

No. 14259

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

Grant Agreement—*Lesotho Credit Union League* (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 — *Union des Associations de crédit du Lesotho* (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/C37

Project title: Lesotho Credit Union League

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 one hundred thousand United States dollars (US \$100,000), 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) 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.

(c) 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 *(d)* of this section 1.02 are satisfied.

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) 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. 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, 1977, 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. The Government shall: (a) maintain separate records adequate to record the progress of the Project (including the cost thereof) and to identify the Property 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 property 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 property and services financed out of such proceeds.

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 two 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 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/C37

Lesotho: Lesotho Credit Union League—\$100,000

ANNEX I

The Lesotho Credit Union League was established in 1968 as a central technical assistance and financing organization of 48 credit unions in Lesotho; the latter had total assets equivalent to US \$377,000 (of which \$254,000 in loans mainly for rural production)

and 15,500 members as of 31 December 1973. The League's own assets at the same date were \$90,000, 70% of which was invested in an office building partly rented to others. Its annual expenditures of approximately \$38,000 were covered 30% by operating revenues and the balance by donations from various sources including the Konrad Adenauer Foundation, Misereor, CIDA and CARE. The League currently employs a manager, a secretary, a part-time accountant and five field extension agents.

UNCDF will finance, through the Lesotho National Development Bank, a \$100,000 loan repayable in 15 years including a 5-year grace period, at 2% per annum interest, for production credits to the League's member credit unions. Repayments of the loan will be used, in agreement with UNCDF, to expand the League's operations, or for similar credit purposes.

LES/74/C37

Lesotho: Lesotho Credit Union League—\$100,000

ANNEX II

ADMINISTRATION AGREEMENT

This Agreement, among the Parties whose names appear below, is made pursuant to article I, section 1.02(b), of the Grant Agreement between Lesotho (the "Government") and the United Nations Capital Development Fund (UNCDF) for assistance to the Lesotho Credit Union League (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 Capital Development Program (UNDP)*

The Res. Rep. shall disburse the funds from the Grant Account to LNDB 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.

B. *Lesotho Credit Union League (the League)*

1. *Responsibilities.* The League will:

- (a) create a central financing mechanism to provide production credits to member credit unions;
- (b) use the proceeds of the loan from LNDB to provide production credits to member credit unions;
- (c) utilize the proceeds of the repayments of the loan from LNDB in agreement with UNCDF.

In order to begin its lending operations, the League will obtain the services of an expatriate credit technician, and backstopping assistance from a financial expert provided by the African Cooperative Savings and Credit Association (ACOSCA), Addis Ababa. USAID will finance the salaries of the credit technician and the financial expert as well as \$43,000 of various costs connected with the establishment of the League's financing operations. The League 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 all production credits made available to member credit union showing repayments, semi-annually within 30 days after the end of each six-month period;

(b) a balance sheet and profit and loss statement of the League within 90 days after the end of its fiscal year.

C. *Lesotho National Development Bank (LNDB)*

1. *Responsibilities.* LNDB shall loan the proceeds of the Grant to the League with interest at 2% per annum repayable in 15 years with a five-year period of grace, LNDB shall, in agreement with UNCDF, make available the proceeds of the loan repayment, to the League. LNDB shall make available to the Res. Rep., upon request, all books, records and documents relating to the Project.

2. *Reports.* The following report shall be made to the Res. Rep.: A statement of account for the loan to the League semi-annually within 30 days after the end of each six-month period.

D. *Lesotho*

The Government will perform, or cause to be performed, an annual external audit of the League's activities and, in particular, the use of the proceeds of the loan from LNDB which is funded by the Grant.

Approved:

Lesotho: By [<i>Signed—Signé</i>] ¹	Date: 10 September 1975
United Nations Capital Development Fund: By [<i>Signed—Signé</i>] ² Res. Rep. UNDP	Date: 11 September 1975
Lesotho Credit Union League: By [<i>Signed—Signé</i>] ³	Date: 15 August 1975
Lesotho National Development Bank: By [<i>Signed—Signé</i>] ⁴	Date: 4 September 1975

LES/74/C37

Lesotho: Lesotho Credit Union League—\$100,000

ANNEX III

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

- (1) annex II will have been approved by all the Parties; and
- (2) the expatriate credit technician referred to in annex II shall have assumed his post with the Lesotho Credit Union League.

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

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

³ Signed by A. P. Bohloa—Signé par A. P. Bohloa.

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