**The Progress Report and Impact of the Fund for Country-Level Priorities and Innovation (FCEPI) – China**

**2014-2015**

**I. Allocations & Expenditures**

UNDP China as a Strategic Agreement Country Office has received FCEPI contributions from January 2014 onwards at a total amount of **US$ 1,168,923**. The current funding cycle ends in August 2015. The replenished FCEPI contribution to UNDP China during 2014 (received December 2014) was $675,000 – a fall of $20,000 from the previous replenishment.

In 2014, the total FCEPI expenditure amounts to US$ 660,890. In 2015, the FCEPI expenditure as of end June amounts to US$ 221,500. In all, in the funding cycle of 2014/15, the FCEPI expenditure as of end June, 2015, amounts to **US$ 882,390**.

The breakdown of FCEPI expenditures up to June 2015 is provided as follows:

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|  |
|  | **2014** | **2015 (as of end June)** |
| Policy Research | US$ 165,337 | US$ 42,500 |
| Partnership Building | US$ 187,490 | US$ 37,500 |
| Trilateral Cooperation | US$ 65,282 | US$ 17,500 |
| Internal Capacity | US$ 242,781 | US$ 124,000 |
| *Annual Total* | *US$ 660,890* | *US$ 221,500* |
| **Grand Total** | **US$ 882,390** |

*Detailed analysis of remaining balance:*

Planned expenditures from June to end August 2015 are as follows:

|  |  |
| --- | --- |
| Policy research & partnership building  | US$ 46,085 |
| Internal capacity | US$ 40,000  |
| Post-2015 workshop  | US$ 95,000 |
| Aid modality workshop  | US$ 54,450 |
| South south climate change policy research  | US$ 60,000 |
| **Total** | **US$ 295,535** |

The sum of expenditures as of end June and estimated costs between now and end August (1,177,925) is slightly higher than overall FCEPI resources (1,168,923), but in all the pipeline is sound and solid and all current FCEPI resources are expected to be depleted by end of the funding cycle.

**II. Main Impacts of FCEPI Resources**

The FCEPI resources have contributed a great deal to UNDP China as a Strategic Partnership Country as follows:

* The investment demonstrates UNDP’s commitment to tangible action following the signing of the partnership agreements, while providing an effective way to leverage even more Chinese resources.
* The FCEPI resources have enabled UNDP China to enlist expertise to work in China to advance ideas and implement the 2010 MOU (strategic agreement).
* FCEPI funds have enabled UNDP China to work with a broader spectrum of national institutions including the private sector, think tanks and other government institutions beyond the designated focal points for UNDP. In 2014/15 UNDP China extended the number of influential national partners we work with from X to 31.
* The flexibility afforded by FCEPI has allowed UNDP China to keep up with the evolving policy and partnership dynamics in China and proactively work with in-country partners on key emerging issues towards bigger results.

**III. Achievements in China**

The major achievements of the FCEPI resources in 2014/15 were as follows:

* Major policy research done and reports launched have influenced policy processes in China and have been well received by partners and stakeholders. A non-exhaustive list of major policy research works that have been completed with at least partial FCEPI resource support includes:
	+ An econometric study of the economics of inclusive growth in Asia Pacific (submitted directly to the Ministry of Foreign Affairs as an input to APEC 2014);
	+ a research report on evaluation methods used by non-OECD donors;
	+ Phase I of research comparing low carbon development approaches by China and India;
	+ A high-profile 2nd Global Governance Report which included the first ever recommendations from an international organization about China’s G20 Presidency (as well as a series of preparatory and scoping research papers);
	+ A very well-received study examining how partners can better engage with China on the ground to ensure clearer information about China’s foreign aid, and how the Chinese government itself can use such information to provide more transparent data at a central level. All such efforts could be supported by UNDP.

The FCEPI resources for the above-mentioned research work amounted to some US$210,000 during the funding cycle.

