

**THIRD-PARTY COST-SHARING AGREEMENT
BETWEEN THE WORLD TRADE ORGANIZATION (ENHANCED INTEGRATED
FRAMEWORK EXECUTIVE SECRETARIAT) (THE DONOR)
AND
THE UNITED NATIONS DEVELOPMENT PROGRAMME (UNDP)**

WHEREAS the Donor hereby agrees to contribute funds to UNDP on a cost-sharing basis (hereinafter referred to as "the Contribution") for the execution of the roll-out of capacity assessment exercises in five selected World Trade Organization/Enhanced Integrated Framework of Trade-related Technical Assistance (EIF) beneficiary countries (as detailed in the concept note attached as Annex I) (hereinafter referred to as "the Project"), as described in the Project document [Project 00069518 'Policies and Strategies to Foster Inclusive Globalization'], in the Bureau for Development Policy's Poverty Practice and as attached as Annex II.¹

WHEREAS UNDP is prepared to receive and administer the Contribution for the execution of the Project,

WHEREAS UNDP shall be the Executing Entity² for the execution of the Project (hereinafter referred to as the "Executing Entity"),

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

Article I. The Contribution

1. (a) The Donor shall, in accordance with the schedule of payments set out below, contribute to UNDP the amount of USD 500,000 (five hundred thousand USD dollars). The Contribution shall be deposited in:

JP Morgan Chase Bank
International Agencies Banking
270 Park Avenue, 43rd Floor
New York, USA
Account Title: UNDP Contributions (US\$) Account
Account Number: 015-002284
SWIFT/ABA: CHASUS33
Bank Code: 00023
Account Code: 1001

¹ The project document is formally annexed to this Agreement. For UNDP programme activities carried out under the harmonized operational modalities, the project document is comprised of the CPAP and AWP.

² "Implementing Partner" for UNDP programme activities carried out under the harmonized operational modalities and "Executing Entity" for UNDP programme activities not carried out under the harmonized operational modalities.

Schedule of payments
Upon signature of agreement

Amount
USD 500,000

(b) The Donor will inform UNDP when the Contribution is paid via an e-mail message with remittance information to contributions@undp.org

2. The above schedule of payments takes into account the requirement that the payments shall be made in advance of the execution/implementation of planned activities. It may be amended to be consistent with the progress of Project delivery.
3. UNDP shall receive and administer the payment in accordance with the rules, regulations, policies and procedures of UNDP.
4. All financial accounts and statements shall be expressed in United States dollars.

Article II. Utilization of the Contribution

1. The execution of the responsibilities of UNDP and of the Executing Entity pursuant to this Agreement and the Project document shall be dependent on receipt by UNDP of the Contribution in accordance with the schedule of payment as set out in Article I, paragraph 1, above.
2. If unforeseen increases in expenditures or commitments are expected or realized (whether owing to inflationary factors, fluctuation in exchange rates or unforeseen contingencies), UNDP shall submit to the Donor on a timely basis a supplementary estimate showing the further financing that will be necessary. The Donor shall use its best endeavours to obtain the additional funds required.
3. If the payments referred to in Article I, paragraph 1, above are not received in accordance with the payment schedule, or if the additional financing required in accordance with paragraph 2 above is not forthcoming from the Donor or other sources, the assistance to be provided to the Project under this Agreement may be reduced, suspended or terminated by UNDP.
4. Any interest income attributable to the Contribution shall be credited to UNDP Account and shall be utilized in accordance with established UNDP procedures.

Article III. Administration and reporting

1. Project management and expenditures shall be governed by the rules, regulations, policies and procedures of UNDP and, where applicable, the rules, regulations, policies and procedures of the Executing Entity.
2. UNDP headquarters shall provide to the Donor all or parts of the following reports prepared in accordance with UNDP accounting and reporting procedures.

