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Programming arrangements

Funding of differentiated physical presence

Executive summary

In its decision 2013/4 on UNDP programming arrangements, the Executive Board endorsed the principles of global strategic presence, and, as UNDP presence should be based on the differentiated development needs of countries and a no ‘one-size fits-all’ approach in order to ensure efficient and effective response to national development priorities, agreed on the differentiated approach of physical presence, and requested UNDP to provide comprehensive information, in a formal report, on its implementation for the middle-income countries (MICs) with gross national income (GNI) per capita above $6,660.

The present document proposes a differentiated approach for the funding of the UNDP physical presence in transitional net contributor countries (NCCs) and MICs with a GNI per capita above $6,660, in conjunction with the related Executive Board discussions and decisions on the programming arrangements.

The proposal calls for: (a) minimum programme delivery thresholds to be met ($12 million over the four-year period 2014-2017); (b) UNDP continuing to fully fund the United Nations Resident Coordinator/UNDP Resident Representative post (one combined 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.

Elements of a decision

The Executive Board may wish to: (a) recall its decisions 2012/1, 2012/28, and 2013/4 on the UNDP programming arrangements; (b) take note of document DP/2013/45 on funding of differentiated physical presence; (c) encourage all programme countries to meet their obligations with respect to GLOC; and (d) approve the proposed differentiated funding model for NCCs and MICS with GNI per capita above $6,660 for the 2014-2017 period.

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I. Background on global strategic presence

1. In the second review of the programming arrangements (DP/2012/3) presented at the Executive Board's first regular session of 2012, UNDP recognized that achievement of long-term sustainability requires improvements in organizational effectiveness and operational efficiencies. UNDP highlighted key needs with respect to: (a) developing differentiated service offerings and operational models for different country contexts to guide resource allocations; and (b) arriving at the optimum configuration of knowledge, policy and corporate services to support effective delivery at the country level. Furthermore, it was highlighted that a 'one-size-fits-all' approach to physical presence is not viable.

2. In response, the Board agreed in decision 2012/1 with the overarching assumption that the UNDP presence should be based on differentiated developmental needs of countries and a no ‘one-size-fits-all’ approach in order to ensure efficient and effective response to national development priorities.

3. In the programming arrangements 2014-2017 (DP/2012/25 and Corr.1) presented at the Board's second regular session of 2012, UNDP further highlighted four important and interrelated principles that underpin the UNDP global strategic presence:

(a) Enhanced organizational responsiveness and flexibility are required to adequately meet the increasing demands placed on UNDP in view of its dual mandate as a United Nations development agency and the steward of the United Nations Resident Coordination function;

(b) A differentiated approach to physical presence is required to ensure that optimal configurations of UNDP services in support of programme country objectives are readily available;

(c) A differentiated approach to strategic planning and management, especially with respect to human resources, is required to meet diverse development needs across a wide range of programme countries;

(d) A viable mix of predictable regular and other resources is required in view of the critical and mutually reinforcing roles they perform, especially the unique role of regular resources, in funding the UNDP global strategic presence.

4. In response, the Executive Board, in decision 2012/28, acknowledged the conceptual proposal provided by UNDP on global strategic presence and requested UNDP to further elaborate possible policy options for global strategic presence, including funding of physical presence in programme countries.

5. In an information note on the programming arrangements presented at the Board's first regular session of 2013, UNDP further elaborated on the principles for funding of the UNDP physical presence in NCCs and differentiation of such in MICs, within the context of the discussions on eligibility for the target for resource assignment from the core (TRAC 1) calculation methodology that were concluded at the second regular session of 2012. UNDP noted the importance of the relationship between the UNDP programmatic presence and funding of its physical presence, including the identification of flexible, effective and efficient service delivery models. This relationship should ensure the successful delivery of UNDP programmes, supported by requisite development effectiveness and management activities, and United Nations development coordination activities.

