**Annex B to the UNDP integrated resources plan and integrated budget estimates for 2018-2021**

*Summary*

The present document is Annex B to the UNDP integrated resources plan and integrated budget estimates for 2018-2021 (DP/2017/39), and should be considered as part of that document.

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|  ***Overview***1. The present annex contains details on (i) integrated resources plan; (ii) integrated budget, with (ii.a) Programmatic components of the integrated budget – methodology; (ii.b) programmatic components of the integrated Bbudget – additional details; and (ii.c) institutional component of the integrated budget; (iii) GLOC; and (iv) funding of UNDP country office presence in MICs with GNI per capita above $6,660.

I.a. Integrated resources plan and harmonized cost classification categories1. UNDP prepared its integrated resources plan and integrated budget in line with the budget harmonization exercise within the context of the ‘road map to an Integrated Budget from 2014 onwards’ conducted with UNICEF, UNFPA and UN-Women. It incorporates the harmonized results-based budgeting approach approved in decision 2011/10, including: (a) improved results focus and linkage with the strategic plan; and (b) key budget tables with respect to the Integrated Resource Plan (DP/2017/39, table 1); a comparison of planned and actual/estimated expenditures (DP/2017/39, annex A, table 1b); and estimated resources, by strategic plan outcome, 2018-2021 (DP/2017/39, annex A, table 2).
2. The diagram below illustrates the relationship between the integrated resources plan and the integrated budget.

**Programmatic component****Institutional component****LEGEND:**1. The integrated resources plan and the encompassed integrated budget are premised on the following three pillars:
	1. Achieving synergies by integrating programmaticand institutional budget components**;**
	2. Leveraging the cost classification, to respond to the quadrennial comprehensive policy review of United Nations operational activities for development and to further enhance the transparent and efficient usage of resources; and
	3. Improving cost alignment through more rigorous and targeted implementation of the cost recovery.
2. Elements of the cost classification categories, which are harmonized with UNICEF, UNFPA and UN-Women, and applied in the presentation of the integrated resources plan encompassing the integrated budget are:
	1. Programme activities: dedicated support embedded in development programmes and projects to achieve development results;
	2. Development effectiveness activities: specialized expertise on development aligned with the strategic plan outcomes; strategic country programme planning and quality assurance; programme pipeline development and management; and programme policy advisory services;
	3. United Nations development coordination activities: United Nations system’s leadership, coordination and representation; and operational support and services to the UN system;
	4. Management activities: leadership and in country representation; programme direction and accountability; monitoring and oversight; and operational management and administration; and
	5. Special purpose activities: capital investments; funds and programmes administered by UNDP (i.e. UNV, UNCDF); and reimbursable support services provided to other United Nations partners.

 **I.b. Review of the financial performance in 2014-2017 and lessons learned**1. Detailed comparison of the actual financial performance (actual for 2014-2016, and latest estimates for 2017) with the planned 2014-2017 resources plan is provided in table 1b of the annex A.
2. Highlights of the financial performance in 2014-2017 period are as follows:
	1. Total available resources by the end of the period 2014-2017, are estimated to be $23,224 million, representing a decrease of $1,036 million (4 per cent) from the originally planned $24,260 million.