- (a) From the Poverty Practice in the Bureau for Development Policy an annual status report of Programme/Project progress for the duration of this Agreement, as well as the latest available approved budget.
- (b) From UNDP Bureau of Management/Office of Finance and Administration, an annual certified financial statement as of 31 December every year to be submitted no later than 30 June of the following year.
- (c) From the Poverty Practice in the Bureau for Development Policy within six months after the date of completion or termination of this Agreement, a final report summarizing Project activities and impact of activities as well as provisional financial data.
- (d) From UNDP Bureau of Management/Office of Finance and Administration, on completion of the Project, a certified financial statement to be submitted no later than 30 June of the year following the financial closing of the Project (or activities as designated under this Project as noted in Annex I).

3. If special circumstances so warrant, UNDP may provide more frequent reporting at the expense of the Donor. The specific nature and frequency of this reporting shall be specified in an annex to this Agreement.

Article IV. Administrative and support services

1. In accordance with the decisions, policies and procedures of UNDP's Executive Board reflected in its Policy on Cost Recovery from Other Resources, the Contribution shall be subject to cost recovery for indirect costs incurred by UNDP headquarters and country office structures in providing General Management Support (GMS) services. To cover these GMS costs, the Contribution shall be charged a fee equal to 7%. Furthermore, as long as they are unequivocally linked to the Project, all direct costs of implementation, including the costs of Executing Entity, will be identified in the Project budget against a relevant budget line and borne by the Project accordingly.

2. The aggregate of the amounts budgeted for the Project, together with the estimated costs of reimbursement of related support services, shall not exceed the total resources available to the Project under this Agreement as well as funds which may be available to the Project for Project costs and for support costs under other sources of financing.

Article V. Evaluation

All UNDP Programmes and Projects are evaluated in accordance with UNDP Evaluation Policy. UNDP and the EIF Executive Secretariat in consultation with other stakeholders will jointly agree on the purpose, use, timing, financing mechanisms and terms of reference for evaluating a Project including an evaluation of its Contribution to an outcome which is listed in the Evaluation Plan. UNDP shall commission the evaluation, and the evaluation exercise shall be carried out by external independent evaluators.

Article VI. Equipment

Ownership of equipment, supplies and other properties financed from the Contribution shall vest in UNDP. Matters relating to the transfer of ownership by UNDP shall be determined in accordance with the relevant policies and procedures of UNDP.

Article VII. Auditing

The Contribution shall be subject exclusively to the internal and external auditing procedures provided for in the financial regulations, rules, policies and procedures of UNDP. Should the biennial Audit Report of the Board of Auditors of UNDP to its governing body contain observations relevant to the Contribution, such information shall be made available to the Donor.

Article VIII. Completion of the Agreement

1. UNDP shall notify the Donor when all activities relating to the Project have been completed.
2. Notwithstanding the completion of the Project, UNDP shall continue to hold unutilized payments until all commitments and liabilities incurred in the execution of the Project have been satisfied and Project activities brought to an orderly conclusion.
3. If the unutilized payments prove insufficient to meet such commitments and liabilities, UNDP shall notify the Donor and consult with the Donor on the manner in which such commitments and liabilities may be satisfied.
4. Any payments that remain unexpended after such commitments and liabilities have been satisfied shall be reallocated by UNDP after consulting with the Donor.

Article IX. Termination of the Agreement

1. This Agreement may be terminated by UNDP or by the Donor after consultations between the Donor, UNDP and the programme country Government, and provided that the payments already received are, together with other funds available to the Project, sufficient to meet all commitments and liabilities incurred in the execution/implementation of the Programme/Project. This Agreement shall cease to be in force 30 (thirty) days after either of the Parties have given notice in writing to the other Party of its decision to terminate this Agreement.
2. Notwithstanding termination of all or part of this Agreement, UNDP shall continue to hold unutilized payments until all commitments and liabilities incurred in the execution/implementation of all or the part of the Project have been satisfied and Project activities brought to an orderly conclusion.
3. Any payments that remain unexpended after such commitments and liabilities have been satisfied shall be reallocated by UNDP after consulting with the Donor.

Article X. Amendment of the Agreement

This Agreement may be amended through an exchange of letters between the Donor and UNDP. The letters exchanged to this effect shall become an integral part of this Agreement.

