

Annex 7: Other Agreements

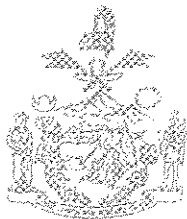
- 1) Endorsement Letter & Letter of Commitments
 - Letter of Endorsement from Ministry of Finance
 - Co-financing letter from Ministry of Forests and Soil Conservation
 - Letter of commitment from UNDP
 - Letter of commitment from IUCN
- 2) Memorandum of Understanding between FSC and IUCN
- 3) Project Co-operation Agreement between IUCN and UNDP



His Majesty's Government
MINISTRY OF DEFENCE
Raj Darbar, Kathmandu

KATHMANDU, NEPAL

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His Majesty's Government

MINISTRY OF FORESTS AND SOIL CONSERVATION

RECEIVED
MINISTRY OF FORESTS AND SOIL CONSERVATION
KATHMANDU
3 MAY 2004

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P.O. Box: 3987

Singh Durbar, Kathmandu

Ref. No: Faed no 484

Date:
3 May 2004

Mr. Frank Pinto
Executive Coordinator
UNDP - GEF
304 E, 45th st. 10th floor

Subject: Letter Confirming Government Co-funding of UNDP -GEF Project

Dear Mr. Pinto,

The purpose of this letter is to confirm the US\$ 1, 139, 550 co-funding figure as included in the Project Document entitled " Conservation and Sustainable Use of Wetlands in Nepal".

Conservation of wetland resources and using them for biodiversity conservation and livelihood improvement of the inhabitants around are the important policy directions of the Ministry of Forests and Soil Conservation (MFSC). We are very much eager for the implementation of the mentioned project for the benefits of the globally significant wetland resources and related biodiversity conservation.

We feel very much pleased to be one of the important partners in this important endeavor.

I am looking forward eagerly to work in this joint initiative.

Yours Sincerely,

Damodar Prasad Parajuli, Ph.D
Chief, Foreign Aid Coordination Division
Ministry of Forests and Soil Conservation



NEP/03/002

2 April 2004

Dear Dr. Parajuli,

Subject: **Conservation and Sustainable Use of Wetlands in Nepal**
(NEP/03/002): Commitment of co-funding

This is to confirm UNDP's commitment to provide co-funding to the ***Conservation and Sustainable Use of Wetlands in Nepal (NEP/03/002)***. In this regard, UNDP has set aside USD 0.54 million from its core resources.

With best regards,

Yours sincerely,



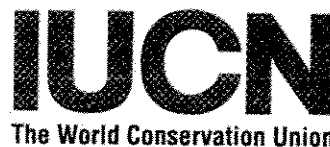
Matthew Kahane
Resident Representative

Dr. Damodar P. Parajuli
Chief, FACD
Ministry of Forests and Soil Conservation
Singha Durbar

cc Mr. Chandi Prasad Shrestha, Secretary, Ministry of Forest and Soil Conservation,
Babar Mahal, Kathmandu
Dr. Madhav P. Ghimire, Joint Secretary, FACD, Ministry of Finance, Singha
Durbar, Kathmandu

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Mr. Matthew Kahane
Resident Representative
UNDP, UN House
P.O. Box 107
Kathmandu
Nepal

March 5, 2004

Dear Mr. Kahane,


UNDP-GEF Conservation and Sustainable Use of Wetlands in Nepal

As you are aware, IUCN led the design of the above-mentioned UNDP- GEF Project from December 2001 till December 2003. I am pleased to confirm IUCN's interest in partnering in the full project execution and am very happy to confirm that IUCN will contribute at least US Dollars 423,963 (Four hundred and twenty three thousand nine hundred and sixty three US dollars) to the Project during its five years of implementation.

This IUCN support will consist of a combination of cash and in-kind contribution. It will include the Development Marketplace 2003 funded "Community incentives to reduce land use conflict and conserve biodiversity in Nepal" worth \$194,400 for piloting local incentives for biodiversity conservation in Koshi Tappu Area and building knowledge and capacity for Koshi Tappu Wildlife Reserve and buffer zone management. Other activities IUCN co-fund will support include activities to strengthen the National Wetland Committee, national wetland policy and planning framework, developing knowledge and awareness on wetland issues.

I look forward to further strengthening of partnerships between UNDP and IUCN in Nepal in other areas of mutual interest.

