



*Empowered lives.
Resilient nations.*

Note Verbale

The United Nations Development Programme (UNDP) presents its compliments to the Permanent Mission of the People's Republic of China to the United Nations and has the honor to convey to the Government of the People's Republic of China the following information pertaining to UNDP Executive Board decisions on differentiated physical presence provisions and the implementation in China, starting in 2020.

UNDP sincerely appreciates its long-standing partnership and development cooperation with the People's Republic of China. Through this partnership, UNDP has significantly contributed to China's development, reform and opening up, and in recent years, to strengthening China's development cooperation effectiveness globally. UNDP is grateful to China for fulfilling its government contributions over the years, which have greatly supported UNDP's programme implementation in China and in other developing countries with the cooperation of China.

Over the past 40 years, UNDP has been accompanying China in its transition, always adapting its country programme and presence to align with China's development priorities. UNDP has assisted China to achieve remarkable progress in poverty reduction, to maintain its biodiversity as well as reduce pollutants and carbon emissions, to undertake policy reforms on sustainable energy, and has supported the increasing positive impact of China on global development. In the course of this development cooperation journey and close partnership, UNDP has mobilized over US\$1 billion of grant assistance for China's development, providing development advice to national and local partners, and facilitating China's expertise and experience for the good of global development.

At the same time, as China remains a developing country, it still faces significant challenges towards achieving sustainable development. UNDP remains relevant in this context with a strong value proposition to support China's continued development and global engagements in the future.

In this light, UNDP will continue to support China's own development, in accordance with China's national development priorities, to: eradicate the remaining poverty, ensuring that people above the poverty line do not fall back into poverty and that inequalities are reduced; manage rapid urbanization in the context of an aging population; protect the environment while pursuing economic development; manage the slowdown of growth, while rebalancing the economy's structure; and anticipate and develop policy options for new age development challenges such as automation and future of work, impact of artificial intelligence and new technologies.

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Regarding China's contribution to the global development agenda, UNDP's contributions will include: continuing to share China's development experiences in, *inter alia*, poverty eradication, rapid economic/social development, and energy and environment solutions with other developing countries through South-South and Trilateral Cooperation; strengthening the voices of developing countries and supporting them in pursuing their development priorities as well as finding the common denominator of China and other developing countries including by matching development needs with what China has to offer, and supplementing the North-South development framework; advancing sustainable development impacts of the Belt and Road engagement; strengthening China Aid entities' capacities and results on the ground through, *inter alia*, enhanced quality assurance of results-based development project management, monitoring and evaluation, and advocacy/communication and visibility efforts; and linking China to international experience on development. With its network in 170 countries and territories, UNDP will cooperate towards the positive impact of China's initiatives towards the SDGs globally.

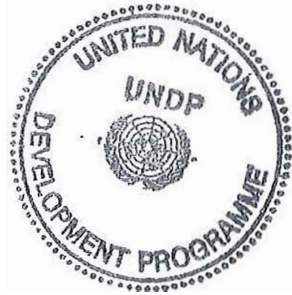
As China's income level has been increasing, this brings implications on the funding support to UNDP's programme in China, similarly to other upper middle-income countries globally, as per the Executive Board decisions on funding UNDP's presence and operational support to its programme activities. Accordingly, UNDP respectfully requests the Government of China to put in place the necessary mechanisms to comply with the Executive Board's decisions to increase its local programme support contribution to UNDP in China. The request from UNDP to the Chinese Government is to comply with the Executive Board decision on differentiated physical presence and increase its current GLOC contribution by an additional US\$ 1.65 million to UNDP programme support, representing a total contribution of US\$ 2.5 million per annum. Details are provided in the enclosed annex.

It must be noted that this request is to comply with the Executive Board decision in relation to UNDP's funding structure and does not reflect China's development status, nor UNDP's financial sustainability. Since 2012, the Executive Board decisions have been guiding UNDP's presence and programme support funding structure globally, depending on the income category of the host countries. Through these decisions, the Executive Board endorsed a reduced allocation of UNDP regular resources in upper-middle-income countries (U-MICs) and increased host government contributions to cover local costs of requisite capacities. As of 2020, China will fall under such provisions.

