

No. 14258

**UNITED NATIONS
(UNITED NATIONS CAPITAL DEVELOPMENT FUND)
and
LESOTHO**

Grant Agreement—*Co-operative Low-Cost Housing* (with annexes). Signed at Maseru on 3 September 1975

Authentic text: English.

Registered ex officio on 3 September 1975.

**ORGANISATION DES NATIONS UNIES
(FONDS D'ÉQUIPEMENT DES NATIONS UNIES)
et
LESOTHO**

Accord relatif à un don en espèces—*Habitations coopératives à bon marché* (avec annexes). Signé à Maseru le 3 septembre 1975

Texte authentique: anglais.

Enregistré d'office le 3 septembre 1975.

GRANT AGREEMENT¹

BETWEEN LESOTHO (THE GOVERNMENT)
AND UNITED NATIONS CAPITAL DEVELOPMENT FUND (THE UNCDF)

Project number: LES/74/C31
Project title: Co-operative Low-Cost Housing

Approved:

[Signed—Signé]²
For the Government

Ministry of Finance
Maseru, Lesotho
Date: 3 September 1975

[Signed—Signé]³
For the UNCDF

UNDP
Maseru
Date: 3 September 1975

Article I. THE GRANT

Section 1.01. The UNCDF agrees to make a grant (hereinafter called the Grant) available to the Government, upon the terms and conditions set forth or referred to in this Agreement, in an amount of eight hundred forty-five thousand United States dollars (US \$845,000), as a financial contribution to the project (hereinafter called the Project) described in annex I of the present Agreement.

Section 1.02. (a) The UNCDF shall open a grant account (hereinafter called "the Grant Account") on its books in the name of the Government and shall credit thereto the amount of the Grant.

(b) The table below sets forth the categories of items to be financed out of the proceeds of the Grant and the allocation of the amounts of the Grant to each category:

<i>Category</i>	<i>Amount of the Grant allocated (in United States dollars)</i>
(1) Mortgage fund	\$380,000
(2) Rural house improvement credits	\$ 30,000
(3) Sewerage and other infrastructure	\$240,000
(4) Provision for inflation	\$195,000
TOTAL	\$845,000

(c) Disbursement shall be made from the Grant Account and from the proceeds of the Grant, and the Project shall be administered in accordance with the provisions and by the organizations set forth or referred to in an Administration Agreement to be agreed to and signed by UNCDF, the Government and the organizations carrying out the Project. A draft Administration Agreement, marked annex II, is attached to this Agreement.

¹ Came into force on 3 September 1975 by signature, in accordance with section 6.01.

² Signed by Khetla Thabo Joshua Rakhetla—Signé par Khetla Thabo Joshua Rakhetla.

³ Signed by Ahmad Kabbah—Signé par Ahmad Kabbah.

(d) Notwithstanding the provisions of paragraph (c) of this section, no disbursements shall be made in respect of:

- (i) any expenditures prior to the date of this Agreement;
- (ii) payments for taxes and other charges imposed under the laws of the Government or laws in effect in its territories on the sale or transfer of goods or services, or on the importation, manufacture, procurement, supply or ownership thereof; and
- (iii) any expenditures unless the conditions precedent referred to in paragraph (e) of this section 1.02 are satisfied.

(e) The conditions precedent to the initial disbursement from the Grant Account are set forth in annex III to this Agreement. UNCDF may, upon notification to the Government, declare this Agreement to be null and void if the said conditions precedent are not satisfied on or before December 31, 1975.

Section 1.03. If the UNCDF has reasonably estimated that the amount of the Grant then allocated to any category will be insufficient to finance the expenditures in that category, the UNCDF may, by notice to the Government, reallocate to such category such amounts then allocated to another category as in the opinion of the UNCDF are not needed to meet other expenditures.

Section 1.04. If the UNCDF shall have reasonably determined that the procurement of any item in any category is inconsistent with the procedures set forth or referred to in this Agreement, no expenditures for such item shall be financed out of the proceeds of the Grant and the UNCDF may, without in any way restricting or limiting any other right, power or remedy of the UNCDF under this Agreement, by notice to the Government, cancel such amount of the Grant as in the UNCDF's reasonable opinion represents the amount of such expenditures which would otherwise have been eligible for financing out of the proceeds of the Grant.

Section 1.05. The UNCDF may by notice to the Government terminate the right of the Government to disburse funds from the proceeds of the Grant any amount not disbursed by January 1, 1979, or by such other date as shall be agreed between the Government and the UNCDF.