Yours sincerely,


Aban Marker Kabraji
IUCN Asia Regional Director

CC: Mahesh Banskota, IUCN Nepal

Nande Palihakkara, IUCN Asia Regional Office, Bangkok
Andrew Ingles, IUCN Asia Regional Office, Bangkok

MEMORANDUM OF UNDERSTANDING
Between
Ministry of Forests and Soil Conservation, His Majesty's
Government of Nepal
And
IUCN – The World Conservation Union

This Memorandum of Understanding (MoU) is made and entered into by and between:

The Ministry of Forests and Soil Conservation, the **Executing Agency**, hereinafter referred to as MFSC represented by **the Secretary** and

IUCN–The World Conservation Union, the **Implementing Partner**, hereinafter referred to as “**IUCN**”, with its headquarters in Gland, Switzerland, and Nepal Country office in Kathmandu, represented by the Nepal Country Representative,

for the purpose of defining the duties/roles and responsibilities of the two parties regarding the implementation of the United Nations Development Programme (UNDP) and the Global Environment Facility (GEF) funded project “**Conservation and Sustainable Use of Wetlands in Nepal**” Project hereinafter referred to as “**the project**”, code no....., to be executed by MFSC.

The MFSC and IUCN

Appreciating that conserving biodiversity in Nepal and contributing to the objectives of the Global Environment Facility are very important;

Aware that the Project Document designed jointly by IUCN, UNDP and the MFSC has been approved by the Chief Executive Officer of the GEF Council on.....;

Recognizing that IUCN has played a lead role in promoting wetland conservation in Nepal;

Cognizant that the project represents the result of the successful implementation of the PDF B phase with IUCN as the implementing agency/partner;

Aware that innovative institutional mechanisms and approaches involving rural communities and participatory management as recommended by the Nepal's National Conservation Strategy 1988, Nepal Biodiversity Strategy 2002 and the National Wetlands Policy **2003** are necessary for the successful implementation of the project;

Recognizing that an agreement between **His Majesty's Government of Nepal** (HMGN)/Ministry of Finance and IUCN, signed on February 24, 2000 provides

an overall framework for IUCN and HMGN and its sectoral ministries and departments for cooperation at national, sectoral and program/project level; and

Now, therefore, in accordance with the Project Document, and Project Cooperation Agreement signed by UNDP, MFSC and IUCN and in consideration of the aforementioned premises and of the mutual covenants, stipulations and other considerations hereinafter set forth, the parties have agreed on the following:

1. MFSC agrees to:

- (a) Work with IUCN in its role as the implementing partner for the project and for its activities to be carried out in the manner as provided in the Project Document and according to annual work plans and budgets prepared and approved by the Program Steering Committee (PSC) in pursuance of the provisions of the Project Document;
- (b) Nominate a competent National Program Director (NPD) in consultation with UNDP and IUCN as the focal point responsible for liaising with UNDP and IUCN, overall oversight of the project, ensuring overall accountability to UNDP through the PSC, coordination with other government line agencies, and performance and financial reporting;
- (c) Retain overall responsibility for the execution of the project by establishing a Programme Management Unit (PMU) and overseeing its management through PSC which shall be chaired by the Secretary of MFSC, and coordinating it through the NPD and PMU;
- (d) Monitor the implementation of the project and collaborate in its evaluation by the UNDP Mission;
- (e) Allow disbursement of funds and refund of expenses by UNDP directly to IUCN, following joint review of financial reports by MFSC and UNDP for the implementation of the project, and to incurring expenditures in the manner and within the limits set out in the Project Document;
- (f) IUCN implementing the different components/activities within its responsibilities of the project following its prevailing personnel, financial and other rules, subject to the annual work plans and budgets prepared and approved during project implementation, and to the provisions of the Project Cooperation Agreement (PCA) between IUCN and UNDP;
- (g) Coordinate the securing of counterpart HMGN contribution to the total project as per the project document;

- (h) Work with UNDP and in consultation with IUCN to establish a PMU and recruit staff according to NEX guidelines;
- (i) Keep its project expenditure records updated by incorporating all expenses, including those incurred by IUCN;
- (j) Accept and implement the decision of the PSC in the event of any disagreement with any government agencies in the spirit of providing efficient and effective implementation of the project;
- (k) Submit such reports relating to the project as may reasonably be required by the PSC in the exercise of its functions, as well as other reports required by the MFSC or UNDP; and
- (l) Provide UNDP with an annual report of UNDP financed non-expendable equipment for the project. The reports shall be submitted within 30 days following 31 December, together with the statement of expenditures due to that date. The title of ownership of such equipment will be retained by UNDP for the life of the project and shall be returned to UNDP after the completion of the project. The decision for transferring assets of the project at the time of project completion will be taken by UNDP in consultation with the Government.