UNDP attaches great importance to the development needs of China, and the challenges of achieving the SDGs by 2030. UNDP also acknowledges the key role of China in global development and multilateral platforms. To align with the priorities of the Government of China, UNDP has been investing resources to establish capacity to engage on global partnerships including the Belt and Road Initiative and South-South and Trilateral Cooperation. These capacities have delivered significant results for China's and global development, including South-South Cooperation projects, policy-informing analysis and research, and humanitarian assistance. Through the continued support and increased assistance, UNDP will be able to maintain the capacity needed to engage in the programming portfolio both in domestic as well as the global cooperation areas.

UNDP acknowledges the next Country Programme Document (CPD) 2021-2025 will provide a strong justification on UNDP's value proposition and facilitate the implementation of the Executive Board decision on differentiated physical presence in China. The CPD formulation process has begun, targeting the September 2020 Executive Board for final approval. In the interim, UNDP is exploring options to cover local costs of requisite capacities in 2020.

The United Nations Development Programme avails itself of the opportunity to renew the assurances of its highest consideration to the Permanent Mission of the People's Republic of China to the United Nations.



New York
26 September 2019

Annexes: UNDP Executive Board decisions on differentiated physical presence provisions

Annex:

UNDP Executive Board decisions on differentiated physical presence provisions

The Executive Board decisions call for higher contribution to the core structure of the UNDP country office presence¹ in middle-income countries (MICs) with high Gross National Income (GNI) per capita reaching a threshold based on an agreed World Bank method (currently at US\$ 6,600 GNI/capita). Specifically:

a. Decision 2012/28 on UNDP's Programming arrangements endorsed a system of biennial updates with the following stipulations:

- Graduation for MICs with high levels of GNI per capita and transitional Net Contributing Countries (NCCs);
- Application of (World Bank-Atlas Method) average GNI per capita for the years 2010 to 2013.

b. Decision 2013/30 on Funding of differentiated physical presence:

- Endorsed document DP/2013/45 on funding of differentiated physical presence; and
- Decided on a differentiated approach for UNDP's regular resource funding of physical presence in MICs with GNI per capita above US\$ 6,660 MICs, and NCCs.

c. Decision 2017/39 listed China as one of the countries that reached a GNI per capita above US\$6,600 and qualify for upper-MIC status, starting in 2020.

The Executive Board decision "calls for: (a) minimum programme delivery thresholds to be met (US\$ 12 million over the four-year period 2014-2017); (b) UNDP continuing to fully fund the UNDP Resident Representative post (one International Professional post); and (c) a cost-sharing formula to fund requisite local office capacities, under which UNDP will fund 25 per cent, provided that the Government funds the other 75 per cent through annual government local office costs (GLOC), either in cash or in kind.

Any additional county office capacities and costs associated with country office physical presence would be funded from additional government contributions (GLOC) and/or cost-recovery income earned on government and third-party cost-sharing and trust fund contributions.

The request from UNDP to the Chinese Government is to comply with the Executive Board decision on differentiated physical presence and based on its income status increase its current contribution to UNDP programme support contributed in the form of GLOC. Subject to further consultations with the Government of China, UNDP estimates an increase of US\$ 1.65 million of the GLOC of China starting from January 2020, reaching a total contribution of US\$ 2.5 million per annum from the current US\$ 850,000 per annum.

It must be noted that this request is to comply with the Executive Board's decision on UNDP's funding structure, and does not reflect China's development status, nor UNDP's financial sustainability. Since 2012 the Executive Board decisions are guiding UNDP's presence and programme support funding structure globally, depending on the income category of the host countries. Through these decisions, the Executive Board endorsed reduced allocation of UNDP regular resources in upper-middle-income countries (U-MICs) and increased host government contributions to cover local costs of requisite capacities as of 2020, China will fall under such provisions. Examples of other countries that have transitioned to this category and make contributions include Kazakhstan, Gabon, Turkey, and Malaysia.

¹ A resource envelope equivalent to three National Officers + four General Support posts + related General Operation Cost) of which 25 per cent to be funded from UNDP regular resources (if programme > \$12 million) if 75 per cent funded from GLOC.

Related Executive Board decisions can be found on the UNDP Executive Board website both in English and Chinese:

- DP/2012/25: English
- DP/2012/25/Corr.1: English
- DP/2013/45: English
- Decision 2012/28 - page 30 of compendium of 2012 Executive Board decisions: English
- Decision 2013/30 - page 38 of compendium of 2013 Executive Board decisions: English
- DP/2017/39: UNDP integrated resources plan and integrated budget estimates, 2018-2021: “Document” and its Annex A: Detailed tables and figures and Annex B: Methodology and additional information