



# 中国国际经济技术交流中心

*The China International Centre for Economic and Technical Exchanges*

April 6, 2011

Dear Mr. Subinay Nandy,

**Subject: Policy Support Facility**

We are pleased to receive the document of the new programme "Policy Support Facility" signed by you on behalf of UNDP. As agreed, I have signed two copies of the programme document on behalf of Government and Implementing Partner and return one duly signed to you for your record and file.

We are looking forward to continued fruitful cooperation and successful implementation of this programme.

Best regards.

11 APR 2011

UNDP BEIJING
FILE :
Sr MNGT: SN/NN
CC: HXA
Action: YH

Sincerely yours,

Yao Shenhong  
Director General  
CICETE

Mr. Subinay Nandy  
Country Director  
UNDP Beijing

**GOVERNMENT OF THE PEOPLE'S REPUBLIC OF CHINA**

**AND**

**UNITED NATIONS DEVELOPMENT PROGRAMME**

**Policy Support Facility**

The programme serves as an umbrella to support policy and research through inter alia studies, dialogues, events and networks. Such policy and research work may address key development challenges both in China and in terms of China's South-South role.

## **PART 1 Situation Analysis**

This Facility will support policy and research work in the context of the UNDP China CPD for 2011-2015. The situation analysis for the CPD set out below, also provides the context for this Facility.

1. Since 1979, with the introduction of reforms, the gross domestic product (GDP) of China has grown at an average of 9.8 per cent per annum, per capita income has increased fiftyfold and some 500 million people have been lifted out of poverty. As highlighted by the 2008 Millennium Development Goal (MDG) progress report, many targets have been achieved seven years in advance of 2015, including those relating to the eradication of poverty and hunger, achieving universal primary education and reducing under-five mortality rates. China is also on track to reduce maternal mortality and control HIV/AIDS and tuberculosis, with good hopes of achieving these MDG targets by 2015. The Human Development Index (HDI) of China has improved twice as fast as other countries at the same level of development in 1980, increasing from 0.553 to 0.763 in 2007. Since 1980, the per capita GDP (purchasing power parity value) has increased tenfold from \$312 to \$3,266. Yet, as pointed out by the United Nations common country assessment (CCA) for China, and as detailed in the MDG progress report, there remain a number of significant national development challenges that need to be addressed for China to meet its MDG targets and retain and equitably distribute the benefits of the remarkable gains achieved in recent years. In recent meetings between the senior leadership of UNDP and China, both parties reiterated their commitments to work closely in fully achieving the MDGs in China and promoting China's sharing its experiences and lessons learned with other developing countries on the achievement of the MDGs.
2. Rural-urban income and gender disparities have grown sharply in recent years. About 100 million people remain in poverty based on the global \$1 a day standard, with over 10 million people still living in absolute poverty – most of them are located in ethnic minority areas. The Gini Coefficient stood at 0.16 before reform: it is now at 0.47. As the 2007/08 China Human Development Report points out, a core reason for this is the unequal and limited access to social services. Some 80 per cent of the rural population and 50 per cent of the urban population are entirely uninsured for medical costs. Migrant workers remain outside the system of social protection. Tens of millions of Chinese reaching old age over the next half century will have no pension or health-care coverage at all. Because of migration, the rural population is increasingly dominated by the elderly, female and vulnerable. Indeed, China's ability to expand the coverage of quality social services – education, health care, and the provision of a greater level of social protection – cannot be viewed as a purely domestic concern. Achievements in these areas are not only prerequisites for further development in China, they are also crucial if Chinese domestic consumption is to increase and the necessary rebalancing of the world economy is to occur in the wake of the global financial crisis.
3. Rapid growth has come at a serious environmental cost and has raised concerns about sustainability in the face of urbanization and climate change. With its size and role in the global economy, China is critical for any progress on bringing global CO2 emissions and ozone depleting substances under control. With an additional 350 million people moving