2. IUCN agrees to:

- (a) Take up the responsibility of the implementing partner and provide the services and facilities described in the Project Document;
- (b) Recruit or assign a suitable Chief Technical Advisor (CTA), and Field Project Managers and other staff as per the Project Document and agreed to ToRs in consultation with the MFSC and UNDP;
- (c) Undertake that the CTA shall work under the guidance of the NPD and the PSC, chaired by the Secretary, MFSC for implementing the project;
- (d) Cooperate closely with the NPD, NPM and other staff of the HMGN's line Ministries and Departments and assist in project implementation in accordance with the overall directives laid down by the Project Steering Committee;
- (e) Provide co-funding as envisaged in the Project Document;
- (f) Accept the decision of the PSC in the event of any disagreement with any government agencies in the spirit of providing efficient and effective implementation of the project;

- (g) Provide the MFSC and UNDP with quarterly financial statements of UNDP/GEF funds received and spent, prepared in accordance with the UNDP financial year (1 January to 31 December) in English. Annual financial statements will be audited by a reputable firm of Chartered Accountants registered with the Institute of Chartered Accountants of Nepal. To the extent feasible, the audit principles and procedures prescribed for the United Nations will be applied by the auditors, who will provide audit reports annually;
 - (h) Submit such reports relating to the project as may reasonably be required by the Project Steering Committee in the exercise of its functions, as well as other reports required by the MFSC or UNDP;
 - (i) Provide UNDP and MFSC with an annual report of UNDP financed non-expendable equipment for the project. The reports shall be submitted within 30 days following 31 December, together with the statement of expenditures due to that date. The title of ownership of such equipment will be retained by UNDP and shall be returned to UNDP after the completion of the project. The decision for transferring assets of the project at the time of project completion will be taken by UNDP in consultation with MFSC;
 - (j) Inform the names and particulars (including job descriptions) of the expatriate personnel to be assigned to the project well in advance to MFSC and UNDP;
 - (k) In the event of disagreement between the project personnel of IUCN, and government personnel, the matter under dispute shall be referred by the CTA to the PSC through IUCN for the purpose of finding a satisfactory solution. In the interim, the decisions of IUCN shall prevail.
3. Any changes to the Project Document which would affect the work being performed by MFSC and/or IUCN, will be decided by the PSC, and shall be recommended only after consultation among MFSC, UNDP and IUCN.
 4. For any matters not specifically covered by this MoU, the appropriate provisions of the Project Document and revisions thereof and the appropriate provisions of the financial regulations and rules of UNDP shall, *mutatis mutandis*, apply.
 5. IUCN and MFSC together with UNDP shall be jointly entitled to all intellectual property rights including but not limited to patents, copyrights, and trademarks with regard to products or documents

and other materials which bear a direct relation to or are produced or prepared or collected in consequence of or in the course of the execution of the project.

6. All disputes arising out of or in connection with this MOU between the parties hereto which cannot be resolved in an amicable way shall finally be settled under the Rules of the United Nations Commission on International Trade Law (UNCITRAL), as in effect at the time such dispute arises. Arbitration proceedings shall be held in Kathmandu, Nepal or such other place as is mutually acceptable to both parties.

The award in any arbitration proceeding shall be final and binding upon both parties hereto and judgment thereon may be entered in any court of competent jurisdiction on application of either party.

7. This MoU covers the period **from the date of signature of the MOU for five years** or the date of completion of the project whichever is later.
8. The MFSC and IUCN shall keep the Resident Representative of UNDP fully informed of all actions undertaken by them in carrying out this MoU.
9. All further correspondence regarding the implementation of this MoU, other than signed letters of agreements or amendments thereto, should be addressed to the UNDP Resident Representative who will forward it to the appropriate organizations or parties concerned.
10. Any amendments to these arrangements shall be effected by mutual agreement.

