

MEMORANDUM OF UNDERSTANDING

BETWEEN THE

**THE MINISTRY OF FOREIGN AFFAIRS AND INTERNATIONAL
COOPERATION OF THE ITALIAN REPUBLIC - DIRECTORATE
GENERAL FOR DEVELOPMENT COOPERATION**

AND

THE UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

WHEREAS the United Nations Industrial Development Organization (hereinafter "UNIDO") and the Ministry of Foreign Affairs and International Cooperation of the Italian Republic (hereinafter referred to as "the Donor") have agreed to co-operate in the implementation of a Project in Ethiopia entitled "Phase 2 (Extension) of the Technical Assistance Project for the Up-Grading of the Ethiopian Leather and Leather Products Industry", which Project is more fully described in Project Document No. 150201, which is attached as Annex A hereto and made an integral part hereof;

WHEREAS the Italian Agency for Development Cooperation (hereinafter referred to as "AICS") was established with Italian law 11 August 2014 n. 125, to be in charge of the implementation and funding of projects and initiatives on behalf of the Donor;

WHEREAS the Donor has informed UNIDO of its willingness to provide funds to meet the costs of the Project;

WHEREAS it has been agreed between UNIDO and the Donor that UNIDO shall be responsible under the terms of this Memorandum of Understanding and the UNIDO financial regulations and rules for the management of the funds provided by the Donor for the Project;

NOW THEREFORE, UNIDO and the Donor hereby agree as follows:

Article I

1. The Donor shall, in the manner referred to in paragraph 2 below and through the AICS, place at the disposal of UNIDO a sum estimated at EUR 2,799,236 and UNIDO shall use such funds to meet the costs of the Project, including programme support costs.

2. The Donor shall, in accordance with the schedule of payments set out in Annex B to this Agreement, have the aforesaid funds, in Euros, transferred through the AICS to:

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UniCredit Bank Austria AG
UNIDO Euro Account No. 0029-05107/00
IBAN AT791100000290510700
Wagramerstrasse 5, A-1400 Vienna, Austria
quoting project number 150201.

3. UNIDO shall establish a trust fund under its financial regulations and rules for the receipt and administration of the aforesaid funds, including interest accruing.

4. The trust fund and the activities financed therefrom shall be administered by UNIDO in accordance with its applicable regulations, rules and administrative instructions or directives. 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 and directives.

5. All financial accounts and statements shall be expressed in EUR and there shall be no accounting or reporting in other currencies. For the purpose of recording receipts and/or payments, all transactions shall be converted into EUR at the official United Nations accounting rate of exchange applicable on the date of receipt and/or payment.

Article II

The trust fund shall be utilized by UNIDO for the purpose of meeting the actual costs of the Project at Annex A, and to finance the programme support services provided by UNIDO in the implementation of the project.

Article III

1. UNIDO shall commence and continue to conduct operations under this Memorandum of Understanding upon receipt of a copy of this Memorandum of Understanding, signed by both Parties, and upon receipt of sufficient funds in accordance with Article I.

2. The Donor undertakes to meet the actual costs of the services specified in the Project Document in Annex A, and UNIDO undertakes not to make any commitments for services not specified in the Project Document without the approval, in writing, of the AICS.

3. If UNIDO considers that changes between components and/or additional services, not foreseen in the Project Document, are required, UNIDO will submit a revised budget for approval by the Donor showing the required changes in inputs and/or adjusted financing that will be necessary.

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Article IV

Ownership of equipment, materials, supplies and all other property financed from this trust fund shall vest in UNIDO. Unless otherwise provided in the Project Document, following operational completion of the Project, ownership of equipment, of materials and supplies, as well as other property necessary for operation of the Project, shall be transferred to the identified institutional counterpart or to an entity nominated by it.

Article V

Evaluation of the activities financed from this trust fund shall be undertaken in accordance with the provisions contained in Annex A.

Article VI

The trust fund shall be subject exclusively to the internal and external auditing procedures laid down in the financial regulations, rules and administrative instructions and directives of UNIDO.

Article VII

In addition to any reports specified in Annex A, UNIDO shall provide the Donor and the AICS with the following statements and reports in the format normally followed by UNIDO for accounting and financial reporting:

- (a) An annual financial statement showing income, expenditures for the year, and assets and liabilities as of 31 December with respect to the funds provided by the Donor;
- (b) A final financial statement within six months of termination or expiration of the Memorandum of Understanding.

Article VIII

UNIDO shall notify the Donor and the AICS when the activities for which the trust fund was established have been completed. The date of such notification shall be deemed to be the date of operational completion of the Project. This Memorandum of Understanding shall continue in force for the purposes stated in Article X.

Article IX

This Memorandum of Understanding may be terminated by either party on 30 days written notice to the other Party, subject to the continuance in force of Article X for the purposes stated therein.

