations and national partners in all external communications relating to the LRF.
2. Whenever possible and to the extent that it does not jeopardize the privileges and immunities of Participating UN Organizations, and the safety and security of their staff, Participating UN organizations will promote donor visibility on information, project materials and at project sites, in accordance with their respective regulations, rules, policies and procedures.

Article VII
Expiration, modification and termination of the Agreement

1. This Memorandum of Understanding shall expire upon termination of the LRF, subject to the continuance in force of paragraph 5 below for the purposes therein stated.
2. This Memorandum of Understanding may be modified only by written agreement between the Parties.
3. Any of the Participating UN Organizations may withdraw from this Memorandum of Understanding upon giving thirty (30) days' written notice to all other parties to this Memorandum of Understanding stating that it has given notice, of its withdrawal from the Memorandum of Understanding.
4. The Administrative Agent's appointment may be terminated by the Administrative Agent (on the one hand) or by the mutual agreement of all Participating UN Organizations (on the other hand) on thirty (30) days' written notice to the other party, subject to the continuance in force of paragraph 5 below for the purpose therein stated. In the event of such termination, the Parties shall agree on measures to bring all activities to an orderly and prompt conclusion so as to minimize costs and expense.
5. Obligations assumed by the Parties under this Memorandum of Understanding shall survive the expiration or termination of this Memorandum of Understanding or the withdrawal of a Participating UN Organization to the extent necessary to permit the orderly conclusion of the activities and the completion of final reports, the withdrawal of personnel, funds and property, the settlement of accounts between the Parties hereto and the settlement of contractual liabilities that are required in respect of any subcontractors, consultants or suppliers. Any balance remaining in the LRF Account or in the individual Participating UN Organizations' separate ledger accounts shall be used for a purpose mutually agreed upon by the LRF Steering Committee, Participating UN Organizations the Administrative Agent and the donors.

Article VIII
Notices

1. Any action required or permitted to be taken under this Memorandum of Understanding may be taken on behalf of the Administrative Agent by the Executive Coordinator of the Multi-Donor Trust Fund Office, UNDP or his or her designated representative and on behalf of a Participating UN Organization by the official indicated below, or his or her designated representative.

2. Any notice or request required or permitted to be given or made in this Memorandum of Understanding 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 in ANNEX C to this Memorandum of Understanding or at such other address as the party shall have specified in writing to the party giving such notice or making such request.

Article IX
Entry into force

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

Article X
Settlement of disputes

The Parties shall use their best efforts to promptly settle through direct negotiations any dispute, controversy or claim arising out of or in connection with this Memorandum of Understanding or any breach thereof. Any such dispute, controversy or claim which is not settled within sixty (60) days from the date either party has notified the other party of the nature of the dispute, controversy or claim and of the measures which should be taken to rectify it, shall be resolved through consultation between the Executive Heads of each of the Participating UN Organizations and of the Administrative Agent.

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

For the Administrative Agent

Signature: (sign)

Name: Bisrat Aklilu

Title: Executive Coordinator, MDTF Office

Place: New York

Date: _____

For the ILO

Signature: (sign)

Name: Nada Al-Nashif

Title: Regional Director

Place: Geneva, Switzerland

Date: 16 March 2007

For UNIDO

Signature: (sign)
Name: Kandeh K. Yumkella
Title: Director General

Place: Vienna, Austria
Date: 2 February 2007

For UNDP

Signature: (sign)
Name: Amat Alsoswa
Title: Assistant Administrator and Regional
Director, Regional Bureau for Arab States
Place: New York
Date: 15 December 2006

For UN-HABITAT

Signature: (sign)
Name: Anna Kajumulo Tibaijuka
Title: Executive Director

Place: Nairobi, Kenya
Date: 15 November 2006

For UNFPA

Signature: (sign)
Name: Mari Simonen
Title: Deputy Executive Director (External
Relations, United Nations Affairs and Management
Place: New York
Date: 5 October 2007

For UNEP

Signature: (sign)
Name: Shafqat Kakakhel
Title: Deputy Executive Director

Place: Nairobi, Kenya
Date: 13 April 2007

For UNHCR

Signature: (sign)
Name: Saburo Takizawa
Title: Controller and Director Division of Financial
and Supply management
Place: Geneva, Switzerland
Date: 22 December 2006

For UNESCO

Signature: (sign)
Name: Koïchiro Matsuura
Title: Director General
Place: Paris, France
Date: 26 December 2006

For UNIFEM

Signature: (sign)
Name: Noeleen Heyzer
Title: Executive Director
Place: New York
Date: 7 November 2006

For UNOPS

Signature: (sign)
Name: Jan Mattsson
Title: Executive Director

Place: New York
Date: 30 November 2006

For FAO

Signature: (sign)
Name: Tesfai Tecle
Title: Assistant Director General, Technical
Cooperation Department
Place: Rome, Italy
Date: 21 December 2006