For and on behalf of the MFSC

For and on behalf of IUCN

**Secretary
Nepal**

Country Representative,

Ministry of Forests and Soil Conservation
His Majesty's Government of Nepal

IUCN-The World Conservation Union
Kathmandu, Nepal

PROJECT COOPERATION AGREEMENT

Between

UNITED NATIONS DEVELOPMENT PROGRAMME

And

IUCN – The World Conservation Union

Whereas the United Nations Development Programme (hereinafter referred to as “UNDP”) and IUCN – The World Conservation Union (hereinafter referred to as “IUCN”) have, on the basis of their respective mandates, a common aim in the furtherance of biodiversity conservation and sustainable human development;

Whereas UNDP being an Implementing Agency for the Global Environment Facility (GEF) has been entrusted by GEF with certain resources that can be allocated for cooperative programmes and projects, and is accountable to the GEF Council and to the Executive Board of UNDP for the proper management of these funds and can, in accordance with the UNDP Financial Regulations and Rules, make available such resources for cooperation in the form of a Project;

Whereas IUCN, its status being in accordance with Agreements entered into with the Governments of the countries in which it operates, is committed to the principles of participatory sustainable human development and development cooperation, has demonstrated the capacity needed for the activities involved, in accordance with the UNDP requirements for project implementation; is apolitical and non profit-making;

Whereas IUCN, and UNDP agree that activities shall be undertaken without discrimination, direct or indirect, because of race, ethnicity, religion or creeds, status of nationality or political belief, gender, handicapped status, or any other circumstances;

Now, therefore, on the basis of mutual trust and in the spirit of friendly cooperation, IUCN and UNDP have entered in the present Agreement.

Article I. Definition

1. For the purpose of the present Agreement, the following definitions shall apply:
 - (a) “Parties” shall mean IUCN and UNDP,
 - (b) “UNDP” shall mean the United Nations Development Programme, a subsidiary organ of United Nations, established by the General Assembly of the United Nations;
 - (c) “IUCN” shall mean “IUCN – The World Conservation Union”, a non-governmental organization that was established in and incorporated under the laws of Switzerland with the mission to “influence, encourage and assist societies throughout the world to conserve the integrity and diversity of nature and to ensure that any use of natural resources is equitable and ecologically sustainable”;
 - (d) “The Agreement” or “the present Agreement” shall mean the present Project Cooperation Agreement, the Project Document, which incorporates the Project Objectives and Activities, Project Work Plan, Project Inputs being provided by UNDP and GEF resources, and Project Budget, and all other documents agreed upon between the Parties and with His Majesty’s Government of Nepal,

Ministry of Forest and Soil Conservation to be integral parts of the present Agreement.

- (e) "Project" shall mean the activities described in the Project Document;
- (f) "Government" shall mean His Majesty's Government of Nepal, Ministry of Forest and Soil Conservation;
- (g) "UNDP Resident Representative" shall mean the UNDP official in charge of the UNDP office in Nepal, or the person acting on his/her behalf;
- (h) "Person in charge of the Project" or "Chief Technical Adviser (CTA)" shall mean the person appointed by IUCN, in consultation with UNDP and the Government, who acts as the overall Executing Agent of the Project and assumes the primary responsibility for all aspects of it;
- (i) "Expenditure" shall mean the sum of disbursements in respect of goods and services rendered;
- (j) "To advance" shall mean a transfer of assets, including a payment of cash or a transfer of supplies, the accounting of which must be rendered by IUCN at a later date, as herein agreed upon between the Parties;
- (k) "Income" shall mean the interest on the Project funds and all revenue derived from the use or sale of capital equipment, and from items purchased with funds provided by UNDP or from revenue generated from Project outputs;
- (l) "Force Majeure" shall mean acts of nature, war (whether declared or not), invasion, revolution, insurrection, or other acts of a similar nature or force.
- (m) "Project Work Plan" shall mean a schedule of activities, with corresponding time-frames and responsibilities, that is based upon the Project Document, deemed necessary to achieve Project results, prepared at the time of approval of the Project, and revised annually, with the approval of the Project Steering Committee (PSC).