 * 1. Total contributions (included in the total available resources) received by the end of the period 2014-2017, are estimated to be $18,278 million, representing a decrease of $1,081 million (6 per cent) from the originally planned $19,359 million. The decrease in total contributions is the net effect of (i) decrease of $885 million in the regular resources; (ii) decrease of $657 million in the resources from multilateral and bilateral partners; and (iii) increase of $383 million in domestic resources (i.e. government cost sharing).
	2. Total expenditure by the end of the period 2014-2017, are estimated to be $20,190 million, representing a decrease of $2,452 million (11 per cent) from the originally planned $22,642 million. Ratio of spending of resources on the management activities (i.e. management ratio) is reduced from the planned 8.1% to 8% in the period of 2014-2017. Ratio of spending of resources on the UN development coordination activities is increased from the planned 1.7% to 2% in the period of 2014-2017, as actual expenditure in 2014-2017 included $30 million from residual balances from prior years provided by donors to DOCO.
1. In decision 2016/10 the Executive Board requested UNDP, in consultation with UNICEF, UNFPA and UN-Women, as appropriate, to incorporate lessons learned from the integrated budget, 2014-2017, in the preparation of the integrated budget, 2018-2021. Accordingly, in the preparation of the 2018-2021 integrated resources plan and the integrated budget, UNDP has taken into account the lessons learned from the implementation of the 2014-2017 integrated resources plan and the integrated budget, and the independent evaluation of the Strategic Plan 2014 – 2017 (DP/2017/32) recommendations as appropriate.
2. The shielding of programmatic lines also provided lessons learned. The impact of the drop in regular (core) resources was most pronounced on the non-shielded programmatic lines including development effectiveness. The integrated budget, 2018 -2021 has proposal to provide a more balanced approach to shielding of programmatic lines and the consolidation of the development effectiveness lines.

 **I.c. Additional information on financial instruments** 1. The 2030 Agenda for Sustainable Development sets out ambitious, transformative goals for the global community, matched by unprecedented financing needs. This reflects the fact that the range of funding options for development is now wider than in the past, as financial instruments and funding mechanisms have become more diversified. In addition to traditional funding options, development financing now offers commercial, concessional and blended financial structures. Access to these instruments is widening, especially as more countries transition towards middle income and higher statuses, and the blended finance market matures to enable access to finance in riskier development environments. To help achieve the sustainable development goals (SDGs), to remain a credible partner in mobilizing and operating with development resources in support of the Strategic Plan, UNDP will focus on developing innovative financial instruments that enable it to strengthen its role as a partner in the delivery of sustainable and measurable development results.
2. Establishing these capabilities will enable UNDP to work with various types of development finance and to structure projects that include a combination of loans, guarantees and grants (including performance based grants) that best meet national development priorities. Using opportunities provided by the emerging funding architecture, these new financial instruments have the potential to enhance UNDP existing role in helping countries access, mobilize and leverage additional resources for the SDGs, by broadening the range of financial instruments available to deliver development results and by targeting new partners, including fostering Private Public Partnerships in development. These new financial instruments should help finance not only central government development activities but also regional governments, cities, NGOs and the private sector, all of which may contribute towards the achievement of the SDGs.

II. Integrated budget 1. The integrated budget is funded from regular (core) resources. Compared to the latest forecast for 2017 of $600 million in core resources contributions, the 2018 – 2021 projections reflect a gradual growth in regular resources i.e. $630 million in 2018; $680 million in 2019; and 700 million per year in 2020 – 2021. Based on the projected contributions of regular (core) resources of $2,710 million, other income of $137 million and an opening balance of $246 million (totalling to $3,094 million), UNDP proposes an estimated expenditure of $2,887 million for the period 2018-2021. This represents a decrease of $18 million from $2,905 million in 2014-2017 (actuals for 2014-2016 and estimated for 2017). Details follow below on the programmatic and institutional components of the integrated budget.