6. The Executive Board, in decision 2013/4, endorsed the principles of global strategic presence, and, as UNDP presence should be based on the differentiated development needs of countries and a no ‘one-size fits-all’ approach in order to ensure efficient and effective response to national development priorities, agreed on the differentiated approach of physical presence, and requested UNDP to provide comprehensive information, in a formal report, on its implementation for the MICs with GNI per capita above $6,660.

7. For ease of reference, the relevant sections on global strategic presence from each of these Executive Board documents are included in the annex to the present report.

II. Proposed differentiated approach

8. The rest of this paper responds to this request from the Executive Board for a formal report on a proposed differentiated approach to funding of physical presence in MICs with average GNI per capita for 2008-2011 greater than $6,660.

9. Currently, legislated differentiation with respect to funding of the UNDP physical presence in programme countries only occurs between NCCs (defined for the 2014-2017 integrated budget period as programme countries with 2008-2011 average GNI per capita greater than $12,475) and non-NCCs (defined for the 2014-2017 integrated budget period as programme countries with 2008-2011 average GNI per capita less than $12,475).

10. In its decision 2012/28 on the 2014-2017 programming arrangements, the Executive Board adopted the hybrid GNI-based eligibility option for the 2014-2017 TRAC 1 allocation framework. The Board also raised the threshold between TRAC-1eligibility (i.e., lower-income or MIC status) and non-eligibility (NCC status) from the current level of $5,500 for the 2008-2013 period (based on 2005 GNI per capita) to $12,475 for the 2014-2017 period (based on average GNI per capita for 2008-2011), in alignment with the thresholds used by the United Nations Children's Fund and the World Bank. The Board further called for a differentiation with respect to TRAC-1 resource allocations for MICs whereby:

(a) For MICs with a GNI per capita under the $6,660 threshold, a minimum range of 35 to 45 per cent of the prior period TRAC 1 will be guaranteed with a minimum of $350,000 in those countries with a UNDP country office presence, and a minimum of $50,000 in those countries without a UNDP country office presence;

(b) For MICs with a GNI per capita above the threshold of $6,660, a $150,000 TRAC-1 allocation will be applied to those countries with a UNDP country office presence and a $50,000 TRAC-1 allocation will be applied to those without a UNDP country office presence.

11. In line with this decision already taken by the Executive Board on programming resource allocations, UNDP proposes to similarly differentiate regular resources allocated for physical presence within the group of MICs.

12. First, with respect to NCCs, it is proposed to retain the current policy, whereby UNDP regular resources fully fund the United Nations Resident Coordinator/UNDP Resident Representative position (one combined position) and minimal office capacities for the resident coordinator, in order to carry out key leadership and coordination functions, premised on a country programme which should at least be at the level of $12 million during the four-year 2014-2017 programming period (combined regular plus other resources).[1] All other costs would continue to be borne through a combination of government contributions and cost-recovery income earned on government and third party cost-sharing and trust fund contributions. Key leadership and coordination functions for countries not meeting these conditions would still be provided, but with coverage from other country office locations. There are seven NCC countries for which the current policy will continue to apply in 2014-2017:

[1] This is in line with current Executive Board policy which is premised on a minimum programme delivery level of $10 million in 2008-2011, as described in document DP/2003/28, after applying an inflation factor.

Table 1. UNDP country presence in NCCs

UNDP country office presences in NCCs with 2008-2011 GNI per capita > $12,475
1. Bahrain
2. Kuwait
3. Saudi Arabia
4. United Arab Emirates
5. Barbados
6. Trinidad and Tobago
7. Croatia

13. Second, for MICs, a broad alignment between the UNDP physical and programmatic presence is proposed. In this regard, a differentiated approach for funding of physical presence is proposed for the MICs with GNI per capita above the $6,660 threshold. Seventeen country offices would be impacted by the differentiated presence proposal: (a) 14 that had MIC status in the 2008-2013 period; (b) two that had NCC status in the 2008-2013 period; and (c) one that had MIC status in 2008-2013 but exceeded the NCC threshold of $12,475 for the first time in 2014, and is therefore classified as a transitional NCC office in 2014-2015. The countries are presented in table 2 below.