Article II. GENERAL PROVISIONS CONCERNING THE EXECUTION OF THE PROJECT

Section 2.01. The Government shall carry out the Project or, if another Organization is designated for this purpose in annex II to this Agreement, cause the Project to be carried out by such Organization, with due diligence and efficiency and in conformity with appropriate administrative, technical and financial practices, and shall provide, promptly as needed, all funds, facilities, services and other resources required therefor.

Section 2.02. (a) Contracts for the goods and services required for the Project and to be financed out of the proceeds of the Grant shall be awarded under procedures agreed to between the Government and the UNCDF or, if the Government shall so agree, between the Organization referred to in section 2.01 of the Agreement and UNCDF.

(b) The UNCDF may, in agreement with the Government, cause to be provided to the Government such assistance in the procurement of goods and services for the Project, as is consistent with the policy of the UNCDF.

Section 2.03. Except as the Government and the UNCDF shall otherwise agree, the Government shall cause all goods and services financed out of the proceeds of the Grant to be used exclusively for the Project.

Section 2.04. The Government undertakes to insure, or make adequate provision for the insurance of the imported goods to be financed out of the proceeds of the Grant, against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable by the Government to replace or repair such goods.

Section 2.05. The Government shall: (a) maintain separate records adequate to record the progress of the Project (including the cost thereof) and to identify the goods and services financed out of the proceeds of the Grant, and to disclose the use thereof in the Project; (b) have such records audited every year and furnish to the UNCDF such records and the report of the audit thereof not later than six months after the end of the fiscal year of the Government; (c) enable the UNCDF's representatives to visit the facilities and construction sites included in, or relevant to, the Project, and to examine the goods financed out of such proceeds and any relevant records and documents; and (d) furnish to the UNCDF all such information as the UNCDF shall reasonably request concerning the Project, the expenditure of the proceeds of the Grant and the goods and services financed out of such proceeds.

Section 2.06. Except as the Government and the UNCDF shall otherwise agree, the Government shall not create or permit to be created, any encumbrance, mortgage, pledge, charge, lien or priority of any kind on the goods financed by the proceeds of the Grant, provided, however, that the foregoing provisions of this section shall not apply to any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property.

Article III. COOPERATION AND INFORMATION

Section 3.01. COOPERATION AND INFORMATION. (a) The Government and the UNCDF shall cooperate fully to assure that the purpose of the Grant will be accomplished. To that end, the Government and the UNCDF shall from time to time, at the request of any one of them:

- (i) exchange views through their representatives with regard to the progress of the Project, the benefits derived therefrom and the performance of their respective obligations under this Agreement and other matters relating to the purposes of the Grant; and
- (ii) furnish to the other Party all such information as it shall reasonably request with regard to the progress of the Project, the benefits derived therefrom and the general status of the Grant.

(b) The Government and the UNCDF shall promptly inform each other of any condition which interferes with, or threatens to interfere with, the progress of the Project, the accomplishment of the purposes of the Grant, or the performance by any one of them of its obligations under this Agreement.

(c) After the completion of the Project, the Government shall make available to the UNCDF all such information as UNCDF may reasonably request with regard to the benefits derived from the Project including information necessary or appropriate for the UNCDF to evaluate the Project or its assistance to the Government.

Article IV. SUSPENSION OR TERMINATION OF ASSISTANCE

Section 4.01. The UNCDF may by written notice to the Government suspend its assistance under this Agreement if in the judgment of the UNCDF any circumstance arises which interferes with or threatens to interfere with the successful completion of the Project or the accomplishment of its purposes. The UNCDF may, in the same or in a subsequent written notice, indicate the conditions under which it is prepared to resume its assistance under this Agreement. Any such suspension shall continue until such conditions are accepted by the Government and the UNCDF shall have given written notice to the Government that it is prepared to resume its assistance under this Agreement.

Section 4.02. If any situation referred to in section 4.01 shall occur and continue for a period of fourteen days after notice thereof shall have been given by the UNCDF to the Government, then at any time thereafter during the continuance thereof, the UNCDF may by written notice to the Government terminate its assistance under this Agreement and require that the Government reimburse to the UNCDF the amount of the Grant disbursed from the Grant Account. The Government shall promptly reimburse such amount to the UNCDF upon receipt of such request.

Section 4.03. The provisions of this article shall be without prejudice to any other rights or remedies that UNCDF may have in the circumstances, whether under general principles of law, the laws in effect in the territories of the Government or otherwise.

Section 4.04. No delay in exercising, or omitting to exercise, any right or remedy of the UNCDF under this Agreement shall be construed as a waiver thereof.