 II.a Programmatic component of the integrated budget - methodology.1. Majority of the programmatic components of the integrated budget (TRAC-1 and TRAC-2, representing approximately 70 per cent) are distributed to all eligible programme countries for country-level programme activities. This is to provide every programme country with a base on which they can access financing, expertise, and technologies to make progress on the Sustainable Development Goals. TRAC-1 allocations are based on the Executive Board’s approved criteria (i.e. the income status and population size of each country), with majority of these resources channelled to low-income and least developed countries.
2. A portion of the regular resources, TRAC-3, is also channelled to programme countries that are affected by conflicts and natural disasters. In these countries, TRAC-3 resources are used in conjunction with TRAC-1 and other resources.
3. The development effectiveness (DE) related activities support the integration of development knowledge professional standards and quality assurance through specialized technical expertise to help countries access financing, by enhancing knowledge management practices and systems. UNDP proposes the consolidation of these core programmatic lines with ‘DE’ related activities, noting that these ‘DE’ lines were not shielded in the 2014 – 2017 period. The proposed consolidation would enhance focus and reduce fragmentation of core resources in the integrated budget framework. The consolidation facilitates support for the Global Development Advisory and Implementation Services Platform and the Country Support Platform proposed in the Strategic Plan.
4. A summary of the principles and parameters of the programmatic components of the Integrated Budget and a detailed explanation and salient features of each of the programme lines are provided below.
5. The programming arrangements set the legal framework, as well as the principles and parameters, for the distributions of UNDP regular programme resources and their use, in line with the key objectives of the organization and according to defined principles. The purpose of regular programme resources is to fund programmes and other initiatives at the country, inter-country, regional and global levels, and to support selected high-priority initiatives.
6. The guiding principles of the framework are:
	* + - 1. Predictability – the availability of sufficient regular programme resources within a stated time frame;
				2. Universality – UNDP regular development resources and related activities are available to support all eligible countries; and
				3. Progressivity – UNDP regular development resources and related development activities primarily support low-income and least developed countries.
7. In monetary terms, the earmarkings are tentative in nature since they are based on a targeted level of total regular programme resources for the four-year programming period. The target may or may not be realized depending on the actual level of voluntary contributions. Annex A, table 4a in DP/2017/39 presents annualized allocations for the period 2018-2021.

***Programmes – country window****Target for resource assignments from the core (TRAC) system*1. UNDP regular resource allocations for country-level programme activities are made within the framework of targets for resource assignments from the core (known as ‘TRACs’). The TRAC is a three-tiered system in which TRAC-1 and TRAC-2 resources are linked in a combined pool, while TRAC-3 resources are made available through a separate pool. TRAC allocations form the financial foundation for the UNDP programmatic presence on the ground.
2. ‘TRAC-1’ refers to the annual level of regular programme resources targeted to be available for an individual programme country during the programming period. They are allocated centrally, according to TRAC-1 eligibility and other criteria approved by the Executive Board. Annex A, Table 4c presents the comparative distribution of TRAC-1 resources for 2014-2017 and 2018-2021 by region.

 *TRAC-1 principles and considerations*1. The TRAC-1 calculation is complex, having evolved over almost two decades to replace the previous entitlement-based system of funding according to indicative planning figures. Executive Board decisions in respect of the current arrangements essentially extended the principles, practices and approaches of the preceding cycle, with a number of technical incremental changes.
2. The TRAC-1 distribution methodology adheres to three basic principles:
	* + - 1. Focus on low-income and least developed countries;
				2. Progressivity in favour of lower-income countries within the categories of low-income and middle-income countries; respectively; and
				3. A gradual move to net contributor country (NCC) status for countries that achieve higher gross national income (GNI) levels.

Figure 1: TRAC 1, signature solutions and CPDs1. The following considerations are also taken into account:
	* + - 1. The transparency, general acceptability, reliability, consistency and availability of the data used in the distribution model have been key factors in the continuous use of GNI per capita and population data as the main criteria on which the methodology is based;
				2. The universal nature of UNDP operations is reflected in special arrangements for higher-income countries. Once a certain graduating level is achieved, they can continue to participate in UNDP programmes as net contributor countries;
				3. Recognition that the development of a country takes place in a continuum, which makes it desirable to avoid abrupt reductions in the level of UNDP cooperation from one programme period to the next, is reflected in the floor/predictability principle. The current methodology guarantees that the earmarking for a country will be at least a certain percentage of its TRAC-1 earmarking of the previous period, subject to certain conditions; and
				4. The need for at least a minimum amount of working capital to provide effective, timely support to programme countries in their development efforts in the UNDP areas of focus and to leverage additional resources. This is reflected in the minimum TRAC-1 allocation provision according to which each non-NCC programme country is guaranteed a minimum TRAC 1 allocation. Below diagram illustrates the TRAC-1 amounts.