into urban centres over the next 20 years, pressure on social services, energy, housing infrastructure, and ultimately the environment will increase. Pollution from factories and power plants is rising by 9 per cent a year. Water quality is already declining, water levels are dropping and water supplies are becoming more erratic and unpredictable. Almost 40 per cent of the population lives in regions facing water scarcity. China's globally significant biodiversity and diversity of ecosystems is under severe threat from the economic growth. Increasing degradation has made China's ecosystems more vulnerable to the impacts of climate change and less able to buffer its impacts. China is among the most vulnerable countries in the world to climate change, and it appears that climate change is being felt by the poor and vulnerable first: some 95 per cent of the estimated 10 million people living in absolute poverty in China reside in ecologically fragile zones and are already the most adversely affected by climate change and its consequences. Extreme weather events, including typhoons, floods and droughts, have caused great economic loss and adverse consequences, particularly for the poor and vulnerable.

4. China's ability to successfully confront these development challenges over the next five years will be critical for China to meet its remaining MDG targets by 2015 and deliver on its own Xiaokang vision of an all-around well-adjusted society by 2020. In its 12th Five-Year Plan (2011-2015), the Government of China recognizes the need to prioritize the sustainable development of population, resources and the environment if the Xiaokang vision is to be realized. To this end, the Government has set targets for the expansion of social security as integral to the rebalancing of the economy towards greater domestic consumption. This will include investments in housing, job generation, pension, and the public health system, among others. Urbanization is to be pursued in combination with targets for establishing the new socialist countryside. In line with the commitment to reduce carbon intensity by 40-45 per cent by 2020, the 12th Five-Year Plan has also set resource and environmental targets, which will be achieved by investments in new and renewable energy, energy efficiency, and protecting the eco-environment.
5. Considering the population, the size and the complexity of China, and the regional differences in development conditions and capacities across China, there is a need to deepen the implementation of those policies, laws and regulations according to the local contexts. Increasingly burdened by unfunded mandates, the weakened capacity and legitimacy of local governments are seen as hindering balanced development. Addressing these development challenges also requires a level of coordination across different bureaucracies and authorities. There is also a need to reorganize administrative structures to raise efficiency and effectiveness, and enhance transparency and participation.
6. In recent years, China has undertaken quite a number of initiatives in terms of South-South and regional cooperation and more are being planned. Moreover, over the next five years, there are unprecedented development opportunities that UNDP can build on given the unique role of China in the world, and a new emerging contribution of civil society. In the light of recent discussions on a China-UNDP strategic partnership at the level of senior Chinese and UNDP leadership, there is an opportunity for China to substantially enhance South-South cooperation through trilateral partnerships (i.e., United Nations-

China and other developing countries), including China-Africa cooperation. More can be done to share China's experience in reducing poverty, facilitating and managing the consequences of rapid economic growth and adapting to the existing impacts of climate change. There is also an opportunity to strengthen regional and cross-border and development partnerships.

7. Civil society empowerment will be critical, as the potential of civil society and other partners to contribute to China's development is being recognized by the Government. An estimated 300,000 to 500,000 non-governmental organizations (NGOs) are operating in China. Citizens contributed some \$11 billion in response to the Sichuan earthquake, which occurred in May 2008. More than a million volunteers participated in the relief and rehabilitation efforts. Another 100,000 volunteers were trained and mobilized to assist in the Beijing Olympics. From these experiences, there is an opportunity to explore the role of civil society and volunteers-for-development in empowering communities and addressing the conditions of the vulnerable groups, i.e., the elderly, disabled persons, persons living with HIV/AIDS, and migrant workers, as well as addressing climate change and promoting disaster risk reduction.

## **Part 2 Management Arrangements**

The programme (Facility) will be nationally implemented by China International Center for Economic and Technical Exchanges (CICETE). The Director-General of CICETE will serve as the National Programme Director (NPD) for the programme (Facility).