Article V. INTERPRETATION AND SETTLEMENT OF DISPUTES

Section 5.01. The provisions of this Agreement shall be interpreted in keeping with the relevant resolutions and decisions of the appropriate organs of the United Nations and any relevant matter for which no provision is made in this Agreement shall be settled by the Parties thereto in keeping with the said resolutions and decisions, each Party giving full and sympathetic consideration to any proposal advanced by the other Party under this section.

Section 5.02. Any dispute between the Government and the UNCDF arising out of or relating to this Agreement which is not settled by negotiation or other agreed mode of settlement shall be submitted to arbitration at the request of either Party. Each Party shall appoint one arbitrator, and the two arbitrators so appointed shall appoint a third arbitrator, who shall be the chairman of the arbitration tribunal. If within thirty days of the request for arbitration either Party has not appointed an arbitrator or if within fifteen days of the appointment of the two arbitrators, the third arbitrator has not been appointed, either Party may request the President of the International Court of Justice to appoint such as yet

unappointed arbitrators, and the expenses of the arbitration shall be borne by the Parties as assessed by the arbitrators. The arbitral award shall contain a statement of the reasons on which it is based and shall be accepted as binding by the Parties to the dispute.

Article VI. ENTRY INTO FORCE; TERMINATION

Section 6.01. This Agreement shall enter into force on the date of signature by the Parties hereto.

Section 6.02. The obligations of the Parties under this Agreement, except under article III and except as provided in annex II, shall terminate on a date four years after the date set forth in section 1.05 of this Agreement or four years after such later date as shall be agreed between the Government and the UNCDF in accordance with provisions of the said section.

Article VII. REPRESENTATIVES OF THE PARTIES; ADDRESSES

Section 7.01. [The] Director of the Central Planning Office is designated as [the] representative of the Government for the purpose of taking any action required or permitted to be taken under this Agreement on behalf of the Government.

Section 7.02. The UNCDF may by notice to the Government designate a person or persons as representative of the UNCDF for the purpose of receiving any documentation which is to be furnished to the UNCDF or of performing any act required or permitted to be performed by the UNCDF in accordance with the terms of this Agreement.

Section 7.03. The following addresses are specified for the purpose of transmitting any notice or request required or permitted to be given or made under this Agreement.

For the Government:

Central Planning Office
Maseru, Lesotho

For the UNCDF:

United Nations Capital Development Fund
c/o Resident Representative of the United Nations Development Programme
UNDP
Maseru

IN WITNESS WHEREOF the Parties hereto, acting through their representatives thereunto duly authorized, have caused this Agreement to be signed in their respective names and on the respective dates first written above.

LES/74/C31

Lesotho: Co-operative Low-Cost Housing—\$845,000

ANNEX I

The Project is to establish a capital base and operating capability for co-operative low-cost housing. There will be two phases. The first phase will involve 210 houses which will normally have three rooms and a bath. The houses are intended for urban families

averaging four-and-one half members with annual family income between US \$750 and US \$1200. It is expected that the houses will support twenty-year mortgages of about US \$1400 with interest at 7% per annum (US \$10.85 monthly payments). The second phase will involve 70 houses and will begin approximately two years from the date of the Grant and is intended to provide housing for still lower income groups through a combination of easier mortgage terms, reduced amenities, more self-help and inflationary effects.

The Grant will be allocated as follows: \$380,000 for the mortgage fund, \$30,000 for rural house improvement credits, \$240,000 for sewerage and other minor infrastructure. A 30% contingency for cost escalation (\$195,000) has been added to the current cost estimates.

The UNCDF Grant will be supplemented by a Government cash contribution in the amount of US \$94,000 (R. 62,400) to the Technical Service Organization and \$135,000 (R.90,000) for two-thirds of off-site sewerage costs to be shared by two other projects (home-site sub-division and National Teachers Training College). UNDP will provide \$98,000 technical assistance pursuant to UNDP Project LES/74/026. Approximately \$50,000 will become available from cooperative member deposits. The Government will contribute the land necessary for the first phase. It is expected that considerable self-help will be provided by the cooperative members.

LES/74/C31

Lesotho: Co-operative Low-Cost Housing—\$845,000

ANNEX II

ADMINISTRATION AGREEMENT

This Agreement, among the Parties whose names appear below, is made pursuant to article I, section 1.02(c), of the Grant Agreement between Lesotho (the "Government") and the United Nations Capital Development Fund (UNCDF) for a co-operative low-cost housing project (Project), and in furtherance of the purposes of that Agreement. The responsibilities and procedures for execution of the Project are agreed to by the Parties as set forth herein.

