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REFERENCE: AC/1623

Advisory Committee
on Administrative and Budgetary
Questions

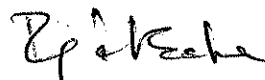
08 June 2007

Dear Ms. Thoraya Ahmed Obaid,

Enclosed herewith please find the report of the Advisory Committee on Administrative and Budgetary Questions on the review of the organizational structure of the United Nations Population Fund.

I should be grateful if you would make the Advisory Committee's report available to the Executive Board.

Yours sincerely,



Rajat Saha
Chairman

Ms. Thoraya Ahmed Obaid
Executive Director
UNFPA

REVIEW OF THE ORGANIZATIONAL STRUCTURE OF THE UNITED NATIONS POPULATION FUND

Report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee has considered the document dated 30 May 2007 on the review of the organizational structure of the United Nations Population Fund (UNFPA). During its consideration of the report, the Advisory Committee met with the Executive Director and other representatives, who provided additional information and clarification.

2. The document indicates that the definition of the most appropriate organizational structure of UNFPA is crucial to the operationalization of the draft Strategic Plan for 2008-2011, which provides the overall framework for UNFPA to focus on results towards the attainment of the recommendations of the International Conference on Population and Development (ICPD) and of the Millennium Development Goals (MDGs). According to the UNFPA, it is essential to reorient the organization at the regional and global levels to ensure that country concerns are central to its structure, processes and culture.

3. The UNFPA underlines that it has to perform key high level functions which underline, inter alia, national capacity building and the provision of prompt and effective support of its country offices (see paragraph 7 of the document).

4. The current organizational structure of UNFPA consists of nine Divisions located at Headquarters (the Technical Support Division, four Geographic Divisions (Asia and the Pacific; Africa; Latin America and the Caribbean; and Arab States, Europe and Central Asia), the Division for Human Resources (DHR), the Division for Management Services (DMS), the Information, Executive Board and Resource Mobilization Division and the Division for Oversight Services), nine Technical Country Support Teams (CSTs) located in the regions (3 in Africa, 3 in Asia, 2 in Arab States, Europe and Central Asia and 1 in Latin America), and 112 country offices (COs).

5. The Committee notes that a series of evaluations and audits have concluded that the capacity of UNFPA's country offices is inadequate. Consequently, the UNFPA outlines three alternative scenarios for strengthening its capacity at the country level in support of country led development strategies.

6. The document describes three alternative scenarios, for which only preliminary cost estimates are presented, for the organizational structure of UNFPA:

Scenario 1 – Maintain the current organizational structure with limited changes at Headquarters, i.e. the Division for Arab States, Europe and Central Asia would be divided into two separate divisions, covering respectively Arab States and Eastern Europe and Central Asia, and the Division for Human Resources would be moved under the direct supervision of the Deputy Executive Director for External Relations, United Nations Affairs and Management;

Scenario 2 – Relocation of the Geographic Divisions to the regions, with expanded staffing, merged with the existing Country Support Teams;

Scenario 3 – Relocation of Geographic Divisions to the regions, merged with streamlined Country Support Teams.

The Committee notes that, under scenario 1, monitoring and oversight on programme implementation, as well as follow up on audit findings, might be complicated by the distance between the geographic divisions relocated to the field and HQ.

7. The Committee notes that, for scenario 1, in addition to the costs incurred to strengthen country offices directly (17 additional posts), there would be ongoing additional requirement of \$0.7 million per biennium to fund two posts added at

Headquarters in relation to the creation of two Divisions: one to cover Arab States and the other to cover Eastern Europe and Central Asia. The financial implications of this scenario would therefore be an additional US\$ 8.4 million for the first biennium (2008-2009) and an additional US\$ 13.1 million per biennium subsequently.

8. The Committee observes that the organizational structure provided for under scenario 2 would entail financial implications that exceed the estimates under scenarios 1 and 3. Given that a significant number of posts are proposed for reduction at headquarters (60 posts), the Committee questions whether the related financial implications under scenarios 2 and 3 are commensurate with the reduction in human resources at HQ. The Committee trusts that necessary clarifications will be provided to the Executive Board.

9. Implementation of scenario 2 would entail a one-time cost estimated at \$24.9 million funded from the BSB and recurring costs estimated at \$8.4 million for the first biennium, increasing to \$ 12.4 million per biennium subsequently. The recurring costs would be funded from the Biennial support budget and from the Programme budget. Scenario 2 entails a shift of resources from Headquarters to the field, but mostly at the regional level: a net reduction of 60 posts at headquarters, an increase of 64 posts in the regions and an increase of 14 posts in country offices. Scenario 2 also entails less top heavy structure for UNFPA by eliminating of 6 D2/L7 posts and creating of 8 P3/L3 posts as well as 6 P2/L2 posts.

10. The Committee notes that the organizational arrangement provided for under scenario 3 would entail a one-time cost estimated at \$25.5 million (BSB funded) and recurring costs estimated at \$8.4 million for the first biennium, decreasing to \$6.7 million per biennium for the following biennia (BSB and Programme funded). Scenario 3 entails a shift of resources from Headquarters to the field, mostly at the regional level: a net reduction of 60 posts in headquarters, an increase of 32 posts in the regions and an increase of at least 14 posts in country offices. Scenario 3 also entails a less top heavy structure for UNFPA, by foreseeing the elimination of 6 D2/L7 posts and 24 P5/L5 posts, and the creation of 8P3/L3 posts as well as 6P2/L2 posts.

11. At this stage, the financial implications of the three scenarios at headquarters, regional and country level under the biennial support budget (BSB) and Programme budgets for over a ten year period are estimated as follows (in million US dollars):

	Scenario 1	Scenario 2	Scenario 3
One Time costs	0.0	24.9	25.5
- Human Resources	0.0	12.7	13.9
- Premises	0.0	12.2	11.6
Recurrent	60.8	58.0	35.2
- HQ	3.5	(73.3)	(73.3)
- RO	0.0	78.4	35.6
- CO	57.3	52.9	72.9
Total	60.8	82.9	60.7

12. As indicated in the document, measures to strengthen country offices would include increased staffing and the right mix of skills and competencies. Specifically, UNFPA would increase the number of national staff with the relevant competencies in selected country offices and provide locally-recruited staff with exposure to operational procedures and substantive concerns in other UNFPA offices through temporary assignments. The Committee welcomes the measures planned by UNFPA to achieve sustainable institutionalized capacity in programme countries. It also appreciates the intention of the UNFPA to utilize more local staff.

13. In para.25 of the document, UNFPA states that it will also enhance its international staffing at the country level through upgrading the posts of selected Country Representatives and Deputy Representatives to ensure that they have the required knowledge and skills as well as the appropriate authority, as compared to Representatives of sister agencies. The Advisory Committee points out that grading of posts should reflect

their functional responsibilities and should be based on the ICSC job classification standards rather than on a comparison with the staffing structure of other UN Funds and Programmes.

14. The Committee notes that direct strengthening of country offices through strengthening of international staff capacity will be undertaken in a phased manner over a number of biennia and, under the current budgetary assumptions, will result in estimated additional requirements of \$7.7 million for the first biennium and an additional \$12.4 million per biennium thereafter. As UNFPA identifies options to strengthen national staff capacity further, additional costs are likely to arise. The Advisory Committee points out that these are preliminary estimates, reflecting current costs, and could go up with inflation and fluctuation in exchange rates. More precise costing of these measures will follow the Executive Board's final decision, to be made at its next session in the autumn.

15. The Committee notes that scenarios 2 and 3 provide for the establishment of a Programme Division at Headquarters, in line with other UN agencies. The Division would be composed of a Strategic Planning Branch, a Humanitarian Response Branch, a Global Programme and Policy Support Branch and a Regional Desks Branch. The Committee is of the opinion that the relationship between the proposed Programme Division at HQ and the Technical Support Division, also remaining at HQ, ought to be clarified.

16. The document identifies the following six criteria on which a preliminary assessment of the proposed organizational structure scenarios has been conducted:

- UNFPA capacity to respond to the challenges of the new aid environment;
 - Capacity of UNFPA country offices to deliver efficiently and effectively programmatic and management results;
 - Achievement of the outputs of the country, regional and global programmes, through effective programmatic and technical assistance;
 - Advancing UN Reform through operationalization of UNFPA strategy;
 - Effective oversight and accountability, and efficient and transparent utilization of financial resources; and
 - Financial implications.
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17. The Committee notes that, according to the UNFPA, scenario 3, in comparison with the other two scenarios, would involve the most relevant shift of resources to the country level (see para. 92 of the document) and would address the critical issue of institutional capacity building for greater ownership and leadership of country programme interventions. Scenario 3 is also meant to address the recommendations of the 2004 Triennial Comprehensive Policy review (TCPR) such as co-location and alignment of regional coverage and a greater attention to the regional dimension of development. At the same time, this scenario includes a minimum core multidisciplinary technical capacity at the regional level to build and manage networks of regional institutions and expertise and to provide support to country office from the regional/sub-regional hub. According to the UNFPA, while this organizational arrangement might be suitable for areas where

adequate technical skills are available locally, its implementation would be more difficult in other regions where such a capacity is not readily available. The Committee notes that scenario 3 would involve a net reduction of 14 posts; it believes that clarification is necessary on the relationship between reduced capacity and increased costs.

18. The Committee is of the view that, under any scenario, UNFPA should explore further possibilities for aligning its field activities closely with reform initiatives in the development area. At the country level, such an approach would mean exploring ways of contributing to the One UN initiative, through rationalization of its country presence by, inter alia, common premises and co-location of members of UN country team; implementation of the joint office model; common shared support services, including security, information technology, telecommunications, travel banking and administrative and financial procedures. To the extent possible, at the regional level, the UNFPA should enhance co-operation with the UN Ex-Com agencies (see annex).

19. UNFPA has identified possible funding strategies to finance the one-time costs associated to scenarios 2 and 3 without directly affecting the programme resources during 2008 and 2009:

- Partial use of balances carried-forward from previous years to fund the programme portion;
- Use of funding for operational reserve for the first biennium to partially fund the BSB portion; and,
- Earmarked contributions to fund the remaining amount.

20. The Advisory Committee sought clarification of the envisaged use of the operational reserve, i.e. ensuring financial stability and liquidity, including in the event of a downturn in income. The Committee notes that financial regulation 12.2 of the UNFPA Financial Rules and Regulations provides that the elements to be compensated for and covered by the operational reserve are limited to

- (i) Downward fluctuations or shortfalls in resources;
- (ii) Uneven cash flows;
- (iii) Increases in actual costs as compared to planning estimates or fluctuations in delivery; and
- (iv) Other contingencies which result in a loss of resources for which UNFPA has made commitments for programming.

The Advisory Committee does not see merit in the envisaged use of the operational reserve for one-time costs. In this regard, it points out that such use is not specifically provided for under regulation 12.2 of the UNFPA Financial Rules and Regulations.

21. The Committee underlines that none of the envisaged scenarios has any bearing on the requirement to provide for the upgrade of the enterprise resource planning system ATLAS during the implementation of the next biennial support budget 2008-2009, in order to enable the application of IPSAS by 1 January 2010.

22. At this stage, the Committee considers that the most appropriate means to assess options is through their contribution to strengthening the capacity of the UNFPA at the country level. Such strengthening need not be concurrent with the transfer of Geographic

Divisions from HQ. For example, the UNFPA could explore possibilities to relocate post and non-post resources from its country support teams to the country offices.

23. In any case, the Committee emphasizes the requirement for clear measures of accountability, so as to enable the Executive Board to reach an informed decision.

24. The Advisory Committee trusts that its observations in paragraphs above, will be taken into account by the Executive Board of UNFPA when deciding on a course of action.

Annex

LIST OF UN OFFICES AND OTHER TECHNICAL INSTITUTIONS IN THE REGIONS, WITH THEIR LOCATIONS

AFRICA	ARAB STATES, EASTERN EUROPE AND CENTRAL ASIA	ASIA AND THE PACIFIC	LATIN AMERICA AND THE CARIBBEAN
<p>UNITED NATIONS EXCOM AGENCIES TO BE CO-LOCATED IN REGIONAL HUBS</p> <p>UN ExCom agencies to be co-located in Johannesburg, South Africa:</p> <ul style="list-style-type: none"> ○ UNDP ○ UNICEF ○ UNEPA ○ WFP <p>UN ExCom agencies to be co-located in Senegal:</p> <ul style="list-style-type: none"> ○ UNDP ○ UNICEF ○ UNEPA ○ WFP 	<p>UN ExCom agencies to be co-located in Cairo, Egypt:</p> <ul style="list-style-type: none"> ○ UNDP ○ UNICEF ○ UNEPA ○ WFP <p>UN ExCom agencies to be co-located in Almaty, Kazakhstan:</p> <ul style="list-style-type: none"> ○ UNDP ○ UNICEF ○ UNEPA ○ WFP 	<p>UN ExCom agencies to be co-located in Bangkok, Thailand:</p> <ul style="list-style-type: none"> ○ UNDP ○ UNICEF ○ UNEPA ○ WFP 	<p>UN ExCom agencies to be co-located in Panama City, Panama:</p> <ul style="list-style-type: none"> ○ UNDP ○ UNICEF ○ UNEPA ○ WFP
<p>EXAMPLES ON TECHNICAL INSTITUTIONS WITH WHICH UNEPA COOPERATED AND WILL COOPERATE</p>			
<p>African Population and Health Research Center (APHRC) (Nairobi, Kenya)</p> <p>Centre Africain d'Etudes Supérieures en Gestion (CESAG) (Dakar, Senegal)</p> <p>Centre d'Etudes de la Famille Africaine (CEFA) (Lomé)</p> <p>Ecole Nationale Supérieure de Statistique et d'Economie Appliquée (ENSEA) (Abidjan, Côte d'Ivoire)</p> <p>Economic Commission for Africa (ECA) (Addis Ababa, Ethiopia)</p> <p>Institut de Formation et de Recherches Démographiques (IFORD) (Yaoundé, Cameroon)</p> <p>Institut Régional de Santé Publique (IRSP) (Ouidah, Benin)</p> <p>Institut Supérieur des Sciences de la Population (ISSP) (Ouagadougou, Burkina Faso)</p> <p>Mauritius Institute of Public Health (Port Louis, Mauritius)</p> <p>New Partnership for Africa's Development (NEPAD) (Johannesburg, South Africa)</p> <p>Organisation du Liptako Gourma</p>	<p>Al-Azhar Center of Population Studies (Cairo, Egypt)</p> <p>Center for International Health Studies (Edinburgh, UK)</p> <p>Center of Arab Women for Training and Research (CAWTAR) (Tunis, Tunisia)</p> <p>Demos (London, UK)</p> <p>European Center for Disease Prevention and Control (ECDC) (Stockholm, Sweden)</p> <p>European Youth Center (Budapest, Hungary)</p> <p>European Youth Forum (Brussels, Belgium)</p> <p>Global Network of People Living with HIV/AIDS (GNP+) (Amsterdam, Netherlands)</p> <p>International Planned Parenthood Federation (IPPF) for Arab World Region (Tunis, Tunisia)</p> <p>Lebanese Association for Women Researches (BAHITHAT) (Beirut, Lebanon)</p> <p>International Organization for Migration (IOM) (Geneva, Switzerland)</p>	<p>Asian Development Bank, (Manila, Philippines)</p> <p>Asia Forum for Parliamentarians on Population and Development (Bangkok, Thailand)</p> <p>Asian Institute of Technology (Bangkok, Thailand)</p> <p>Asian Population and Development Association (Tokyo, Japan)</p> <p>Asian Urban Information Centre of Kobe (Kobe, Japan)</p> <p>Beijing University (Beijing, China)</p> <p>AusAid (Canberra, Australia)</p> <p>BKKBN (Jakarta, Indonesia)</p> <p>Chulalongkorn University (Bangkok, Thailand)</p> <p>International Council on Management of Population Programmes (Kuala Lumpur, Malaysia)</p> <p>International Planned Parenthood Federation ESEAO Region Office (Kuala Lumpur, Malaysia)</p>	<p>Center for Development Studies (CENDES) (Caracas, Venezuela)</p> <p>Central American Center for Population (CPP) (San Jose, Costa Rica)</p> <p>El Colegio de Mexico (Mexico City, Mexico)</p> <p>Facultad Latinoamericana de Ciencias Sociales (FLASCO) (Curridabat, Costa Rica)</p> <p>Institute for Operational Economic Research (IPEA) (Rio de Janeiro, Brazil)</p> <p>Inter-American Institute of Human Rights (IIDH) (Costa Rica)</p> <p>Latin American Association of Population Studies (ALAP) (Administrative Secretariat: Rio de Janeiro, Brazil)</p> <p>Latin American Center for Demographic Studies (CELADE) (Santiago, Chile)</p> <p>National Autonomous University of Mexico (Delegación Coyoacán Distrito Federal, Mexico)</p> <p>Pro-Familia</p> <p>Universidad Nacional de Nicaragua (UNAN) (Two campuses: Leon and Managua, Nicaragua)</p>

AFRICA

Regional Institute for Population Studies (RIPS)
(Accra, Ghana)

Société Africaine de Gynécologie et
d'Obstétrique(SAGO) (Cotonou, Benin)

Society for Women and AIDS in Africa (SWAA
International) (Dakar, Senegal)
Bureau Régional pour l'Education en Afrique
(UNESCO BRENDA) (Dakar, Senegal)

UN Economic Commission for Africa (ECA)
(Addis Ababa, Ethiopia)

WHO Regional Office for Africa (Brazzaville,
Congo)

World Bank Africa Department (Washington,
DC, USA)

ARAB STATES, EASTERN EUROPE
AND CENTRAL ASIA

UN Economic Commission for Europe
(ECE) (Geneva, Switzerland)

UN Economic Commission for Europe
(ECE) (Geneva, Switzerland)

UN Economic and Social Commission for
Western Asia (ESCWA) (Beirut, Lebanon)

UN Development Fund for Women
(UNIFEM), RO for Arab States (Amman,
Jordan)

ASIA AND THE PACIFIC

International Planned Parenthood
Federation SARO Office (Delhi,
India)

International Institute for
Population Sciences (Mumbai,
India)

ILO (Bangkok, Thailand)

JOICFP (Tokyo, Japan)

Mahidol University (Bangkok,
Thailand)

Nanjing College for Population
Programme Management
(Nanjing, China)
Nihon University (Tokyo,
Japan)

Secretariat for the Pacific
Community (Suva, Fiji and
Noumea, New Caledonia)

Tokyo University (Tokyo,
Japan)

UN Economic and Social
Commission for Asia and the
Pacific (ESCAP) (Bangkok,
Thailand)

University of New South Wales
(Sydney, Australia)

WHO Regional Office for South
East Asia (Manila, Philippines)

LATIN AMERICA AND THE
CARIBBEAN

University of West Indies
(Three Campuses : Cave Hill,
Barbados ; Mona, Jamaica ; St.
Augustine, Trinidad)

UN Economic Commission for Latin
America and the Caribbean Regional
Office (ECLAC) (Santiago, Chile)

United Nations International Institute
for Research and Training for the
Advancement of Women (INSTRAW)
(Santo Domingo, Dominican
Republic)

WHO Regional Office: Pan American
Health Organization (PAHO)
(Washington D.C., USA)