The Annual Workplan (AWP) describes the specific results to be achieved and will form the basic agreement between UNDP and the Implementing Partner on the use of resources. CICETE as the Implementing Partner is responsible and accountable for managing the project, achieving the project outputs, and for the effective use of UNDP resources. More specifically, CICETE will assume responsibilities specified in the national execution (NEX) manual, viz. ensuring that the Implementing Partner produces a clear and updated work plan; that inputs are mobilized as required by the project authority and that the related outputs are produced according to the project objectives and related work plan, and that NEX rules and procedures are followed on the use of project funds.

Proposals for use of the resources from this Facility shall be considered and decided by a Project Board comprising CICETE Director-General and UNDP China Country Director. Upon the board's decision that a proposal should be supported, the sub-project would be implemented following UNDP rules and procedures concerned under the national execution (NEX) modality, with support from the UNDP Country Office in China.

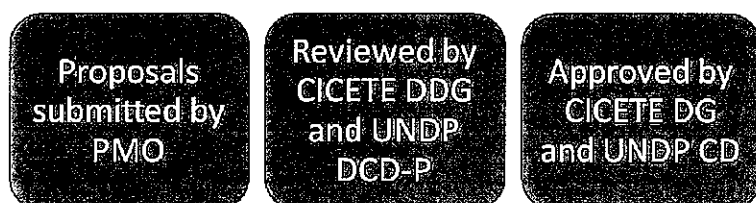
### **Project Board (Decision making)**

- The Project Board is responsible for making management decisions for the project.
- In order to ensure UNDP's ultimate accountability, the Project Board decisions should be made in accordance with standards that ensure best value for money, fairness, integrity, transparency and effective international competition.

- The Project Board will review and approve the proposals submitted by the UNDP DCD-P and CICETE DDG.
- Project reviews by the Project Board are made at designated decision points during the life of the project, and whenever requested by the UNDP DCD-P and CICETE DDG.
- Other stakeholders and experts may participate in the Project Board as appropriate.
- The Project Board will meet every 6 months to review progress and discuss any upcoming issues, and whenever requested by the Project Manager.
- The Project Board will meet as soon as possible after the Programme Document has been signed in order to review and approve the first Annual Work Plan.

### **Project Management Group (PMG)**

- A Project Management Group will be established, consisting of the UNDP China's DCD (P), the CICETE DDG and the Team Leader of the UNDP China's Policy Support Team (PST).
- The PMG is responsible for the organizing of each activity
- The PMG is responsible for the day-to-day operation of this project. NPD and UNDP CD will guide the implementation of each activity, overview all the documents to UNDP and CICETE, and sign on it when necessary.
- The PMG is also responsible for the preparation of all documents to UNDP and CICETE, such as Annual Project Report (APR), Annual Work Plan (AWP) etc.



### **Monitoring Framework and Evaluation**

Monitoring and evaluation (M&E) of the project will be undertaken in line with the UNDAF results matrix and monitoring and evaluation plan, as well as the UNDP Country Programme Results Framework. Project monitoring and evaluation will be conducted with focus on outcomes and outputs of interventions, institutional results and partnerships, policy advice and dialogue, advocacy and coordination.

The final review meeting at the end of the project will review the final report. It shall be prepared in draft at least two months prior to the meeting.

Donor specific reporting will be described in the MOU and C/S Agreement.

The project shall be subject to an evaluation to be conducted with a cluster of projects that share a common Strategic Results Framework (SRF) outcome.

### Quality Management for Project Activity Results

Replicate the table for each activity result of the AWP to provide information on monitoring actions based on quality criteria. To be completed during the process "Defining a Project". This table shall be further refined during the process "Initiating a Project".

