

A G R E E M E N T

between

the United Nations Industrial Development Organization
and the Government of the People's Republic of China

on the Establishment of
a UNIDO Investment Promotion Service Office
for the People's Republic of China in Beijing

WHEREAS Article 2 of the Constitution of the United Nations Industrial Development Organization (hereinafter referred to as "UNIDO") in defining its functions mandates UNIDO to assist developing countries:

- "in the development, expansion and modernization of their industries ... with special reference to the transfer of technology from the industrialized to the developing countries as well as among the developing countries themselves ... special measures designed to promote cooperation in the industrial field among developing countries and between the developed and developing countries".

WHEREAS the Government of the People's Republic of China (hereinafter referred to as "the Government") has informed UNIDO of its willingness to make a Trust Fund contribution to UNIDO to meet the costs of the UNIDO Investment Promotion Service Office for China in Beijing (hereinafter "IPSO");

WHEREAS it has been agreed between UNIDO and the Government that UNIDO shall be responsible under the terms of this Agreement and the UNIDO financial regulations and rules for the management of the funds contributed by the Government for the IPSO;

THEREFORE the Government and UNIDO hereby agree to enter into the following Agreement:

Article I

Purpose of the Agreement

- 1.1. The purpose of this Agreement is to establish and operate a UNIDO Investment Promotion Service Office for the People's Republic of China in Beijing, in accordance with the objectives, recommendations and guidelines established by the UNIDO's policy-making organs for such offices.

- 1.2. The IPSO shall promote industrial investment to other developing countries and countries with economies in transition, as well as industrial investment from abroad to the host country.
- 1.3. The IPSO in the People's Republic of China will be part of UNIDO's worldwide network of IPSOs and will use methodologies, mechanisms and softwares developed by UNIDO in the fields of industrial investment and technology transfer. UNIDO will operate and supervise the IPSO.
- 1.4. The functions, activities, operational methodologies, and administration arrangements of the IPSO are described in the TERMS OF REFERENCE (attached as Annex A) which form an integral part of this Agreement.

Article II

Funding arrangements for the IPSO

- 2.1. The IPSO shall be funded for renewable periods, each of three years' duration, from the Government's contributions to the UNIDO Trust Fund Account. In order to meet the costs of the IPSO, including programme support costs, the Government shall, in accordance with the Schedule of Payments set out in Annex C to this Agreement, deposit the funds in United States Dollars or other convertible currencies of unrestricted use, to UNIDO Funds-in-Trust Account Number 570-337-410, Bank Austria, Vienna International Centre, A-1400 Vienna, quoting "IPSO Beijing", and in Yuan Renminbi to UNIDO Funds-in-Trust Account Number 812010-3092, The Bank of China, Head Office, Banking Department, 410 Fuchengmen Nei Dajie, Beijing, quoting "IPSO Beijing". The Budget (Annex B) and the Schedule of Payments (Annex C) constitute an integral part of the present Agreement. A budget showing cash and in-kind contributions will be established and agreed upon for each three-year period.
- 2.2. UNIDO shall establish a trust fund for IPSO Beijing under its financial regulations and rules for the receipt and administration of the aforesaid funds, including interest accruing.
- 2.3. The IPSO account and the activities financed therefrom shall be administered by UNIDO in accordance with its applicable regulations, rules and administrative instructions. 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 administrative instructions. Interest shall be credited to the IPSO account in accordance with the financial regulations, rules and directives of UNIDO.

- 2.4. All financial accounts and statements shall be expressed in United States dollars 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 United States dollars at the official United Nations accounting rate of exchange applicable at the date of receipt and/or payment.
- 2.5. The trust fund and the IPSO account shall be subject exclusively to the internal and external auditing procedures laid down in the financial regulations, rules and directives of UNIDO.

Article III

IPSO's Budget

- 3.1. The IPSO account shall be charged with actual expenditures incurred by UNIDO in the performance of activities under this Agreement and with an amount in United States dollars for the programme support services provided by UNIDO for the operation of the IPSO in line with the UNIDO financial rules and as specified in the IPSO budget.
- 3.2. The IPSO account further shall be charged with an amount equivalent to one (1) per cent of the remuneration of net salary of persons, engaged by UNIDO and whose engagement is financed by the IPSO account, to provide a reserve for coverage of any claim for service-incurred death, injury or illness, under the applicable UNIDO regulations and rules or contracts, which reserve cannot be refunded to the Government.
- 3.3. UNIDO shall commence and continue to conduct operations under this Agreement upon receipt of a copy of this Agreement, signed by both parties, and upon receipt of sufficient funds from the Government in accordance with Article II above.
- 3.4. The Government undertakes to meet the actual cost of the IPSO operation detailed in the three-year budget and

UNIDO undertakes not to make any commitments not specified in the three-year budget without the Government's written approval.

- 3.5. If UNIDO considers that changes between components and/or additional services not foreseen in the three-year budget are required, UNIDO is authorized to carry out a budget revision within the approved budget for a particular year. If, however, the revised budget calls for additional financing, such a revision will be submitted to the Government of the People's Republic of China for approval. Any amount of the annual contribution not spent at the end of the year will be carried forward to be used for covering the IPSO's expenditures during the following year.

Article IV

Personnel Arrangements

The Head and other staff of the IPSO shall be appointed by the Director-General of UNIDO after consultation with the Government and in accordance with the applicable regulations, rules and procedures of UNIDO. UNIDO will supervise the IPSO staff who will report to UNIDO.

Article V

Evaluation

Evaluation of the results of IPSO activities described in this Agreement, including joint evaluation by UNIDO and the Government, shall be undertaken and a provision for such an evaluation included in the three-year budget.

Article VI

Financial Reporting

In addition to any reports specified in the TERMS OF REFERENCE, UNIDO shall provide the Government with the following statements and reports in the format normally followed by UNIDO for accounting and financial reporting:

- (a) An annual financial statement in respect of the IPSO account showing income, expenditures for the year and assets and liabilities as of 31 December with respect to the funds provided by the

Government for the IPSO.

- (b) A final financial statement within six months of termination or expiration of this Agreement.

Article VII

Ownership of Equipment, Etc.

Ownership of technical and other equipment, materials and supplies, financed from the funds contributed by the Government for the IPSO shall vest in UNIDO. Following operational completion of the IPSO, ownership of equipment, materials and supplies necessary for operation of the IPSO shall be transferred to the Government.

Article VIII

IPSO Account on Termination of the Agreement

- 8.1. On termination of this Agreement, the IPSO account 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 IPSO account, and the Government will reimburse UNIDO for any negative balance in that account.
- 8.2. Upon submission of a final financial statement in accordance with Article VI, any surplus remaining in the IPSO account shall be returned to the Government or disposed of as requested by the Government.

Article IX

Privileges and Immunities

In accordance with Article 21 of the Constitution of UNIDO, the Convention on the Privileges and Immunities of the United Nations (1946) shall apply to the UNIDO Investment Promotion Service Office for the People's Republic of China in Beijing. Accordingly, Article II of that Convention shall apply to the Office, its property, funds, assets, premises and archives, Article III to the communications of the Office, Articles V and VII to UNIDO officials assigned to the Office and Articles VI and VII to the experts on mission for UNIDO in connection with the Office.