Article XI. Entry Into Force

This Agreement shall enter into force upon signature and deposit by the Donor of the first Contribution-payment to be made in accordance with the schedule of payments set out in Article I, paragraph 1 of this Agreement and the signature of the Project document by the concerned parties.

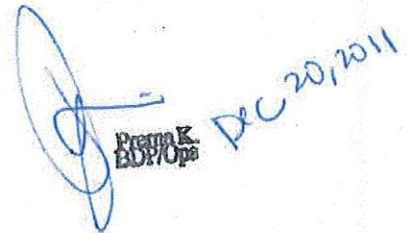
IN WITNESS WHEREOF, the undersigned, being duly authorized thereto, have signed the present Agreement in the English language in two copies.



For the Donor:
Dorothy Tembo
Executive Director
Enhanced Integrated Framework Secretariat
16 December 2011



For the United Nations Development Programme:
Selim Jahan
Director
Poverty Practice, Bureau for Development Policy





ANNEX I: CONCEPT NOTE



Enhanced Integrated Framework

Capacity Assessment of Trade Ministries and Trade-related Institutions in Least Developed Countries

August 2011

INTRODUCTION

Following a recommendation by the EIF Executive Secretariat to the Board at its meeting on 10 November 2010, UNDP was invited to develop and implement a project that will assist Least Developed Countries (LDCs) participating in the Enhanced Integrated Framework (EIF) to strengthen critical capacities in their trade ministries and trade-related institutions. The main capacities in question are to manage development-centred trade policies, programmes and projects, to mainstream trade in national development and poverty reduction strategies, and to engage fully with global initiatives such as the EIF and Aid for Trade.

The need for this intervention stems from the perceived shortcomings of the national implementation units (NIUs) that were established under EIF Tier 1. These shortcomings include the sustainability of the EIF-funded NIUs, their relative lack of integration into LDC trade ministries, and as a result, their effectiveness in promoting and managing change. In close partnership with stakeholders in the countries concerned, the EIF-funded UNDP project will take a comprehensive approach in identifying the existing capacity assets of LDC trade ministries and institutions and propose action-oriented solutions to deal with capacity deficits³. Accordingly, a capacity assessments exercise is intended to strengthen country ownership and a range of in-country institutional capacities to make trade a strong driver of inclusive growth and LDC transformation.

OBJECTIVE

Simply stated, the objective is to help EIF-participating countries identify their trade-related institutional capacity constraints and develop an action plan to overcome them.

STRATEGY

³ UNDP has successfully led capacity development interventions in several economic and social sectors in more than 70 countries, including LDCs. Specifically in relation to trade, UNDP has developed a capacity assessment methodology that has been successfully tested in Kosovo and applied in a selective and customized manner to respond to specific needs in Sierra Leone. [See Mumtaz, Keklik & Gashi, Petrit, 'A Needs Assessment for Kosovo Trade Institutions' and 'A capacity Development Plan for Trade-related Institutions in Kosovo' (UNDP, 2009 and Report of the UNDP Scoping Mission on Capacity Development Support to the Sierra Leone Ministry of Trade and Industry 27 July – 4 August 2010 (UNDP, 2010)]. In addition, UNDP has pioneered work on the linkages between trade and human development.

In consultation with the EIF Executive Secretariat, UNDP will undertake capacity assessment exercises in five selected EIF beneficiary countries.⁴ UNDP's methodology focuses on the needs of the capacity assessment owner – typically the trade ministry – taking into account the requirements of other trade-related institutions and stakeholders. To this extent, the purpose, scope, focus and priorities of the assessments will be tailored to the specific needs of countries.

While trade policy formulation and implementation is traditionally led by the trade ministry, trade interventions often require inputs from various entities at different levels, and also respond to external obligations through multilateral, regional and bilateral trade agreements.

The assessment exercises will take this multi-dimensional context into account. It will further take into consideration broader public sector-wide policies, processes and practices, to ensure that sustainability issues are addressed, in the light of the concerns that have surfaced over the EIF-funded NIUs.