|  |  |
| --- | --- |
| Income category / LDC status | Country office presence |
| Yes | No (*applies to programme countries without a CO, within multi-country office contexts*) |
| Transitional middle-income/low-income/LDC | $450,000 | $50,000 |
| Middle-income with GNI/capita below $6,660 | $350,000 | $50,000 |
| Middle-income with GNI/capita above $6,660 | $150,000 | $50,000 |

*TRAC-1 data*1. The TRAC-1 distribution model uses World Bank data on population and per capita GNI as the primary criteria. A four-year average of GNI per capita is used (decision 2012/28).
2. On the basis of their GNI per capita, countries are grouped into three categories: low income countries (LICs), middle income countries (MICs) and NCCs. In addition, a country may be granted least developed country (LDC) status in accordance with General Assembly resolutions.
3. The TRAC-1 model covers LICs and MICs only. NCCs are considered outside the TRAC-1 model.
4. For 2018-2021, with respect to TRAC-1 eligibility and allocations, the following categories of countries apply (decision 2012/28):
	* + - 1. LICs are defined as countries with 2012-2015 an average GNI per capita of less than $1,280. These countries will be allocated 85 to 91 per cent of the TRAC-1 resource pool.
				2. MICs are defined as countries with 2012-2015 an average GNI per capita of between $1,281 and $12,475. They will receive 9 to 15 per cent of the TRAC-1 resource pool.
				3. Transitional NCCs are defined as countries with 2012-2015 average GNI per capita greater than $12,475 for the first time (as compared to the previous Integrated Budget period 2014-2017). They will continue to receive TRAC-1 resource allocations in the first two-years of the Integrated Budget period (2018-2019).
				4. NCCs are defined as countries with 2012-2015 average GNI per capita greater than $12,475 for the second consecutive Integrated Budget period (i.e. in 2016-2017 as well as 2018-19). These countries do not receive TRAC-1 resources.
5. The Executive Board also decided in decision 2012/28 that there would be a system of biennial updates. In this regard, a four-year approach for GNI per capita averaging will be applied, with the average GNI per capita of the years 2012-2015 applied to the first two years of the Integrated Budget, 2018-2019, and the average GNI per capita of the years 2014-2017 applied to the last two years of the Integrated Budget, 2020-2021.
6. The biennial updates will affect only two groups of countries:
	* + - 1. MICs during 2018-2019 (countries with 2012-2015 average GNI per capita less than $12,475) that cross the net contributor country threshold at the time of the biennial update (countries with 2014-2017 average GNI per capita greater than the new NCC threshold, namely $12,475 increased up for inflation in 2016-2017) will be considered transitional NCCs during 2020-2021. These countries will not have their TRAC-1 allocation adjusted; if they were to remain above the NCC threshold in 2022, they would be considered NCCs and would be ineligible for TRAC-1 resources from 2022 onwards; and
				2. Transitional NCCs during 2018-2019 (countries with 2012-2015 average GNI per capita greater than $12,475 for the first time) will become full net contributor countries during 2020-2021 if they remain above the net contributor country threshold at the time of the biennial update; as such, they will no longer receive TRAC-1 resources during 2020-2021.
7. The diagram below, summarizes the impact of the biennial updates.

