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Implementation of the Cooperation Agreement with the United Nations Development Programme

Management response to the joint assessment of the progress in the implementation of the Cooperation Agreement between UNIDO and UNDP

Note by the Director-General

1. In resolution GC.11/Res.5 the General Conference, inter alia, requested the Director-General to undertake an assessment of the outcome of the pilot phase of the Cooperation Agreement between UNIDO and UNDP, dated 23 September 2004, and the related Framework for Joint UNIDO/UNDP Technical Cooperation Programmes on Private Sector Development of the same date. Document IDB.32/11 provides the executive summary of the joint assessment carried out in response to this resolution. An electronic link to the full report was circulated to Permanent Missions under cover of information note No. 32 of 3 November 2006. Hard copies of the full report have also been circulated to Permanent Missions.
2. The joint UNIDO/UNDP management response to the joint assessment is contained in the Annex to this document. The UNIDO management response consists of this note and the joint UNIDO/UNDP management response in the Annex. It is noteworthy that this initiative has assumed greater significance in light of the report of the Secretary-General's High-level Panel on UN System-wide Coherence, "Delivering as One". Placing Heads of UNIDO Operations in UNDP offices (with the Resident Coordinator serving as UNIDO Representative) is a major step toward the "one office" called for in the report. The joint UNIDO-UNDP formulation of private sector programmes will also be consistent with the move towards one programme and one budget.
3. The overall conclusion of the assessment – that the Agreement should be continued with modifications – resulted in a number of recommendations for UNIDO and UNDP. Work is already under way to ensure that these recommendations are reviewed in terms of their implications and the follow-up actions required. In continuing with the Agreement, work will begin shortly towards expanding the number of UNIDO Desks to a total of 20 by the end of 2007.



4. In addition, subject to adequate funds being available, the Organization is committed to working towards a total of 30 UNIDO Desks by the end of 2009. As the joint management response in the Annex makes clear, the full financial costs of the first 15 Desks will fall to UNIDO after the initial two-year period. For Desks in addition to these fifteen, the full costs will fall to UNIDO from the establishment of each Desk. UNIDO therefore proposes to establish flexible financial mechanisms to fund this initiative to which donor and host countries would be able to contribute. Such mechanisms will encourage Member States to invest in the practical attainment of coherence at the country level.

5. It should be emphasized that expanding the number of UNIDO Desks in the phased manner indicated above will enable this expansion to take place without the need to consider the closure of any existing UNIDO offices. No UNIDO offices will therefore be closed as a result of the proposed expansion.

6. Close consultations with Member States on implementing the recommendations in the joint assessment, including the expansion in the number of UNIDO Desks, will be carried out in the first quarter of 2007. The establishment of each new Desk will be subject to a careful assessment of the prospects for raising additional funding to expand the UNIDO programme in the host country.

Annex

Joint UNIDO/UNDP Management Response to the “Joint Assessment of the Progress in the Implementation of the Cooperation Agreement between UNIDO and UNDP”

Summary

1. The Administrator of UNDP and the Director-General of UNIDO fully endorse the overall findings of the Assessment Team and subject to any necessary approval by their governing bodies agree to:
 - (a) Continue with the collaboration, with modifications;
 - (b) Establish a joint Task Force to manage the implementation of the Cooperation Agreement;
 - (c) Work to expand the number of UNIDO Desks to 30 by the end of 2009;
 - (d) Develop a sustainable funding mechanism for the UNIDO Desks;
 - (e) Increase efforts to work jointly on Private Sector Development (PSD) and other projects and programmes including through joint funds mobilization.

Detail

2. The Heads of UNDP and UNIDO wish to thank the Assessment Team for the quality and frankness of their assessment of the progress in the implementation of the Cooperation Agreement between UNIDO and UNDP. While the assessment recognizes that it is difficult to draw firm conclusions given the relatively short period of time since the beginning of the pilot phase, it makes it clear that the Agreement has resulted in some significant achievements despite a number of shortcomings in the Agreement itself and in the way in which it has been implemented. However, the primary conclusion of the assessment – that the collaboration is worth continuing, albeit with modifications in its future implementation – appears to be fully justified by the assessment and is therefore fully endorsed by the Heads of both organizations.
3. Both organizations are committed to build on these achievements and to be in a position at the end of the initial five-year period foreseen in the Agreement to make informed decisions on the value and future of the Agreement. In order to be in such a position, a number of important steps need to be taken over the next 3 years. Foremost among these is to ensure that there is a coherent and comprehensive strategy to implement the Agreement that is fully understood and agreed by both organizations. In order to facilitate this, the recommendation is to formalize the Task Force composed of UNIDO and UNDP representatives. The Task Force, inter alia, will be responsible for drawing up a set of specific operational modalities to guide future implementation and address the key issues raised by the Assessment Team.
4. Subject to satisfactory funding arrangements being developed by UNIDO, and to any necessary approval by its governing body, UNIDO will work towards a total of 30 UNIDO Desks by the end of 2009. This is in line with the principle of a phased approach called for in the Agreement and recommended in the joint assessment. Although this is slightly slower than envisaged in the original Agreement, it appears to be a more realistic objective given the experience so far.

The decision to extend existing Desks beyond the two-year period and/or open new Desks will be based primarily on the interest of the recipient country and the agreement of the UNDP Country Office to host the Desk, and be at full cost to UNIDO.

5. The issue of the financial sustainability of the UNIDO Desks is of crucial importance and the assessment that the current arrangements will not provide the necessary sustainability is therefore particularly worrying. Further work must urgently be carried out to ensure that the current UNIDO Desks can continue to operate effectively after the two-year pilot period and that funding will be available to increase the number of Desks (if such an approach is authorized). It is agreed that the broad framework should be that UNDP continues to waive the support costs in line with the existing Agreement for the 15 Desks included in the pilot phase for the first two years of their existence, but that UNIDO should be responsible for providing all funding beyond that point. The annual full cost for 30 UNIDO Desks will be around \$3.3 million (based on an average annual cost per Desk of \$110,000). UNIDO intends to build the cost of the first 20 Desks into its programme and budgets for the next biennium (2008-2009). In addition UNIDO will develop a resource mobilization strategy to raise the additional funds that will be required to open 10 further Desks by the end of 2009 and to ensure their financial sustainability. As required, UNDP will support UNIDO in its resource mobilization efforts.

6. While a considerable amount of work has been dedicated to developing PSD projects and programmes it is clear that much less work has been dedicated to the key issue of joint resource mobilization for these activities. It is now crucial that this issue is successfully tackled if the Framework is to be effectively implemented. A number of means for raising funds are mentioned in the Framework which have not yet been adequately pursued and which should be given a high priority. The issue of joint funds mobilization for PSD under the Framework should be considered by the Task Force mentioned in paragraph 3 above. The Task Force should also promote improved joint programming modalities and knowledge sharing.

7. While the Framework focuses on cooperation on PSD, the Agreement calls for both organizations to work together on the broader issue of sustainable industrial development. Within the framework of national ownership, every effort will be made to utilize the services of UNIDO in the design and/or implementation of projects and programmes related to industrial development that are funded by sources attributed to UNDP. Both organizations also endorse the recommendation for clearer guidance, where needed, to be provided to UNDP Resident Representatives outlining their responsibilities and obligations under the Agreement, in particular on joint programming, joint PSD resource mobilization, Heads of UNIDO Operations participation in United Nations Country Teams, monitoring and evaluations based on results.

8. In taking forward the Agreement, both organizations will ensure coherence with wider United Nations country-level reform initiatives.