Article II. Objective and Scope of the Present Agreement

1. The present agreement sets forth the general terms and conditions of the cooperation between the Parties in all aspects of achieving the Project Objectives, as set out in the Project Document called "Conservation and Sustainable Use of Wetlands in Nepal" signed between UNDP and His Majesty's Government of Nepal.
2. The Parties agree to join efforts and to maintain close working relationships, in order to achieve the Objectives of the Project.

Article III. Duration of Project Agreement

1. The term of the present Agreement shall commence on the date of signature of the Project Co-operation Agreement by the Parties for a 5-year period or the life of the project, whichever is later. The Project shall commence and be completed in accordance with the time-frame or schedule set out in the Project Document.
2. Should it become evident to either Party during the implementation of the Project that an extension beyond the expiration date set out in paragraph 1, above, of the present Article, will be necessary to achieve the Objectives of the Project, that Party shall, without delay, inform the other Party, with a view to entering into consultations to agree on a new termination date. Upon agreement on a termination date, the Parties shall conclude an amendment to this effect, in accordance with Article XVII, below.

Article IV. General Responsibility of the Parties

1. The Parties agree to carry out their respective responsibilities in accordance with the provisions of the present Agreement, and to undertake the Project in accordance with

UNDP policies and procedures as set out in the UNDP Programming Manual, which forms an integral part of the present Agreement.

2. Each Party shall determine and communicate to the other person (or unit) having the ultimate authority and responsibility for the Project on its behalf. The Person in charge of the Project or Chief Technical Adviser (CTA) shall be appointed by IUCN, in consultation with UNDP and the Government.
3. The Parties shall keep each other informed of all activities pertaining to the Project and shall consult once every three months or as circumstances arise that may have a bearing on the status of either Party in the country or that may affect the achievement of the Objectives of the Project, with a view to reviewing the Work Plan, Budget and implementation of the Project.
4. The Parties shall cooperate with each other in obtaining of any licenses and permits required by national laws, where appropriate and necessary for the achievement of the Objectives of the Project. The parties shall also cooperate in the preparation of any reports, statements or disclosures which are required by national law.
5. IUCN may only use the name and emblem of the United Nations or UNDP in direct connection with the Project, and subject to prior written consent of the UNDP Resident Representative in the country.
6. The activities under the present Agreement are in support of the efforts of the Government, and therefore IUCN will communicate with the Government through the National Project Director, as necessary. The CTA will be responsible for day-to-day contacts with the National Programme Manager, relevant national authorities and UNDP on operational matters during the implementation of the Project. The UNDP Resident Representative will act as the principal channel for communicating with the Government regarding the activities under the Project Cooperation Agreement, unless otherwise agreed with the Parties and the Government.
7. The UNDP Resident Representative will facilitate access to information, advisory services, technical and professional support available to UNDP and will assist IUCN to access the advisory services of other United Nations organizations, whenever necessary.
8. The Parties shall cooperate in any public relations or publicity exercises, when the UNDP Resident Representative deems this appropriate or useful.

Article V. Personnel Requirements

1. IUCN shall be fully responsible for all services performed by its personnel, agents, employees, contractors or subcontractors (hereinafter referred to as "Personnel").
2. IUCN's Personnel shall not be considered in any respect as being the employees or agents of UNDP. IUCN shall ensure that all relevant national labour laws are observed.
3. UNDP does not accept any liability for claims arising out of the activities performed under the present Agreement, or any claims for death, bodily injury, disability, damage to property or other hazards that may be suffered by IUCN Personnel as a result of their work pertaining to the project. It is understood that adequate medical and life insurance for Personnel, as well as insurance coverage for service-incurred illness, injury, disability or death, is the responsibility of IUCN.
4. IUCN shall ensure that its Personnel meet the highest standards of qualification and technical and professional competence necessary for the achievement of the Objectives of the Project, and that decisions on employment related to the implementation of the Project shall be free of discrimination on the basis of race, religion or creed, ethnicity or national origin, gender, handicapped status, or other similar factors. IUCN shall ensure that all Personnel are free from any conflicts of interests relative to the Project Activities.