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| --- | --- |
| LIC | Not affected |
| MIC | Below NCC threshold ($12,475) at biennial update | Not affected |
| Above NCC threshold ($12,475) at biennial update | Considered transitional NCC in 2020-2021; Retains TRAC-1 allocation during 2018-2021 |
| Transitional NCC | Above NCC threshold ($12,475) at biennial update | Considered NCC in 2020-2021; Not eligible for TRAC-1 allocation from 2020-2021 |

*TRAC-1 calculation*1. The first step is to calculate average GNI per capita and population weights of individual countries in accordance with the approved weighting systems. The lower the average GNI per capita, the higher the weight assigned. A population weight is also calculated where a higher population weight is assigned to countries with higher population.
2. The second step is to determine the country’s basic share in the total resource pool. This is done by multiplying the GNI per capita by population weights. The country’s preliminary TRAC-1 share is equal to its basic weight (product of the GNI and population weights) divided by the sum of the basic weights of all countries.
3. It should be noted that the overall effect is that a country with a lower per capita GNI, higher population or LDC status receives a greater basic share of the TRAC-1 resources than a country with a higher per capita GNI, lower population or non-LDC status.
4. The third step is to make certain that the basic TRAC-1 earmarking of the country does not fall short of the floor mandated by the Executive Board.
5. The floor or predictability concept ensures that a country receives at least a certain percentage of its TRAC-1 earmarking in the previous financial period. In other words, if the its basic TRAC-1 earmarking is lower than the floor amount, a floor supplement is added to the basic TRAC-1 earmarking to make up for the difference.
6. TRAC-1 resource allocations are shielded from the potential impact of core programming levels falling below $700 million (decision 2013/4), which are reflected in Annex A, table 4A at the annual level of $256.4 million. [DP/2017/39 section X/paragraph X discusses alternate options for shielding].
7. The fourth step is to take the highest of (a) the basic TRAC-1 calculated in the second step, or (b) the TRAC-1 floor calculated in the third step, or (c) the minimum TRAC-1 allocation, per Executive Board decision 2012/28, as the final TRAC 1 allocation.
8. TRAC-2 was designed to provide the Administrator with the flexibility to allocate regular programme resources to high-impact, high-leverage and high-quality programme activities and to help UNDP to respond effectively to differentiated country needs (decision 2013/4). From a substantive perspective, TRAC-2 resources are considered fully fungible with TRAC-1 resources. They are allocated, on non-formula-based criteria, in line with regional TRAC-1 allocations, with the flexibility of transferring up to 10 per cent of TRAC-2 resource assignments between regions.
9. TRAC-2 resources are allocated in line with existing percentage allocation ranges for TRAC-1 of: 85 to 91 per cent to LICs, 9 to 15 per cent to MICs (decision 2002/10) and at least 60 per cent to LDCs (decision 95/23).
10. TRAC-3 was established to provide UNDP with the capacity to respond quickly and flexibly to the development needs of countries affected by conflicts and natural disasters. More frequent and more severe natural disasters, and the continuing challenge of conflict and armed violence in many developing countries, risk bringing significant damage to nations, lives and livelihoods.
11. TRAC-3 is the only core facility of UNDP for immediate action when crisis risks emerge, or when a crisis occurs. It is a demand-driven mechanism which enables the organization to quickly bring policy advice, technical expertise, and catalytic programmatic funding to bear at the country level for a comprehensive, coherent response. With efforts to refocus on assisting countries in building resilience so that they can sustain their development gains in the face of external shocks, TRAC-3 resources enable UNDP to be well positioned to analyze early warnings, advocate for and influence policies for crisis risk reduction and conflict prevention, and implement quick recovery interventions as early in the humanitarian phase as possible.

*Other lines*1. The Programme of Assistance to the Palestinian People is a unique programme with funding arrangements that cover programmatic activities to support a specific group of people, in contrast to traditional country or regional programmes.
2. Support to the resident coordinator is aimed at country level coordination, allowing resident coordinators to respond quickly and effectively to opportunities for United Nations system collaboration and serve as catalysts for country coordination initiatives.
3. Regional programmes will be designed in line with the strategic plan and the results and resources framework. Further details will be formally discussed with the Executive Board at its first regular session 2018.
4. The Regional Programme (regional window) provides support for inter-country cooperation in all five regions in response to development priorities and challenges. These resources help countries learn from each other’s experiences, and address problems that transcend national boundaries, contributing to the achievement of national development priorities. Programme objectives vary in line with cross country needs and regional priorities.
5. The Global window comprises of a resource facility that finances the Human Development Report Office, which supports global advocacy for human development by helping programme countries incorporate human development into programmes and policies.