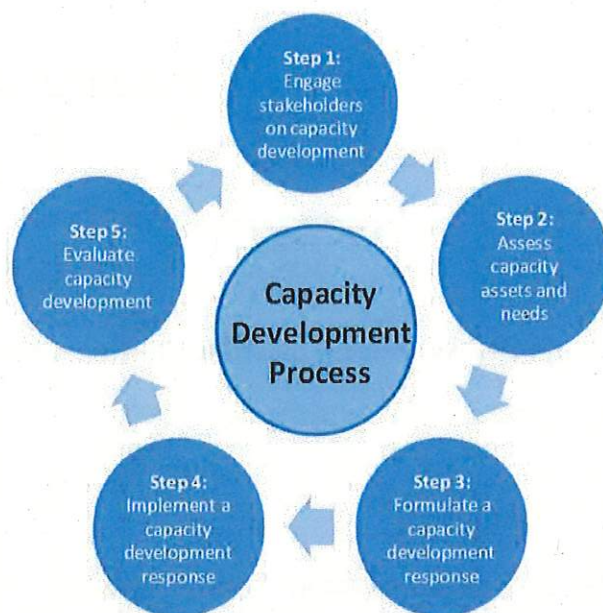
Extensive consultations constitute the core of the approach to map out institutional capacity challenges and solutions to meet them. UNDP will do this by drawing on its five-step capacity development process, illustrated in the diagram above.

UNDP's capacity development team, comprising trade and capacity development experts, will work with the assessment owner — the person or entity from the EIF-participating LDC overseeing the capacity development process — to support the trade ministry in conducting the exercise. The tools to be applied include questionnaires, semi-structured interviews and group techniques.⁵

RESULTS

Each capacity assessment exercise will be customized around the client's needs and will result in an action plan validated by the capacity assessment owner and key stakeholders. Expected outputs:

- Trade Capacity Assessment. A report that identifies the capacity assets and needs of the lead beneficiary agency. As and where appropriate, the report will include a baseline to be used for monitoring purposes by government and development partners including the EIF.



The diagram illustrates UNDP's capacity development process in five distinct steps.

⁴ As per discussions with the EIF ES, the capacity assessment exercise will be undertaken in Chad, Djibouti, Democratic Republic of Congo, Lesotho and Sao Tomé and Príncipe. A similar exercise may be undertaken in South Sudan following its accession to the EIF programme and under a separate agreement with the ES.

⁵ The classic statement of UNDP's capacity development approach and methodology for capacity assessments can be found in 'Capacity Development: A UNDP Primer'. Another UNDP publication 'Capacity Development for Trade' is under preparation.

- Trade Capacity Development Plan. Based on the findings of the assessment, a capacity development action plan with output/outcome indicators, timeline, cost and resources, and roles and responsibilities will be formulated. The action plan will identify actions to be implemented both in the short and medium terms. The report will include recommendations for aligning Tier 1 projects with the implementation of the capacity development plan.

PROJECT BUDGET AND IMPLEMENTATION

The amount required for conducting one capacity assessments is approximately USD 90,950 (see budget below). The total budget required to conduct 5 exercises (see footnote 6) will be USD 500,000.

Indicative budget	Budget (US\$)
Capacity assessment exercises/ consultations/ validations/national reports	10,000
International and national consultants	40,000
Travel and related costs	20,000
Advisory services provided by UNDP	10,000
Contingency	5,000
GMS of 7%	5,950
Total	90,950

A table with indicative activities and timeframe follows. It is expected that five capacity assessments will be finalized in 2012. An expanded concept note with detailed activities, budget and indicators will be further developed for the organization of each exercise.

Stage	Actions or deliverable	Timeframe
1. Getting started	1.1. Preliminary contacts with beneficiaries and national stakeholders 1.2. Team of experts identified to lead the assessment at the country level	1 month
2. Capacity assessments	2.1 Scoping mission 2.2 Main mission 2.3 Capacity assessment and report drafts 2.4 Validation workshops 2.5 Final reports	3 months