Article VI. Terms and Obligations of Personnel

1. IUCN undertakes to be bound by the terms and obligations specified below, and shall accordingly ensure that the Personnel performing project-related activities under the present Agreement comply with these obligations:
 - (a) The Personnel shall be under the direct charge of IUCN which functions under the general guidance of UNDP and the Government;
 - (b) Further to subparagraph (a) above, they shall not seek to accept instruction regarding the activities under the present Agreement from any Government other than His Majesty's Government of Nepal or other authority external to UNDP;
 - (c) They shall refrain from any conduct which would adversely reflect on the United Nations, and shall not engage in any activity which is incompatible with the aims and objectives of the United Nations or the mandate of UNDP;
 - (d) Subject to the requirements outlined in the document "UNDP public information disclosure policy", information that is considered confidential shall not be used without the authorization of UNDP. In any event, such information shall not be used for individual profit. The CTA may communicate with the media regarding the methods and scientific procedures used by IUCN, however, UNDP clearance is required for the use of the name of UNDP in conjunction with Project Activities in accordance with Article IV, paragraph 5, above. This obligation shall not lapse upon termination of the present Agreement, unless otherwise agreed between the Parties.

Article VII. Supplies, Vehicles and Procurement

1. UNDP shall contribute to the Project the resources indicated in the Budget section of the Project Document;
2. Technical and logistical equipment, non-expendable materials, or other property furnished or financed by UNDP shall remain the property of UNDP and shall be returned to UNDP upon completion of the Project or upon termination of the present Agreement. The decision for transferring assets of the project at the time of project completion will be taken in mutual consultation between UNDP and His Majesty's Government of Nepal. During Project implementation and prior to such return, IUCN shall be responsible for the proper custody, maintenance and care of all equipment. IUCN shall, for the protection of such equipment and materials during implementation of the Project, obtain appropriate insurance in such amounts as may be agreed upon between the Parties and incorporated in the Project Budget.
3. UNDP will place on the supplies, equipment and other materials it furnishes or finances such markings as will be necessary to identify them as being provided by UNDP.
4. In cases of damage, theft or other losses of vehicles and other property made available to IUCN, IUCN shall provide UNDP with a comprehensive report, including police report, where appropriate, and any other evidence giving full details of the events leading to the loss of the property.
5. In its procedures for procurement of goods, services or other requirements with material value with funds made available by UNDP as provided for in the Project Budget, IUCN shall ensure that, when placing orders or awarding contracts, it will safeguard the principles of highest quality, economy and efficiency, and that the placing of such orders will be based on an assessment of competitive quotations, bids, or proposals, unless otherwise agreed to by UNDP.
6. UNDP shall make every effort to assist IUCN clearing all equipment and supplies through customs at places of entry into the country where Project activities are to take place.
7. IUCN shall maintain complete and accurate records of equipment, supplies and other property purchased with UNDP funds and shall take periodic physical inventories. IUCN shall provide UNDP and the Government annually with the inventory of such equipment, property and non-expendable materials and supplies, and at such time and in such form as UNDP may request.

Article VIII. Financial and Operational Arrangements

1. In accordance with the Project Budget, UNDP has allocated and will make available to IUCN funds up to the maximum amount of US\$ 1.85 million during the Project period including the 10% overhead of the approved amount. The first installment will be advanced to IUCN within 30 working days following signature of the present Agreement and submission of approved annual workplan as well as workplan and budget forecast for the next quarter. The second and subsequent installments will be advanced to IUCN quarterly, when a Financial Report and other agreed upon documentation, as referenced in Article X, below, for the activities completed have been submitted to and accepted by the Government and UNDP as showing satisfactory management and use of UNDP resources.
2. IUCN agrees to utilize the funds and any supplies and equipment provided by UNDP in strict accordance with the Project Document. IUCN shall be authorized to make variations not exceeding twenty (20) per cent on any one line item of the Project Budget, provided that the total Budget allocated by UNDP is not exceeded. IUCN shall notify UNDP and the Government about any expected variations on the occasion of the quarterly consultations set forth in Article IV, paragraph 3, above. Any variations exceeding twenty (20) per cent on any one line item that may be necessary for the proper and successful implementation of the Project shall be subject to approval by UNDP in consultation with the Government.
3. IUCN further agrees to return within two (2) weeks any unused supplies made available by UNDP at the termination or end of the present Agreement or the completion of the Project. Any unspent funds shall be returned within two (2) months of the termination of the present Agreement or the completion of the Project.
4. UNDP shall not be liable for the payment of any expenses, fees, tolls or any other financial cost not outlined in the Project Work Plan or Project Budget, unless UNDP in consultation with the Government has explicitly agreed in writing to do so prior to the expenditure by IUCN.

Article IX. Maintenance of Records

1. IUCN shall keep accurate and up-to-date records and documents in respect of all expenditures incurred with the funds made available by UNDP, to ensure that all expenditures are in conformity with the provisions of the Project Work Plan and Project Budgets. For each disbursement, proper supporting documentation shall be maintained, including original invoices, bills, and receipts pertinent to the transaction. Any Income, as defined in Article I, paragraph 1 (k), above, arising from the management of the Project shall be promptly disclosed to UNDP and the Government. The Income shall be reflected in a revised Project Budget and Work Plan and recorded as accrued income to UNDP, unless otherwise agreed between the Parties.
2. Upon completion of the Project/Termination of the Agreement, IUCN shall maintain the records for a period of at least four (4) years, unless otherwise agreed upon between the Parties.

Article X. Reporting Requirements

1. IUCN shall provide UNDP and the Government with periodic reports on the progress, activities, achievements and results of the Project, as agreed between the Parties and as specified in the Project Document.
2. Financial reporting will be made on a quarterly basis, as described in the Project Document.
 - (a) IUCN prepares a Financial Report and submit it to the UNDP Resident Representative within thirty (30) days after the end of each quarter, in English.

- (b) The purpose of the Financial Report is to request a quarterly advance of funds, to list the disbursements incurred on the Project by budgetary component on a quarterly basis, reconcile outstanding advances and foreign exchange loss/gain during the quarter.
 - (c) The Financial Report has been designed to reflect the transactions of a project on a cash basis. Because of this unliquidated obligations or commitments should not be reported to UNDP, i.e., the reports should be prepared on a "cash basis", **not** an accrual basis, and thus will only include disbursements made by IUCN and **not** commitments. However, IUCN shall provide indication when submitting reports as to the level of unliquidated obligations or commitments, for budgetary purposes.
 - (d) The information furnished on the Report forms the basis of a periodic financial review and its timely submission is a prerequisite to the continuing funding of the Project. Unless the Financial Report is received, requests for advances of funds from UNDP will not be acted upon by the UNDP Resident Representative.
 - (e) Any refund received by IUCN from a supplier should be reflected on the Report as a reduction of disbursements on the component to which it relates.
3. Within two (2) months of the completion of the Project or of the termination of the present Agreement, IUCN shall submit a final report to UNDP and the Government on the Project activities and include a final Financial Report on the use of UNDP funds, as well as an inventory of supplies and equipment.

Article XI. Audit Requirements

1. IUCN shall submit to the Resident Representative of UNDP a certified annual financial statement on the status of funds advanced by UNDP. The Project will be audited at least once during its life time but may be audited annually, as will be reflected in the annual audit plan prepared by UNDP Headquarters (Division of Audit and Performance Review), in consultation with the Parties to the Project. The audit shall be carried out by a qualified audit firm, which will produce an audit report and certify the financial statement.
2. Notwithstanding the above, UNDP shall have the right, at its own expense, to audit or review such Project-related books and records as it may require, and have access to the books and record of IUCN, as necessary.

Article XII. Responsibility for Claims

1. IUCN shall indemnify, hold and save harmless, and defend at its own expense, UNDP, its officials and persons performing services for UNDP, from and against all suits, claims, demands and liability of any nature and kind, including their cost and expenses, arising out of the acts or omissions of IUCN or its employees or persons hired for the execution of the present Agreement and the Project.
2. IUCN shall be responsible for, and deal with all claims brought against it by its Personnel, employees, agents or contractors.

Article XIII. Suspension and Early Termination

1. The Parties hereto recognize that the successful completion and accomplishment of the purpose of a technical cooperation activity are of paramount importance, and that UNDP in consultation with the Government may find it necessary to terminate the Project, or to modify the arrangements for implementation of a Project, should circumstances arise which jeopardize successful completion or the accomplishment of

the purposes of the Project. The provisions of the present Article shall apply to any such situation.