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Article X

On operational completion of the Project as specified in Article VIII, or termination of this Memorandum of Understanding as specified in Article IX, the trust fund shall remain open until all expenditures incurred by UNIDO have been satisfied. Any balance due to UNIDO under Article III shall be charged by UNIDO to the trust fund and the Donor will reimburse UNIDO for any negative balance in the trust fund.

Upon submission of a final financial statement in accordance with Article VII (b), any surplus remaining in the trust fund shall be returned to the Donor and AICS or disposed of as requested by the Donor and AICS.

Article XI

1. Both the Donor and UNIDO 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 UNIDO Staff Rules and Regulations, and UNIDO Financial Rules and Regulations and Procurement Manual, UNIDO 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 UNIDO, observe the highest standard of ethics and integrity.

2. UNIDO, 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 Internal Oversight and Ethics (IOE) in a timely manner. Credible allegations will be investigated by IOE in accordance with its regulations, rules, policies and procedures. UNIDO 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 UNIDO.

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, UNIDO will:

- a. Use reasonable efforts to recover any part of the Contribution, which IOE has established as being diverted through fraud or corruption;
- b. In connection with (a) above, in consultation with the UNIDO Office of Legal Affairs, give proper consideration to referring the matter to the appropriate authorities of the Member States 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 following consultations between the Parties, reimburse to the Donor any part of the Contribution which UNIDO has recovered further to sub-section (a) above, or credit it to a mutually agreed activity.

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

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

Article XII

1. Nothing in the Agreement shall be interpreted as a waiver of any privileges or immunities accorded to any Party by its constituent documents, international agreements or international law;

2. In the event of a dispute, controversy or claim arising out of or relating to this Memorandum of Understanding, or the breach, termination, or invalidity thereof (a "dispute"), the Parties will use their best efforts to settle promptly such dispute through direct negotiation. Any dispute that is not settled within sixty (60) days from the date either Party has notified the other Party of the nature of the dispute and of the measures that should be taken to rectify it will be resolved through consultation between the Director General of UNIDO and the Directorate General for Development Cooperation of the Ministry of Foreign Affairs of the Italian Republic or their duly authorized representatives. Each Party will give full and sympathetic consideration to any proposal advanced by the other to settle amicably any matter for which no provision has been made or any controversy as to the interpretation or application of the Memorandum of Understanding.

Article XIII

The following addresses are specified for the purpose of this Memorandum of Understanding:

(a) For the Donor:

Ministry of Foreign Affairs and International Cooperation
Of the Italian Republic – Directorate General for Development Cooperation
Piazzale della Farnesina, 1
Rome, Italy
dgcs4@esteri.it,

(c) For the AICS:

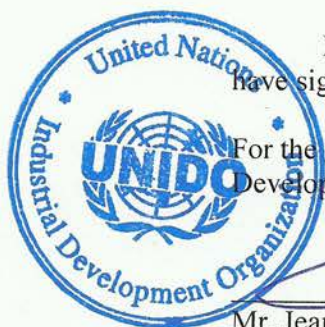
Italian Agency for Development Cooperation
Via Salvatore Contarioni, 25
Rome, Italy

(c) For UNIDO:

Mr. Taizo Nishikawa
Deputy to the Director General
P.O. Box 300
Vienna International Centre
A-1400 Vienna, Austria
Telephone: 0043 1 260263470

Article XIV

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



IN WITNESS WHEREOF, the undersigned, being duly authorized thereto, have signed the present Memorandum of Understanding in two copies in English

For the United Nations Industrial Development Organization:

Mr. Jean Bakole
UNIDO Representative and Director

Place: Addis Ababa
Date: 23/11/2016

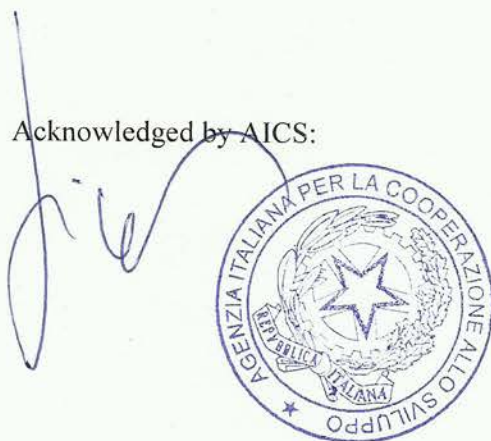
For the Donor:

H.E. Mr. Giuseppe Mistretta
Ambassador of Italy in Ethiopia

Place: Addis Ababa
Date: 23/11/2016



Acknowledged by AICS:



ANNEX B

SCHEDULE OF PAYMENTS

1) First installment upon signature of the Agreement	EUR 995,417
2) Second installment at start of second year of project	EUR 989,202
3) Third installment at start of third year of project	EUR 814,617

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