II.b. Additional details on programmatic components, 2018-20211. For 2018-2021, UNDP proposes a two tiered approach for the shielding of the development activities. The proposed two tiers are:
	1. Tier 1: TRAC-1, TRAC-2, TRAC-3, South-South Cooperation and Human Development Report Office;
	2. Tier 2: Regional Programme, Global Programme, PAPP, Development Support Services, Economists’ Programme, Policy Advisory Services, Gender Mainstreaming and UN Capital Development Fund.
2. In the event that the regular resources exceed the resource planning level for 2018 – 2021 period, the lines in tier 1 would increase and the lines in tier 2 would not increase. In the event that resources reduce by 5% of the annual planned level, the lines in tier 1 would not be reduced, but the lines in tier 2 would be reduced. In the event that resources reduce by more than 5% of the planning level, both the lines in tier 1 and tier 2 would be reduced in equal proportion.
3. This two tiered approach will prevent the significant reduction in the non-shielded lines, which are important in delivering a top quality programme, recognizing that development effectiveness plays a complementary role to programme, while still recognizing the primacy of TRAC-1 resources.
4. Annex A, table 4d summarizes all programme country movements between income status categories for the 2018-2019 period compared to 2014-2017.

*Development effectiveness activities*1. The evaluation of the Strategic Plan 2014-2017 provided several recommendations concerning UNDP’s development effectiveness activities, including pursuing integrated approaches for SDG support to Government, improving a results and learning culture, establishing the regional hubs as centers of excellence for innovation and learning, and changing the global programme into a service line for supporting staff positions at global and regional levels, amongst others. These forward-looking recommendations provide a basis for better aligning UNDP’s development effectiveness activities with the service offerings of the Global Platform and Country Support Platforms.
2. It is proposed to incorporate the five distinct development effectiveness related lines – global programme, policy advisory services, gender mainstreaming, development support services, and economist advisory services – into the global and country level programming component of the Integrated Budget. Currently development effectiveness activities are a mix of both functional and thematic approaches, each with varying degrees of scope and action, and each operating as somewhat discrete entities from the other. Bringing these activities within the scope of the two platforms will provide several benefits including: a better articulation of development effectiveness roles at the global, regional, and country levels, stronger integration of thematic advisory services across and between the global and country platforms, improved leveraging of advisory and programmatic partnerships between global and local levels, stronger gender mainstreaming in policy and programming, and improved approaches to results based management, monitoring and evaluation using new approaches developed at the global level.
3. Separate from the above referred proposed consolidated development effectiveness line, two currently existing lines will remain, as follows:
	* + - 1. South-South cooperation which focuses on the sharing of South-South experiences, expertise and knowledge making them an integral part of country, regional and interregional programmes, while introducing cost-effective modalities. The importance of promoting, facilitating and strengthening South-South and triangular cooperation for development globally is emphasized in the strategic plan; and
				2. UNCDF, which provides grants, loans and guarantees to least developed countries, complemented by strong capacity-building and upstream policy advisory services that support the design and implementation of national policies and action plans in both local development finance and inclusive finance. Rooted in complementarity, the UNDP-UNCDF partnership aims at simplicity, coherence and effectiveness, leading to greater development impact in the least developed countries. The Executive Board, in its decision 2013/4, approved the inclusion of UNCDF in the programming arrangements