2. UNDP shall consult with the Government and IUCN if any circumstance arises that, in the judgment of UNDP, interferes or threatens to interfere with the successful completion of the Project or the accomplishment of its purposes. IUCN shall promptly inform UNDP and the Government of any such circumstance that might come to IUCN's attention. The Parties shall cooperate towards the rectification or elimination of the circumstance in question and shall exert all reasonable efforts to that end, including prompt corrective steps by IUCN, where such circumstances are attributable to it or within its responsibility or control. The Parties shall also cooperate in assessing the consequences of possible termination of the Project on the target beneficiaries of the Project.
3. UNDP may at any time after occurrence of the circumstance in question and appropriate consultations suspend execution of the Project by written notice to IUCN, without prejudice to the initiation or continuation of any of the measures envisaged in paragraph 2, above, of the present Article. UNDP may indicate to IUCN the conditions under which it is prepared to authorize execution of the Project to resume.
4. If the cause of suspension is not rectified or eliminated within fourteen (14) days after UNDP has given notice of suspension to IUCN, UNDP may, by written notice at any time thereafter during the continuation of such cause: (a) terminate the project; or (b) terminate IUCN's implementation of the Project, and entrust its implementation to another Implementing Agency. The effective date of termination under the provisions of the present paragraph shall be specified by written notice from UNDP.
5. Subject to paragraph 4 (b), above, of the present Article, IUCN may terminate the present Agreement in cases where a condition has arisen that impedes IUCN from successfully fulfilling its responsibilities under the present Agreement, by providing UNDP and the Government with written notice of its intention to terminate the present agreement at least sixty (60) days prior to the effective date of termination.
6. IUCN may terminate the present Agreement only under point 5, above, of the present Article, after consultations have been held between IUCN, UNDP and the Government with a view to eliminating the impediment, and shall give due consideration to proposals made by UNDP in this respect.
7. Upon receipt of a notice of termination by either Party under the present Article, the Parties shall take immediate steps to terminate activities under the present Agreement, in a prompt and orderly manner, so as to minimize losses and further expenditures. IUCN shall undertake no forward commitments and shall return to UNDP, within thirty (30) days, all unspent funds, supplies and other property provided by UNDP, unless UNDP has agreed otherwise in writing.
8. In the event of any termination by either Party under the present Article, UNDP shall reimburse IUCN only for the costs incurred to implement the project in conformity with the express terms of the present Agreement. Reimbursements to IUCN under this provision, when added to amounts previously remitted to it by UNDP in respect of the Project, shall not exceed the total UNDP allocation for the Project.
9. In the event of transfer of IUCN's responsibilities for implementation of a Project to another institution, IUCN shall cooperate with UNDP and the other institution in the orderly transfer of such responsibilities.

Article XIV. Force Majeure

1. In the event of and as soon as possible after the occurrence of any cause constituting Force Majeure, as defined in Article I, Paragraph 1, above, the Party affected by the Force Majeure shall give the other Party notice and full particulars in writing of such occurrence, if the affected Party is thereby rendered unable, in whole or in part, to perform its obligation or meet its responsibilities under the present Agreement. The Parties shall consult on the appropriate action to be taken, which may include suspension of the present Agreement by UNDP in consultation with the Government, in accordance with Article XIII, paragraph 3, above, or termination of the Agreement, with either Party giving to the other at least seven (7) days written notice of such termination.
2. In the event that the present Agreement is terminated due to causes constituting Force Majeure, the provisions of Article XIII, paragraph 8 and 9, above, shall apply.

Article XV. Arbitration

The Parties shall try to settle amicably through direct negotiations, any dispute, controversy or claim arising out of or relating to the present Agreement, including breach and termination of the Agreement. If these negotiations are unsuccessful, the matter shall be referred to arbitration in accordance with United Nations Commission on International Trade Law Arbitration Rules. The Parties shall be bound by the arbitration award rendered in accordance with such arbitration, as the final decision on any such dispute, controversy or claim.

Article XVI. Privileges and Immunities

Nothing in or related to the present Agreement shall be deemed a waiver, express or implied, of any of the privileges and immunities of the United Nations and UNDP.

Article XVII. Amendments

The present agreement or its Annexes may be modified or amended only by written agreement between the Parties.

IN WITNESS WHEREOF the undersigned, being duly authorized thereto, have on behalf of the Parties hereto signed the present Agreement at the place and on the day below written.

For IUCN:

For UNDP:

Mr. Sagendra Tiwari
Country Representative a.i.
Kathmandu, Nepal

Date: _____

Mr. Matthew Kahane
Resident Representative
Kathmandu, Nepal

Date: _____