Table 2. UNDP country presence in MICs/transitional NCCs

UNDP country office presences in MICs with GNI per capita between $6,661 and $12,475		**UNDP country office presence in transitional NCC in 2014-2015**
(a) ***Programme country with MIC status in 2008-2013***	***(b)*** ***Programme country with NCC status in 2008-2013***	***(c)*** ***Programme country with MIC status in 2008-2013***
1. Argentina	15. Libya	17. Equatorial Guinea
2. Botswana	16. Mexico	
3. Brazil		
4. Chile		
5. Gabon		
6. Kazakhstan		
7. Lebanon		
8. Malaysia		
9. Mauritius		
10. Montenegro		
11. Panama		
12. Turkey		
13. Uruguay		
14. Venezuela		

14. Accordingly, for the 17 MICs listed in table 2 that have a four-year average GNI per capita above the $6,660 threshold, regular resources would be used to fund the UNDP physical presence as follows:

(a) UNDP regular resources will continue to fully fund the United Nations Resident Coordinator/UNDP Resident Representative position (one combined position) and an allocation from the support to the resident coordinator (SRC) programme resource line, in order to carry out key leadership and coordination functions, premised on a country programme which should at least be at the level of $12 million during the four-year 2014-2017 programming period (combined regular plus other resources). Key leadership and coordination functions for countries not meeting these conditions would still be provided, but with coverage from other country office locations;

(b) In addition, a cost-sharing formula is proposed to fund requisite critical, cross-cutting local office capacities, which is proposed as a resource envelope equivalent to three National Officer (NO) posts plus four national General Service (GS) posts and related general operating expenditures (GOE). UNDP will fund 25 per cent, provided the Government funds the other 75 per cent through annual GLOC, either in cash or in kind, and provided the minimum country programme level of $12 million for the period 2014-2017 is met, in order to carry out functions and activities that underpin the integrity of the organization's programmatic, coordination and management mandates. This is in alignment with standing Executive Board legislation on GLOC that was presented to the Board in 2008 (DP/2008/3) and is again contained in the UNDP integrated budget for 2014-2017 (DP/2013/41). More specifically, per the current GLOC methodology, MICs with 2008-2011 average GNI per capita between $2,141 and $6,660 are granted a 25 per cent waiver on the amount of local office costs they are expected to fund through GLOC (both cash and in kind). Thus 25 per cent would represent the maximum portion that would be funded from UNDP regular resources;

(c) All other costs associated with the UNDP physical presence would need to be met from additional government contributions (GLOC) and/or cost-recovery income earned on government and third party cost-sharing and trust fund contributions.

15. For the single transitional NCC shown in column C in table 2 above (Equatorial Guinea) with a four-year average GNI per capita above the $12,475 threshold for the first time, there are two possible scenarios:

(a) At the time of the mid-term review (September 2015), and in line with the system of biennial updates approved by the Executive Board, if Equatorial Guinea’s average GNI per capita for 2010-2013 remains above the applicable NCC threshold ($12,475 adjusted for inflation), Equatorial Guinea would convert to full scale NCC status as of 2016, and thus the provisions outlined in paragraph 12 above for NCCs would apply as of 1 January 2016;

(b) If, at the time of the mid-term review, Equatorial Guinea’s average GNI per capita for 2010-2013 falls below the applicable NCC threshold, Equatorial Guinea would convert to MIC status, and as such, all of the provisions outlined in paragraph 14 above for MICs with GNI per capita greater than $6,660 would apply as of 1 January 2016.

16. The provisions in paragraphs 14 and 15 above are summarized in table 3 below:

Table 3: Country office physical presence composition for MICs with GNI per capita greater than $6,660 and the transitional NCC

United Nations Resident Coordinator/UNDP Resident Representative post (one combined post) plus allocation from SRC programme line	- Fully funded from UNDP regular resources (if programme > $ 12 million)
Requisite critical, cross-cutting capacities (a resource envelope equivalent to three NO + four GS posts + related GOE)	- 25 per cent to be funded from UNDP regular resources (if programme > $12 million) - if 75 per cent funded from GLOC (in cash or in kind)
All other costs associated with country office physical presence	- Funded from additional GLOC or other government contributions and/or cost-recovery income earned on government and third party cost-sharing and trust fund contributions.

17. Furthermore, the provisions outlined in paragraphs 14 and 15 are proposed to be phased in as follows:

(a) **14 countries with MIC status in 2008-2013**: The proposed new scheme will start on **1 January 2016**. This will provide a two-year grace period (2014-2015) for the 14 country office presences shown in table 2, column A;

(b) **Two countries that had NCC status in 2008-2013 (now MICs)**: The proposed new scheme will start on **1 January 2014** for the two country office presences (Libya and Mexico) shown in table 2, column B;

(c) **One transitional NCC in 2014-2015 (Equatorial Guinea)**: Given the country's transitional NCC status, the proposed new scheme will start on **1 January 2016**. This will provide a two-year grace period (2014-2015). Either of the two scenarios outlined above in paragraph 15 may apply starting in 2016 depending on the average GNI per capita for 2010-2013.

18. On an exceptional basis only and under compelling circumstances, the UNDP Administrator may consider, on a case-by-case basis, granting a modification to the GLOC requirements described above for MICs with GNI per capita above $6,660. The Executive Board will be informed of these exceptions in the annual financial reports.

19. In the event that the conditions for funding of physical presence described above paragraphs are not met, UNDP will not continue to provide funding from regular resources for the critical, cross-cutting functions and activities. In that event, UNDP would review the regular resources funding of physical presence.

Annex

Excerpted sections on global strategic presence from previous Executive Board documents
(excerpted paragraphs have the same numbers as in the original documents)

DP/2012/3. Second review of the programming arrangements, 2008-2013 (First regular session 2012)

Global strategic presence

13. One overarching opportunity that UNDP is currently addressing within the context of the new strategic plan, the integrated budget and the agenda for organizational change relates to: (i) an enhanced relationship between flexible and effective models of physical presence, which involve more efficient use of resources; and (ii) the identification of service-delivery models to optimize development effectiveness activities. Implementing these new initiatives would be contingent on:

(a) Rethinking and enhancing operational approaches so as to effectively and efficiently provide differentiated development and management services, along with the requisite supporting capacities and structures, in direct response to the different requirements of eligible programme countries;

(b) Reaffirming the TRAC 1 eligibility classification scheme and criteria for determining at what point programme countries graduate to net contributor country (NCC) status and are thus no longer eligible to participate in regular-resources funded programme activities;

(c) Revisiting the TRAC 1 allocation criteria which determine the amount of TRAC 1 resources assignable to eligible programme countries; and

(d) The need to allocate regular programme resources to adequately support development activities in a transparent, predictable and effective manner.

Programmatic presence

14. In principle and in practice, programmatic needs are driven by the existing or anticipated development challenges of a particular country. These challenges can present themselves in one form or another in all countries spanning the development spectrum.

15. While there are obvious development challenges in LDCs and crisis countries, MICs may also have their own development challenges in terms of a need for policy frameworks, to reduce poverty and inequalities, and to improve resilience. In these circumstances, countries may wish to seek UNDP assistance.

16. From a South-South perspective, programme countries that are relatively more developed may wish to share their experiences with and transfer knowledge to less developed countries. To do so successfully, countries on the providing and receiving ends may require specific yet limited external development advice to ensure the continued consolidation of gains and to maximize future benefits.

17. More specifically, human development over the past 10-15 years has been promoted through a richer, more varied and complex web of trade, aid and investment links, as well as by exchanges of knowledge, ideas and experiences between countries. International cooperation has evolved very quickly and dramatically from a unidirectional flow of financial assistance, policy advice and guidance from developed to developing countries into a multidirectional process encompassing North-South, South-North and South-South flows. Three fundamental factors have been driving this process, especially the relatively recent South-South dimension, and these factors suggest that the process still has a long way to go:

(a) The obvious mutual benefits from commercial and economic exchange that takes advantage of the new opportunities created by rapidly evolving and expanding emerging markets.

(b) A recognition that the wheel may have been invented somewhere else already; it may be sensible and practical to learn from the experiences of countries that have dealt successfully (or otherwise) with a wide range of issues under the actual conditions — whether constraints or opportunities — of a developing country.

(c) Perhaps the most interesting and often overlooked: how the globalized world has led to significant convergence of policy and institutional "solutions" for a growing range of issues, and regardless of the development classification or category of countries. In other words, there are increasingly common expectations, standards, rules and practices being applied or upheld by developing countries, no matter what their income status. These responses are being embraced in order to compete successfully in the global economy and also as a way of dealing with social, cultural and other issues. In this setting, a "solution" for an LDC's specific concern — for instance, the quality of its financial regulation — may lie in MIC's approaches, adapted of course to the requirements of a different setting.

18. Thus from a global perspective, the business of development cannot be conducted or assisted effectively without tapping into the pool of knowledge, expertise and ideas that exists across the full spectrum of developing countries. The global network will become an important feature of development cooperation in the future, a means of accessing and applying knowledge about what has and has not worked, knowledge that has been strengthened through testing in a wide variety of countries. Furthermore, as it becomes more urgent to take global action on problems that are beyond the remit or resources of any single nation to remedy — to take action on climate change, above all — the demand for cross-country reach and mobilization will escalate.

19. Transformational change at the country level — whether in LDCs, LICs, MICs, NCCs, or in fragile or stable settings — will rely increasingly on how well potential development options are successfully formulated, tested and implemented, and on how well the resulting development knowledge is captured, codified and shared. The ultimate objective will be to speed up the identification and adoption of relevant solutions, leading to the empowerment of people and the building of resilient societies and institutions.

20. Whether it is viewed from an internal country perspective, a South-South perspective or a global perspective, a vast array of existing and emerging development challenges will continue to confront developing countries. As such, these countries will require valued partnerships and strong conduits in order to access a wide range of capabilities and development interventions, regardless of how upstream or downstream their demands may be. Whenever programme countries consider UNDP to be the best partner or conduit for such interventions, they should be allowed to access UNDP programmatic support within its areas of expertise.

21. The analysis and findings of the midterm review of the strategic plan (DP/2011/22) underscore the unique development role and mandate of UNDP, and highlight its comparative advantage in supporting programme countries through the delivery of development services, providing United Nations coordination and building partnerships. It is also clear that in some areas there is consistent demand across programme countries, for example: that UNDP serve as a gateway to the United Nations system, and that there be a focus on climate change, democratic governance and wider regional cooperation.

22. As UNDP adapts to the rapidly evolving nature of development cooperation, it will also need to update its operational model to maintain its global reach and capabilities while substantially improving organizational efficiency.

Physical presence

23. UNDP recognizes that to achieve long-term sustainability requires improvements in organizational effectiveness and operational efficiencies. Two key needs are (i) to develop differentiated service offerings and operational models for different country contexts to guide resource allocations; and (ii) to arrive at the optimum configuration of knowledge, policy and corporate services to support effective delivery at the country level. A "one-size-fits-all" approach to physical presence is not viable.

24. There is already scope to increase operational efficiencies and reduce operating costs. UNDP has a differentiated operational footprint in some middle income countries (e.g. through project offices; centres of excellence) and small island developing States (e.g. through multi-country offices and joint country programmes). The focus now is on systematizing the UNDP approach and on developing a menu of service offerings and operating modalities fine-tuned to the realities of programme country contexts, operational realities and the available resources.

DP/2012/25 and Corr.1. Programming arrangements, 2014-2017 (Second regular session 2012)

Global strategic presence: principles

11. In decision 2012/1, the Executive Board agreed with the over-arching assumption that UNDP presence should be based upon differentiated development needs of countries, rather than a one-size-fits-all approach, to ensure efficient and effective responses to national development priorities. It is important to note that UNDP presence is both derived from and critical to its dual mandate. As the lead development agency of the United Nations system, it supports development effectiveness and programme activities in its focus areas, and as the steward of the Resident Coordinator function, it supports United Nations development coordination activities.

12. UNDP is addressing the important issue of global strategic presence in the context of the new strategic plan, the integrated budget and the agenda for organizational change. This is underscored by the important relationship between UNDP's programmatic presence and the identification of service delivery models that can leverage flexible, effective and efficient models of physical presence across the four broad, harmonized cost classifications approved in decision 2010/32 ensuring the successful delivery of programmes funded by UNDP: Development covering programmes and development effectiveness; United Nations development coordination; management; and special purpose.

13. UNDP recognizes that longer-term sustainability of its service delivery model calls for improvements in organizational effectiveness and operational efficiency. Accordingly, UNDP is pro-actively assessing service delivery models through which it can achieve programmatic and physical presence in an effective, efficient and sustainable manner. TRAC-1 eligibility options and allocation models discussed in Section E below have a bearing on programmatic presence. Physical presence is a key segment of the agenda for organizational change and will be addressed in the context of the integrated budget from 2014 onwards, to be presented to the Executive Board at its second regular session in September 2013.

14. The following principles underpin UNDP's global strategic presence:

(a) Enhanced organizational responsiveness and flexibility is required to adequately meet the increasing demands placed on UNDP in view of its dual mandate as a United Nations development agency and steward of the United Nations Resident Coordination function;

(b) A differentiated approach to physical presence is required to ensure that optimal configurations of UNDP services in support of programme country objectives are readily available;

(c) A differentiated approach to strategic planning, management, retention, and deployment of human resources is required to mirror organizational requirements needed to meet diverse development needs across a wide range of programme countries;

(d) A viable mix of predictable regular and other resources is required due to the critical and mutually reinforcing roles they perform in funding UNDP’s global strategic presence, noting the unique role of regular resources as highlighted in paragraph (d). (paragraph 8: “Predictability and availability of adequate regular resources, and flexibility in their allocation, are critical prerequisites for UNDP to be able to adequately respond to the dynamic needs of programme countries through strategic prioritization and deployment of sufficient resources to where they are needed the most.”)

Note on the programming arrangements (First regular session 2013)

Global strategic presence

19. In the second review of the programming arrangements (DP/2012/3), UNDP recognized that achievement of long-term sustainability requires improvements in organizational effectiveness and operational efficiencies. UNDP highlighted key needs with respect to (i) developing differentiated service offerings and operational models for different country contexts to guide resource allocations; and (ii) arriving at the optimum configuration of knowledge, policy and corporate services to support effective delivery at the country level. Furthermore, it was highlighted that a 'one-size-fits-all' approach to physical presence is not viable.

20. In response, the Executive Board agreed, in paragraph 5 of decision 2012/1, with the overarching assumption that the UNDP presence should be based on differentiated developmental needs of countries and a no 'one-size-fits-all' approach in order to ensure efficient and effective response to national development priorities.

21. The programming arrangements, 2014-2017 (DP/2012/25 and Corr.1) discussed at the Board's second regular session of 2012 highlighted four important and interrelated principles that underpin the UNDP global strategic presence:

(a) Enhanced organizational responsiveness and flexibility are required to adequately meet the increasing demands placed on UNDP in view of its dual mandate as a United Nations development agency and the steward of the United Nations Resident Coordination function;

(b) A differentiated approach to physical presence is required to ensure that optimal configurations of UNDP services in support of programme country objectives are readily available;

(c) A differentiated approach to strategic planning and management, especially with respect to human resources, is required to meet diverse development needs across a wide range of programme countries;

(d) A viable mix of predictable regular and other resources is required in view of the critical and mutually reinforcing roles they perform, especially the unique role of regular resources, in funding the UNDP global strategic presence.

Proposed approach for the UNDP physical presence in NCCs and MICs

22. In light of the above, the remainder of this section focuses on principles for the UNDP physical presence in NCCs, and differentiation of such in MICs, within the context of the discussions on TRAC-1 eligibility concluded at the Board's second regular session of 2012.

23. There is an important relationship between the UNDP programmatic presence and its physical presence, including the identification of flexible, effective and efficient service delivery models. This relationship should ensure the successful delivery of UNDP programmes (supported by requisite development effectiveness and management activities), and United Nations development coordination activities (regardless of country typology).

24. Currently, differentiation with respect to the UNDP physical presence occurs between NCCs and non-NCCs (MICs/LICs/LDCs). In line with the hybrid GNI income- based eligibility option endorsed by the Executive Board in decision 2012/28, UNDP seeks now to further differentiate physical presence within the group of MICs.

25. The UNDP physical presence in NCCs follows from decision 2003/22, in which the Board endorsed the proposal that regular resources should only fund the Resident Coordinator/Resident Representative position based on a minimum programme expenditure managed in the country office of at least $12 million[2] covering the four-year programming period. All other costs associated with the UNDP in-country presence are covered through government contributions and cost-recovery income (the sum of cost-recovery fees charged to non-regular funded programmes and fees related to the provision of services to other United Nations agencies). It is proposed to retain this model for NCCs during 2014-2017.

26. For MICs, a broad alignment between the UNDP physical presence and programmatic presence is proposed. In this regard, a differentiated physical presence is proposed in line with the streamlined allocation model endorsed by the Board in decision 2012/28, which limits annual TRAC-1 allocations to MICs with four year average GNI per capita above a $6,660 threshold to $150,000.

27. Accordingly, for MICs with four-year average GNI per capita above the $6,660 threshold, regular resources would be used to fund the UNDP physical presence as follows:

(a) Fundamentally, UNDP will continue to fully fund the Resident Coordinator/ Resident Representative post in order to carry out key leadership and coordination functions for those countries with at least $12 million in programme expenditure[2] covering the four-year programming period from 2014-2017. This would result in the same regular resources-funded minimum physical presence currently in place for NCCs that meet the same conditions. Key leadership and coordination functions for countries not meeting these conditions would still be provided, but with coverage from other country office locations.

(b) In addition, UNDP would continue to partially fund critical, cross-cutting functions and activities that underpin the integrity of the UNDP programmatic, coordination and management mandates. This would apply in countries with at least $12 million in programme expenditure[2] covering the four-year programming period from 2014-2017. Resources to fund the requisite capacities would be funded in part (25 per cent) from UNDP regular resources, with the balance of 75 per cent to be funded from GLOC[3], taking into account in-kind contributions. This is in alignment with standing Executive Board legislation on GLOC that was most recently presented to the Board in DP/2008/3. Thus, 25

[2] This represents the sum of programme expenditure managed in the country office itself plus, for multi-country offices, any country programmes managed by that office. The $12 million amount is increased from the $10 million level (in 2004-2007 terms) contained in document DP/2003/28.

[3] The GLOC mechanism calls for MICs with high levels of GNI per capita to contribute 75 per cent of local office costs to cover both staff costs and general operating expenses, after in-kind contributions are taken into account.

per cent would represent the maximum portion that would be funded from UNDP regular resources.

(c) All other costs associated with the UNDP physical presence would need to be met from government contributions and cost-recovery income (general management support (GMS)) fees charged to non-regular funded programmes plus fees related to the provision of services to other United Nations agencies).

28. The provisions outlined in this section are proposed to be aligned with the system of biennial updates endorsed by the Executive Board in decision 2012/28. More specifically, and in alignment with the two-year grace period applicable with respect to TRAC-1 eligibility in transitional NCCs, a similar two-year grace period is proposed to be applicable to ensure a smooth transition in funding of the UNDP physical presence in MICs with GNI per capita above the $6,660 threshold. This would provide sufficient time to conduct the necessary negotiations with programme country Governments to ensure continued integrity of the UNDP programmatic, coordination, and management mandates.