* On-going policy research work, including research on aid modalities, has raised big interest among our Chinese partners and holds potentials in policy influence. The committed amount for such on-going work is about USD$46,000. Moreover, with the ongoing research cooperation with Chinese partners and the increasing focus on knowledge exchange, key opportunities might be explored how UNDP might be directly commissioned by in-country partners to complete policy research projects, representing a major step that would go beyond the traditional donor-supported research framework.
* Ongoing partnership building effort has consolidated and expanded our strong in-country relations, now extending from traditional government counterparts to new government interlocutors as well as the private sector, academia, civil society, among others. FCEPI funding has been instrumental in supporting a series of high-level seminars, fora, and workshops. Most notably, UNDP China Office has gradually built up a strong thought leadership on the development front by organizing the China in the World UN Theme Group meetings, which feature prestigious experts and seminal discussion on the cutting-edge issues affecting China’s development work and the development community at large. The 2nd Global Governance Forum – attended by Xu Haoliang, RBAP Director, also consolidated UNDP China’s reputation in this regard. FCEPI resources spent on this front amount to some US$220,000.
* Fledgling trilateral cooperation projects that leverage Chinese expertise and development experiences to benefit partners have demonstrated initial results and promise. In particular, in 2014/15 UNDP and MOFCOM completed the first trilateral cooperation project in Cambodia, using this as a basis for a soon to be published overarching evaluation of trilateral cooperation, which will hopefully set the stage for significant scale-up. FCEPI resources spent on this front amount to some $US83,000.
* Communications has played a big role in helping mobilize resources and further building up the UNDP brand and image as a strong partner in a rapidly changing development context. Publication such as the *South-South and Global Cooperation Highlights Brochure* has received overall favorable acclaim and enhanced our positioning among development partners. The small FECPI resource input of under US$5000 on this front has created a disproportionally large impact, encouraging us to explore more possibilities with an even more active and perceptive communications context in China.

**IV. Leveraged resources**

* The investment of FCEPI resources has demonstrated the crucial capability to leverage even more development resources from both traditional donors and emerging in-country partners thanks to innovative resource mobilization efforts.
* Overall, the replenishment of FCEPI received for 2014/15 (i.e. $675,000) is calculated to have **leveraged total new resources at a ratio of 1:11.** Further contribution agreements are currently being negotiated with Dutch and Swiss representatives in Beijing, which are expected to come to fruition by the end of 2015.
* Specifically and most importantly, FCEPI leveraged a US$1,000,000 contribution from MOFCOM of China to two new trilateral cooperation projects. 8% cost-recovery and Direct Project Costs (DPC) were included in the management arrangements for this cooperation, enabling close coordination to be actively sought between MOFCOM and potential third-party collaborators in other country offices. Malawi and Burundi were chosen as the partner countries for this allocation.
* In addition, in 2014/15, FCEPI leveraged a new US$5,344,000 contribution (to be spread over 3 years) from Denmark to two new trilateral cooperation projects, now allocated to Ghana and Zambia. 8% cost-recovery was included. [NB: UNDP China also continued to manage the US$4,000,000 DFID-funded trilateral cooperation projects in Bangladesh and Nepal, but with only a small FCEPI contribution].
* FCEPI also continued, as per 2013/14, to leverage cost shared finance and in-kind support from important Chinese partners. The largest of these were the International Poverty Reduction Center of China (USD$680,000) and the Shanghai Institute of International Studies (approx. USD$100,000).
* Finally, in 2014/15, FCEPI resources mobilized smaller but no less significant contributions from OECD donors – Australia (USD$400,000), Norway (USD$48,000) and UK (10,000 GBP).

**V. Risks and Obstacles met and mitigation actions**

* It is important to have continuity of resources. The Administrator, during her China visit in May 2015, stressed the need to engage with Chinese partners to further promote south-south cooperation, particularly by leveraging the overarching Belt and Road Initiative of China. This would be impossible without FCEPI at the moment.
* Late disbursement of funding negatively affected work progress in the early part of the year, however this was managed through availability of other leveraged resources. In future, however, this may not be possible.

**V. Conclusion**

Thanks to FCEPI resources, UNDP China is continuing to make important headway in implementing the MOU between China and UNDP signed in 2010. Without the key support of FCEPI resources, it is doubtful that such progress would have been achieved, and certainly not in 2014. The sustainability of the FCEPI resources is key to maintaining UNDP’s credibility in China. Moreover, this investment in China continues to holds the potential to leverage even more Chinese resources in future.