



MEMORANDUM OF UNDERSTANDING

BETWEEN

THE ASIAN DEVELOPMENT BANK

AND

**THE UNITED NATIONS HUMAN
SETTLEMENTS PROGRAMME**



UN-HABITAT





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Introduction

(A) The Asian Development Bank (“ADB”) is a broad-based development institution for the Asia and Pacific region (“the Region”), committed to reduce poverty through lending and non-lending activities to support pro-poor sustainable economic growth, good governance and inclusive social development. As part of its activities, ADB’s vision for the urban sector is to promote safe, livable, well managed urban centers, free of poverty that fulfill the promise of development. The most effective way to realize this vision is to establish and maintain effective working relationships with committed and credible development partners. Through the partnerships, ADB will pursue the implementation of poverty reduction strategies and targeted interventions aimed at promoting good urban governance, strengthening urban management, mobilization of resources and improving urban services delivery, particularly water supply and sanitation services, to maximize development impacts and achieve sustainability.

(B) The United Nations Centre for Human Settlements was established by the General Assembly of the United Nations by its resolution 32/162 of 19 December 1977, and transformed into a Programme by its resolution 56/206 of 21 December 2001 (“UN-HABITAT”). UN-HABITAT is the lead agency within the United Nations system with a mandate to promote sustainable urbanization through policy formulation, institutional reform, capacity-building, technical cooperation and advocacy, and to monitor and improve the state of human settlements worldwide. Its activities contribute to the overall objective of the United Nations system to reduce poverty and promote sustainable development within the context and the challenges of a rapidly urbanizing world. Sustainable human settlements depend on the creation of a better environment for human health and well-being, which will improve the living conditions of people and decrease disparities in the quality of their lives. Meeting this challenge requires an integrated approach to water resources management that takes cognizance of the links between water, sanitation and health, between the economy and the environment, and between cities and their hinterland, and harmonizes land-use planning and housing policies with water sector policies and ensures a comprehensive and coherent approach to setting and enforcing realistic standards. A strong political commitment, cooperation across disciplines and sectors, and an active partnership of all interested parties is essential to meet this challenge.

(C) ADB and UN-HABITAT signed a Letter of Intent on 31 August 2002 in Johannesburg to collaborate in a partnership on the “Water for Asian Cities Program” (“the Program”), a joint regional initiative developed on the basis of the interest expressed at the “Regional Consultation on Water and Sanitation” that was organized by ADB and UN-HABITAT in New Delhi on 10 and 11 April 2002.



(D) Following the signing of the Letter of Intent, close consultations have taken place between UN-HABITAT and ADB with a view to making the Program operational, including missions to potential participating countries.

(E) This partnership aims at creating an enabling environment for new investments in the Region, facilitating project preparation and mobilizing further resources for implementation, operation and maintenance in a sustainable manner. UN-HABITAT and ADB recognize the benefits of genuine, substantive cooperation and wish to pursue such cooperation in the Region in a cost-effective and efficient manner.

(F) UN-HABITAT and ADB ("the Parties") have entered into this Memorandum of Understanding ("the MOU").

Article I **Purpose and Scope**

1. This MOU sets out the framework under which the Parties will collaborate in the Program. It is understood that the cooperation under this MOU is non-exclusive and should be flexible to take account of the operating conditions and needs of the participating countries.

2. It is understood that the Program will have three (3) phases, which may be implemented either sequentially, simultaneously, or be overlapping, depending upon the requirement and circumstances of each one of the participating countries. The Parties will closely collaborate, as appropriate, together with the participating countries, in the design, development and implementation of these 3 Phases, briefly described as follows:

- a) Phase I ("Capacity Building"), which aims at creating the enabling environment and build the necessary capacity for the Program, will, *inter alia*, include: (i) mobilization of political will and advocacy to promote policy, regulatory and tariff reforms and prepare the ground for investments; (ii) implementation of pilot demonstrative projects; (iii) strengthening regional, country and city-level governance and capacities for integrating water and sanitation development and management; (iv) promoting water quality, sanitation and hygiene education; (v) bench marking of utility performance and monitoring progress towards achievement of the Millennium Development Goals in the water and sanitation sector;
- b) Phase II ("Project Preparation") aims at identifying, developing and preparing investment projects of the Program, to be consistent with the ADB's Country Strategy and Program ("CSP"). The projects to be developed during this Phase should be bankable, meet the needs and aspirations of the consumers and technically, economically and financially feasible. These projects should also be socially, institutionally and environmentally sustainable; and



- c) Phase III (“Investment”) aims at implementing the projects designed in the previous Phase. The Phase will focus on the mobilization of financial resources, provision of loans to the participating countries where appropriate, physical implementation of projects, as well as continuation of policy reforms, capacity building measures and institutional strengthening. Particular attention will be paid to the efficient and effective operation, management and sustainability of water supply and sanitation services.
3. The Program will seek to establish an “Asian Ministerial Forum for Water and Sanitation”, which may meet annually under the auspices of the Program, to provide policy oversight and direction for the implementation, and monitoring progress of the Program.
4. The Program will also seek to establish a “Donor Support Group” to ensure coordinated support to Program and a “Multi-Stakeholders Forum” for participatory program planning, review and sharing of experiences of implementation at local, national and regional levels.

Article II

General Responsibilities of the Parties

1. The Parties undertake to work together in the achievement of the objectives of this partnership in good faith and in a spirit of friendly cooperation, as set out in this MOU. The detailed responsibilities of the Parties with respect to the design, implementation, monitoring and evaluation of the Program, and the projects thereof, will be set out separately.
2. UN-HABITAT will nominate a “Program Coordinator”, under the direction of its Water, Sanitation and Infrastructure Branch, to be based in the Region, and ADB will designate its Regional and Sustainable Development Department as a “Focal Point” for the Program. It is understood that each Party may designate contact points, as necessary and appropriate, to maintain flexible channels of communication and ensure smooth implementation of the Program.

Article III

Financial Arrangements

1. As agreed upon in the Letter of Intent, the Parties will plan to make available, consistent with their respective programs, at least an amount of Ten Million US Dollars (US\$10,000,000) for Phases I and II as follows: Five Million US Dollars (US\$5,000,000) to be provided by UN-HABITAT and Five Million US Dollars (US\$5,000,000) to be provided by ADB.
2. ADB is, thereafter, expected to plan, consistent with its loan program, for a total of Five Hundred Million US Dollars (US\$500,000,000), through loans to the Beneficiaries, to be approved over the five-year period of this MOU beginning March 2003.



Article IV
Participating Countries

1. The participating countries will be identified through consultation among UN-HABITAT, ADB and the concerned Governments and city authorities. Efforts will be made to include at least one (1) participating country from each of the following sub-regions: South Asia, Southeast Asia, Mekong, East and Central Asia and the Pacific.

Article V
Monitoring, Evaluation

1. The Parties will maintain regular close consultations to monitor and review the progress of activities for each one of the Phases of the Program and to plan future activities.
2. The Parties will share, consistent with their policies on confidentiality and disclosure of information, with each other all relevant information and documents, including research, reports and any other information related to the activities, outputs and impact of the Program.
3. The Parties will wherever possible invite each other to participate in relevant missions to be undertaken with respect to the Program.
4. The Parties welcome joint evaluation of the outputs and impact of the Program, as appropriate.

Article VI
Applicability of Regulations and Rules

1. Each Party will apply their own relevant regulations, rules, procedures, policies and practice to any activity carried out or financed, including provisions of funds and audit, by it in any Phase of the Program.

Article VII
Entry into Force, Duration, Termination and Modification

1. This MOU will enter into force on the date of signature and will remain valid for a period of five (5) years therefrom, unless earlier terminated pursuant to para. 2 below. It is understood that the terms of this MOU will retroactively apply from 31 August 2002, to include any activity that either of the Parties had previously undertaken, or is in the process of being undertaken, in connection with the Program.
2. Either Party may terminate this MOU at will upon providing to the other Party three (3) months notice in writing to the addresses and in the manner indicated in Article X ("Notices") below. In the event of termination, the Parties will take appropriate steps to bring the activities under this MOU to a prompt and orderly conclusion.



3. Arrangements set forth in this MOU may be modified upon mutual agreement of the Parties to be reflected in writing by duly authorized representatives of the Parties.

Article VIII
Use of Name and Emblem

1. Neither Party will use the name or emblem of the other Party, or any abbreviation thereof, in connection with its business or otherwise, without the express prior written permission by a duly authorized representative of the other Party in each case.

2. The Parties agree to recognize and acknowledge the partnership under this MOU after having consulted with each other on the manner and form of such a recognition and acknowledgement. Each Party will bear the costs associated with any such recognition and acknowledgement.

Article IX
Notices

All notices and communications required or contemplated by this MOU will be in writing in the English language and will be forwarded to the respective addresses of the Parties as follows:

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| <p>For UN-HABITAT</p> <p>CHIEF, WATER SANITATION AND INFRASTRUCTURE BRANCH UN-HABITAT P.O. Box 30030 Code 00100 Nairobi (Kenya)</p> | <p>For ADB</p> <p>DIRECTOR GENERAL REGIONAL AND SUSTAINABLE DEVELOPMENT DEPARTMENT ASIAN DEVELOPMENT BANK No. 6 ADB Avenue Mandaluyong City (Philippines)</p> |
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Any notice so delivered will be deemed given when actually received by the other Party.

Article X
Settlement of Disputes

1. The Parties will use their best efforts to settle amicably any dispute, controversy or claim arising out of this MOU or the breach, termination or invalidity thereof. Any dispute, controversy or claim between the Parties arising out of this MOU or the breach, termination or invalidity thereof, unless settled amicably may be referred to arbitration by either Party.



Article XI
Privileges and Immunities

1. Nothing in or relating to this MOU will be deemed a waiver, express or implied, of any of the privileges and immunities of either Party.
2. No provision of this MOU will be construed so as to in any way interfere with the independent decision making autonomy of the Parties, with regard to their respective mandate, activities and operation.

IN WITNESS WHEREOF the undersigned, duly appointed representatives of UN-HABITAT and of ADB, respectively, have signed two (2) copies of this MOU, all being equally authentic, in _____, on _____ March 2003.

ANNA K. TIBAIJUKA
Executive Director
UN-HABITAT

TADAO CHINO
President
ASIAN DEVELOPMENT BANK