II.c. Institutional component of the integrated budget**Positions**1. As in the 2014 - 2017 period, the integrated budget 2018-2021 incorporates a strategy for financing personnel costs with respect to positions at grade P-5 and below in a manner that more accurately reflects the results framework. P5 and lower graded positions will continue to be funded from the multiple funding sources of the requisite activities. This leads to a more strategic and efficient use of regular resources, allowing UNDP to allocate a greater share to development activities. It results in a more accurate linkage of costs to underlying funding sources.
2. In a continuing effort to contain costs, UNDP proposes to remain within the levels set in the 2014-2017 integrated budget approved number of D-1 and higher graded positions (annex A, table 5d shows the current status of the number of D1 and higher graded positions). UNDP also proposes to retain the present financing approach for these regular resources-funded positions.
3. The integrated budget, 2018-2021, includes a proposed envelope of $856.5 million in regular resources to finance the D-1 and higher grades, as well as, in combination with other resources, requisite institutional capacities at P-5 and lower grades that fulfil functions in support of the UNDP mandate. This represents a reduced financing envelope compared to $919.6 million in 2014-2017.

**III. Government local office cost contributions (GLOC)**1. UNDP appreciates improvements made by programme countries toward meeting their obligations in cash or in kind with respect to government contributions towards local office costs. Middle-income country compliance remains at a less-than-desirable level. UNDP will maintain the option to withhold part of institutional budget resources for countries with significant deficits, with an emphasis on middle-income countries.
2. Waivers, granted based on respective gross national income levels, are an integral part of calculating programme country obligations. Local costs of a UNDP country office (the basis for the calculation) are reduced by a waiver percentage using the gross national income level. Waivers are reviewed in line with the decision on a new programme period. Table 5c.ii in annex A, presents the new income classifications and waivers for 2018-2019.
3. The gross national income per capita levels presented in the table are based on the average for 2012-2015, as endorsed in decision 2012/28. These will be updated in the biennial update at the mid-point of the integrated budget with the average GNI per capita for 2014-2017.

**IV. Funding of country office presence in MICs with GNI per capita above $6,660** 1. The integrated resources plan and integrated budget, 2018-2021, is prepared in compliance with the provisions of two key Executive Board decisions on the funding of UNDP country office presence in middle-income countries (MICs) with Gross National Income (GNI) per capita above the $6,660 threshold as follows:
	1. decision 2012/28 which endorsed a system of biennial updates for graduation for MICs with high levels of GNI per capita and transitional NCCs after a 2-year grace period; and
	2. decision 2013/30 which endorsed a differentiated approach for the use of regular resource funding of UNDP's physical presence in MICs with GNI per capita above $6,660 MICs.
2. The overall change in programme country status across the LIC to NCC spectrum, is presented in detail in annex A, table 4d. Highlights with respect to physical presence are as follows:
	1. Chile and Uruguay will graduate to full-fledged NCC status starting in 2018. The countries will no longer receive TRAC-1 resources. Institutional budget (IB) will consist of full funding of the Resident Coordinator/Resident Representative (RC/RR) position and appropriate office capacities for the RC/RR.
	2. South Africa, China, Azerbaijan, Belarus, Turkmenistan, Colombia and Costa Rica graduated to MIC status with GNI per capita above the $6,660 threshold. The annual TRAC-1 allocation for these countries will be $150,000, and, with respect to use of regular resources to finance UNDP’s physical presence, the two year grace period will commence starting 2018.
	3. Equatorial Guinea, which had the ‘NCC’ country status in 2016-2017, will revert to status ‘MIC with GNI/capita above $6,660’. It will join UNDP country office presences in Botswana, Gabon, Mauritius (Africa); Argentina, Brazil, Mexico, Panama, Venezuela, (Latin America and the Caribbean); Libya, Lebanon (Arab states); Kazakhstan, Montenegro, Turkey (Europe and the CIS); and Malaysia (Asia and the Pacific) that receive an annual TRAC-1 allocation of $150,000. The institutional budget allocation from regular resources in these country offices consists of full funding of the Resident Coordinator/Resident Representative position, including 25 per cent of requisite critical cross-cutting capacities (as per executive board decision 2013/30). The balance of 75 per cent of funding for these critical cross-cutting capacities is to be funded from respective programme country government resources.
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