<b>OUTPUT 1:</b>		
<b>Activity Result 1</b> (Atlas Activity ID)	<i>Short title to be used for Atlas Activity ID</i>	Start Date: End Date:
<b>Purpose</b>	<i>What is the purpose of the activity?</i>	
<b>Description</b>	<i>Planned actions to produce the activity result.</i>	
<b>Quality Criteria</b> <i>how/with what indicators the quality of the activity result will be measured?</i>	<b>Quality Method</b> <i>Means of verification. what method will be used to determine if quality criteria has been met?</i>	<b>Date of Assessment</b> <i>When will the assessment of quality be performed?</i>

### Part 4 Financial Inputs

USD 1,000,000 in total will be provided from UNDP TRAC as seed money. Another USD 3,000,000 will be mobilized from government or third party as cost-sharing. In principle the ratio should be 1 to 3. However, in-kind and / or in-parallel contributions from national partners will be also encouraged. The budget will cover the costs for workshops, consultants, publications, outreach events, etc. In case during the policy study period, it is for sure that the following project can successfully mobilize enough cost-sharing to support, the ratio can be discussed between the two parties.

## **Part 5 Results Framework (separate pages)**

## **Part 6 Legal Context**

This programme document shall be the instrument referred to as such in Art. 1 of the Standard Basic Agreement between the Government of the People's Republic of China and the United Nations Development Programme, signed by the parties on 29 June 1979. The host country implementing agency shall, for the purpose of the Standard Basic Assistance Agreement, refer to the government cooperating agency described in that agreement.



**ANNEX: PROGRAMME RESULTS AND RESOURCES FRAMEWORK\***

<b>Outcome</b>	Policy and research work is undertaken addressing key development challenges both in China and in terms of China's South-South role.	
<b>Output</b>	<b>Activities</b>	<b>Budget (USD)</b>
<b>Output 1: Specific policy/research projects approved and implemented.</b>	<ol style="list-style-type: none"> <li>1. Periodic panel discussions to select projects for support.</li> <li>2. Implementation of projects.</li> </ol>	?
<b>Output 2: To ensure the Facility's implementation, and management</b>	<ol style="list-style-type: none"> <li>1. Facility coordination, management, and reporting</li> <li>2. Monitoring and evaluation</li> </ol>	?
<b>TOTAL</b>		1,000,000

**UNDP Policy Facility - Proposal Template**

I. Situation analysis/Background
II. Past cooperation and lessons learned
III. Proposed Initiative
IV. Monitoring and evaluation
Annex: Results Framework/Expected Deliverables

**THE PEOPLE'S REPUBLIC OF CHINA  
UNITED NATIONS DEVELOPMENT PROGRAMME**

**Programme Document**

Programme title: Policy Support Facility

Award ID:

Estimated start date: 2011

Estimated end date: 2015

Country: China

Management arrangement: NEX

Implementing Partner: China International Center for  
Economic and Technical Exchange  
(CICETE)

**Summary of UNDP and  
Cost-sharing inputs**

UNDP TRAC1&2: \$1,000,000

Cost-sharing: \$3,000,000

Government/Third party:

Total: \$1,000,000

**UNDAF outcome(s)/Indicators:**

Government institutions and other stakeholders ensure environmental sustainability, address climate change, and promote a green, low carbon economy

**UNDAF outcome(s)/Indicators:**

The poorest and most vulnerable increasingly participate in and benefit more equitably from China's social and economic development

**UNDAF outcome(s)/Indicators:**

China's enhanced participation in the global community brings wider mutual benefits

**Country Program Expected Outcome(s)/Indicator (s):**

Deepen the reforms that address the disparities, promote equitable distribution of public resources, and foster equal access to social services and livelihood support

**Country Program Expected Outcome(s)/Indicator (s):**

Empower communities and civil society to participate in shaping China's cultural and socio-economic development

**Country Program Expected Outcome(s)/Indicator (s):**

The right of women to greater social and political participation and to live lives free from discrimination and violence, and is advanced

**Country Program Expected Outcome(s)/Indicator (s):**

Low carbon and other environmentally sustainable strategies and technologies are adopted widely to meet China's commitments and compliance with multilateral environmental agreements

**Country Program Expected Outcome(s)/Indicator (s):**

The vulnerability of poor communities and ecosystems to climate change is reduced

**Country Program Expected Outcome(s)/Indicator (s):**

Deepen China's engagement and participation in global and regional development partnerships to realize MDGs and to address climate change

Government Matching Input:

Total:

LPAC review date: