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RESIDENT COORDINATOR FOR CHINA**

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PART ONE

1.1 Introduction and methodology for report preparation

This report has been prepared by the UN Country Team based on discussions at an one-day meeting attended by all resident UN agencies. A draft report was then circulated electronically to the UN agencies for their comments, and the report was subsequently finalized by the Resident Coordinator.

1.2 Strategic Implications of Recent Political and Socio-economic Trends for United Nations Development Assistance; Overview of UN System Cooperation

According to the National Bureau of Statistics, China experienced a 8.0 percent growth in GDP in 2000, an increase from 1999 which recorded 7.1 percent growth. Industry and construction (particularly electronics and export-oriented sectors) led the growth with 9.6 percent, while agriculture's performance was weak (at 2.4 percent). In GDP per capita terms China still remains a low income country at around US \$ 850. More importantly, there is a wide gap between urban and rural incomes. In 2000 the average disposable income of urban residents was RMB 6280 (US \$ 760), while for rural residents it was RMB 2253 (US \$ 273).

The overall economic growth and relative stability during the continuing transition process has given the government and political leadership confidence to address increasingly some of the structural issues of the societal transformation. A gradual shift from the older to younger generations in the political leadership (envisaged to take place in 2002-3) is being openly talked about. During 2000, issues such as accountability and rising regional disparities have been of primary concern. The Western Development Initiative and the highly publicized campaign against corruption and the trials of high-ranking officials accused of corruption and tax or other public revenue evasions are indications that systemic problems will find increased attention. In addition, there is a renewed recognition of the need for continuing fiscal reforms, which, once enacted, will support anti corruption. Similarly, a thorough public health sector reform, as well as the restructuring of social services, such as the social security system, once in place, will greatly enhance social stability. Two major international conferences regarding social security reform took place in 2000, one in June organized by the Ministry of Finance and one in August by the Development Research Centre of the State Council, which were supported by several UN organizations and the World Bank, as was a first international multi-agency Public Health Sector Reform Forum in September.

China's 8-7 National Poverty Reduction Plan ended in 2000. The State Council's Leading Group for Poverty Reduction (LGPR) began formulating a new national poverty reduction strategy, including the setting up of a new national poverty line. An International Conference on China's Poverty Reduction Strategies was organized in May 2000 by UNDP, the World Bank, and the ADB in close collaboration with the LGPR to review reports on overcoming rural poverty. UNDP in cooperation with the ILO presented a supplemental

report on some selective poverty policy issues. The conference reviewed past national efforts at poverty reduction, the changing faces of poverty in China and discussed new policies and approaches to poverty reduction activities for the coming decade. This exercise can be considered as China's equivalent to a national PRSP exercise.

The shift to address structural issues is accompanied by greater openness and internal dialogue. For example, there is an increase in open discussions on the revision of laws affecting large segments of the population, such as the revision of the marriage and land-contracting laws. Investigative reporting in the Chinese press covering corruption, domestic violence, and shortcomings in public services are now frequent.

Most notable for the UN system was the signing of the MOU between the Chinese Government and the UN High Commissioner for Human Rights on technical cooperation in the area of human rights, although this can only be considered as the first step in what promises to be a long process towards a comprehensive rights-based approach to development in China. The year was marked by continuing conflicts between the authorities and the Falun Gong/Dafa group over the government's ban of the group in 1999. It became apparent that many of the human rights issues are multi-faceted, and that the government is interested in working with the UN system to find more differentiated and adequate responses which strike a better balance between the protection of human rights and maintaining public order and stability.

The Government's new openness has provided the UN system with a host of opportunities for advocacy initiatives. In some instances, the Government actively solicited the UN system's voice, as in the case of HIV/AIDS and domestic violence.

In 2000, China continued its negotiations and domestic preparations for WTO membership. Longer-term gains from WTO membership are expected to amount to about 1-2 percent GDP growth annually. Such gains will, however, only be realized if substantial structural adjustments across a wide range of sectors including agriculture, automobiles, banking, insurance and telecommunications are accelerated. Several studies and seminars on the potential impact of the WTO on the Chinese economy were carried out during the year with the assistance of foreign donors, including UN organizations and the World Bank. Of immediate concern has been the anticipated negative impact of WTO accession on urban employment and domestic prices of all agricultural products, with estimates of initial WTO-related urban unemployment rising by 10 to 30 million people. In the short to near-term, a fall in farm income may reverse some of the poverty reduction gains and increase the size of the migrant population and an overall increase in the urban population. It is estimated that agricultural employment declined to 45 percent of the national work force in 2000, continuing a trend which existed for the last few years. Although the rural areas will still be main concerns in terms of poverty and social sector development, the changing population distribution of China will result in a higher degree of urbanization. A comprehensive population census was carried out in October/November and the results are expected to be published in March 2001.

A draft of the Tenth Five Year Plan (2001-2005) was presented and approved by the Central Party Committee in October 2000. National objectives stated in this draft include, among others: i) maintain rapid growth through continued economic restructuring; ii) build up a modern corporate system in SOEs and establish a sound social security system; iii) increase employment opportunities and increase the living standard of people in both rural and urban areas; iv) speed up development of science, technology and education; v) urbanization and balanced regional, urban and rural development; and vi) continued political restructuring and fight against corruption. The full Plan will be available in March 2001, after approval by the National People's Congress. The UN system used the preparations for the 10th Five Year Plan in its formulation of a Common Country Assessment, which was completed in June, and the UNDAF, which was jointly prepared with a government mirror team and signed in November. Many of the national concerns have thus been discussed in terms of how the UN system can contribute to address these development challenges by bringing to bear best international practices and experiences.

The Chinese government has taken many initiatives to strengthen its relations with neighbouring countries, and with other developed and developing countries. This has given sub-regional and regional cooperation supported by the UN system new impetus.

The year under review may well be considered the year in which China entered fully into the transition to an information society. Although per capita use of computers and Internet connections is still very low and uneven, the number of Internet users doubles every six months and PCs are in the coastal region the single most often bought household equipment item. The speed and facility by which the population has accepted this new modality took the authorities somewhat by surprise, and issues like cyberethics are issues seeking a response as in other countries. It is expected that ICT's will continue to grow rapidly in China and transform the way the society operates at all levels. Most significant to the UN system is the proactive use of the Internet technology by the Ministry of Education as a means to provide nation-wide equal access to primary education, thus making the EFA goals eventually attainable beyond enrolment considerations.

1.3 Results Achieved from United Nations Collaborative Activities in Support of National Development Objectives and Priorities

a) Integrated follow-up to Global UN Conferences and achievement of Millennium Goals

In China, achievement of the seven Millennium Goals varies from goal to goal, with some already achieved or close to being achieved, while others are still begging for an effective solution.

Poverty - As mentioned in Section 1.2 above, China, according to its official poverty line, has already reduced its « extreme poor » from 80 to around 30 million between 1994 – 2000. Addressing the Millennium Goal 1 of halving poverty by 2015, will demand first and foremost a redefinition of poverty, which is in line with international indicators of poverty.

The Government in close collaboration with several UN organizations and multilateral development banks is in the process of redefining measurements of national poverty. This will then lead to a revision of its national poverty reduction policy.

Targetted poverty reduction programmes have been supplemented by demonstration and pilot activities with the support of UNDP, UNICEF, WFP/IFAD. Advocacy for poverty reduction initiatives which address social development dimensions (education and health) and reform of macroeconomic policies, in order to give them a stronger pro-poor direction were undertaken by several agencies, too. A joint multi-agency programme on fiscal reform (UNDP, IMF, WB and DFID) aims at improving the efficiency of the tax system, controlling expenditures and increasing transparency. It also aims at revising the current highly regressive tax system to make it more progressive and to change the public expenditure system in a way which will allow for rational public financial transfers to poorer provinces. Other activities by several UN agencies on the impact of WTO look specifically at the impact on poor people and women and how the negative impact can be minimized (FAO, WB, UNIDO and UNIFEM).

Primary School Enrolment - China has advanced the goal of 100 percent primary school enrolment from 2015 to 2010 (Goal 2). This is entirely feasible, provided that parallel activities such as the Western Development Initiative and poverty reduction initiatives are successful and gender disparities are fully integrated into this target. The UN has been advocating for qualitative aspects of education, and is continuing with programmes specifically aimed at promoting the enrolment of girl children (UNICEF, UNDP and UNESCO).

Infant/Child and Maternal Mortality - Despite substantial gains during the 70s and 80s in the reduction of infant/child and maternal mortality, a cause for concern in China is that for the past few years the rates have been levelling off (Goals 4 and 5). UNICEF, WHO and UNFPA have been cooperating in activities to improve the quality and the access of community health services. Furthermore, several UN agencies have been discussing the possibility of a joint programme in public health sector reform and of qualitative improvements in health services, particularly at the community level.

Reproductive Health - With regards to Goal 6, universal access to reproductive health services, already exists in China. UNFPA is thus currently working on promoting qualitative improvements and voluntarism in using reproductive health facilities. Family planning in China is sensitive and often criticized by other countries. Regrettably this has thrust China internationally in a defensive position, which has detracted attention from the subtle changes which are occurring and which may lead to a general reform of the family planning system.

Environment and sustainable development - Environment and sustainable energy development (Goal 7) is a major issue in China, and the UN system (UNDP, UNEP, UNIDO, UNESCO, FAO and the World Bank) have substantial activities in this area. Many of these initiatives are as follow-up to the Rio Summit, and in support of international conventions and protocols, e.g. climate change, biodiversity, desertification, ozone depletion, with substantial funding from GEF and MP. The Chinese Government has been committed to

improving the environmental situation in China. Yet, given the already very serious environmental degradation and the challenge, still unmet, of fully incorporating the private sector and civil society into environmental activities, some of the gains have been offset by other losses and risks. Environment and energy were given heightened attention in both the CCA and the UNDAF. While improved coordination among the UN and with other donors is beginning to bear fruit, a strong national coordinating and/or policy-making body who can centrally oversee and initiate environmental policy-making is still lacking. While environmental standards, legislation and regulations are well developed, compliance rates are very low. The UN system will thus pay greater attention to support the strengthening of the national environmental management capacity.

Food Security – China has attained national food security, which remains an important national priority. The UN system, especially FAO, WFP and IFAD, with some assistance from UNDP, have thus made food security at the community and household level their primary target as part of the overall rural poverty reduction strategy of the Government. Micro-lending has been used extensively to address in particular food insecurity at the level of poor households.

b) Halving extreme poverty and girls' education initiatives

Addressed in the section above.

c) Cross-cutting Issues

HIV/AIDS - in December, a UN joint programme on HIV/AIDS was developed and approved under the UNAIDS Programme Acceleration Fund. A television feature story on AIDS in China was produced and aired on AIDS Day (December 1), in cooperation with the State Council Information Office. UN representatives provided briefing on the HIV/AIDS situation in China and on-going UN activities. In addition, the first AIDS Day rock concert for students was held in Beijing.

Gender - Beijing Plus 5 took place in June and several UN organizations (UNIFEM, UNICEF and UNDP) sponsored a national workshop in May. This triggered some joint activities, including considerable work towards identifying gender-disaggregated data in relation to CCA/UNDAF, a UNIFEM/UNICEF joint study on domestic violence utilizing international expertise, and a UNDP/UNIFEM study on WTO and its effects on women.

Human Rights - In November 2000 China signed a Memorandum of Understanding with the Office of the High Commissioner of Human Rights to promote Human Rights and Development in China. The signing of the MOU provides the UN system as a whole the opportunity to further pursue rights-based advocacy and initiatives.

Governance – the exact definition of Governance is still quite unclear in China and is being translated as either « Government » or « Management » in Chinese. Although each UN agency has individual programmes addressing governance issues, the only joint activity so

far is a fiscal reform programme (mentioned in section 1.3). The proposed ILO programme on strengthening the industrial bargaining machinery will have potentially a far-reaching impact. For the time being the UN system in China will use the definition of the term « governance » as given by the United Nations University.

1.4 Impact of UN Reform on the UN System at the Country Level

a) Programming related measures of Harmonization and Simplification, Programming Cycles, Joint Programmes and Joint Mid-term Reviews

UNICEF, WFP and UNDP have harmonised their respective programming cycles and are currently programming for the period 2001-2005 to coincide with the UNDAF and the 10th Five Year Plan. UNFPA has extended its ongoing programme by one year, but will align its next programme to the 2001-2005 cycle, too. Other programmes of the specialized agencies, offices and programmes cover a shorter period of time (one-two years). Upon signing the CCA/UNDAF, each UN agency has committed to reflect the goals and objectives of the UNDAF strategy within their own programmes to be formulated during the coming 1-2 years. Agencies who are in the midst of formulating their own programmes feel that the CCA/UNDAF preparations have helped greatly in reducing their workload, particularly the negotiations with the Government.

The UN Country Team in China spent considerable time together in 2000 to prepare and finalize the CCA (publicly disseminated in August 2000) and the UNDAF (finalized November 2000). It is expected that the goals and objectives spelled out in the UNDAF will enable the UN Country Team to carry out further discussions on the possibility of joint programming in the coming years. As indicated in paragraph 1.3(c) above, the Country Team has been successful in formulating a UN programme on HIV/AIDS. Negotiations for formulating a joint programme possibly for public health sector reform will be started in early 2001.

An example of Joint Programming, which started already in 1997 is the partnership between IFAD and WFP with the support of the UNDP Umbrella Fund. Joint programming was based on the VAM of poverty stricken counties to select project areas for the country programming. This was formalised with the Country Strategy Paper of IFAD in 1999 and the Country Programme of WFP now recently approved in its EB of February 2001.

b) Theme Groups

Eleven interagency task forces were set up in late 1999 to provide substantive analysis for the country situation in each of their respective sectors and come up with indicators for the preparation of the CCA. Upon completion of the CCA, it was agreed that these eleven groups will be reconstituted in seven "theme groups", which will be active in promoting joint

UN programming within the UNDAF context and to strengthen partnerships with the government and other development partners. A list of the existing theme groups and their members is attached as Annex B. Terms of References have been prepared for these theme groups to re-orient them in line with current Chinese priorities and make them more conducive to give programmatic meaning to the agreed UNDAF.

As an example of Theme Group work in 2000, the Theme Group for Basic Education hosted quarterly discussions on subjects such as community education management, financing of education involving Chinese institutions. This legitimized the use of public forum discussion in education, promoting dialogue among donors as well as with and among Chinese institutions.

c) UN House and Common Premises and Services

In 2000, several initiatives were taken to carry out common administrative tasks. Efforts continued to finalize the framework for direct recruitment of UN national staff and harmonization of entitlements continue. Additional UN agencies have taken steps to hire their staff directly and a mission from New York came to conduct a comprehensive local salary survey used towards the establishment of remuneration and entitlements of UN staff.

A Common Service Agreement for cost-recovery has been finalised during 2000 and will take effect from 2001. A contract designating an airline company as "preferred carrier" for the UN in China has led to savings in international travel amounting to RMB 182,050 (approx. US\$ 22,755) in 2000. Negotiations to unify travel per diems and terminal expenses took place in 2000 and will continue into 2001. Common contracts for the procurement of basic office items has led to savings and economizing staff time by avoiding the preparation of smaller and separate contracts/bids.

In addition, some initiatives were taken to share staff training opportunities with staff from several agencies participating in courses for negotiation skills and security.