A. *Resident Representative (Res. Rep.) of United Nations Development Programme (UNDP)*

The Res. Rep. shall disburse the funds from the Grant Account to the TSO and LNDB as appropriate after determination by the Res. Rep. that the conditions precedent specified in annex III to the Grant Agreement have been satisfied and that all other provisions of the Grant Agreement relating to disbursement have been met. The Res. Rep. shall approve prior to disbursement by TSO any proposed expenditure which equals or exceeds 20% or more of each Grant category listed in article 1, section 1.02(b), of the Grant Agreement.

B. *Technical Service Organization (TSO)*

1. *Responsibilities.* The TSO, a subsidiary organization of the Lesotho National Development Corporation (LNDC), will organize the required cooperative(s) and provide planning, implementation and other technical assistance to the cooperative(s). TSO will manage the cooperative housing and infrastructure funds with accounts at the Lesotho National Development Bank. TSO will make available a line of credit in Lesotho rands equivalent to US \$30,000 with interest at 2% per annum and upon such other terms and conditions as determined by TSO to the Lesotho Credit Union League for relending to its members up to 150 Lesotho rands per family for rural home improvement. TSO shall make available to the Res. Rep., upon request, all books, records and documents relating to the Project.

2. *Procurement procedures.* All items of equipment and contracts for services for the Project which are purchased or funded from the proceeds of the Grant shall be made in conformity with the usual and customary procedures for procurement of LNDC.

3. *Reports.* The following reports shall be made to the Res. Rep.:

- (a) the membership roster of the cooperative(s) showing each contribution by each member, semi-annually within 30 days after the end of each six-month period, until the membership is completed and all required contributions have been made;
- (b) schedules for procurement and construction for the houses and related infrastructure, semi-annually within 30 days after each six-month period, until the project is completed;
- (c) schedules showing procurement and construction completed together with invoices for each expenditure for equipment and contracts for services, accompanied by a Certificate of Conformity in substantially the form attached;
- (d) a balance sheet and profit and loss statement of each cooperative in the Project within 90 days after the end of their respective fiscal years.

C. *Lesotho National Development Bank (LNDB)*[•]

1. *Responsibilities.* LNDB shall manage the mortgage fund to be provided by UNCDF. LNDB shall make loans from the mortgage fund to cooperative members with interest at 2% per annum and upon such other terms and conditions as it deems appropriate. LNDB shall disburse all other project funds at the direction of TSO. LNDB shall make available to the Res. Rep., upon request, all books, records and documents relating to the Project.

2. *Reports.* The following reports shall be made to the Res. Rep.:

- (a) a statement of accounts for the Project segregated as to each of the four categories listed in article 1, section 1.02(b), semi-annually within 30 days after the end of each six-month period;
- (b) a statement of accounts for the mortgage fund, semi-annually within 30 days after the end of each six-month period.

Approved:

Lesotho:
By [*Signed—Signé*]¹

Date: 10 September 1975

United Nations Capital
Development Fund:
By [*Signed—Signé*]²
Res. Rep. UNDP

Date: 11 September 1975

Technical Service
Organization:
By [*Signed—Signé*]³

Date: 5 September 1975

Lesotho National Development
Bank:
By [*Signed—Signé*]⁴

Date: 4 September 1975

¹ Signed by S. Montšhi—Signé par S. Montšhi.

² Signed by A. T. Kabbah—Signé par A. T. Kabbah.

³ Signed by E. Galindo—Signé par E. Galindo.

⁴ Signed by P. T. Mafike—Signé par P. T. Mafike.

CERTIFICATE OF CONFORMITY

I, the undersigned, the (*insert title*) of Technical Service Organization, do hereby certify that the procurement of the equipment or services described by the attached invoice was made in conformity with the procurement procedures of the Lesotho National Development Corporation.

.....
Signature

LES/74/C31

Lesotho: Co-operative Low-Cost Housing—\$845,000

ANNEX III

The conditions precedent to disbursement from the Grant Account, referred to in article I, section 1.02(e), which shall be met to the satisfaction of the Resident Representative of UNDP are:

- (1) The UNDP project (UNDP LES/74/026) personnel will have arrived in the field.
 - (2) Contributions by the Government to the Technical Service Organization of US \$94,000 (R.62,400) and US \$135,000 (R.90,000) for off-site sewerage cost will have been provided.
 - (3) Title to the land required for the first phase of the Project will have been transferred to the appropriate cooperatives by the Government.
 - (4) Annex II will have been approved by all the Parties.
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