

UNFPA

Policies and Procedures Manual

Policy and procedures for the implementation of UNFPA Institutional Budget

Policy Title	Policy and procedures for the implementation of UNFPA's Institutional Budget
Previous title	This policy replaces <i>Guidelines for the implementation of the Institutional Budget</i> (previously issued on an annual basis).
Policy objective	Establish the framework that governs the use of the Institutional Budget, outline the basic management processes, and provide guidance on standard procedures to ensure sound budget management
Target audience	Budget Holders, all UNFPA personnel responsible for the management of Institutional Budget resources
Risk control matrix	Control activities that are part of the process are detailed in the Risk Control Matrix
Checklist	The relevant checklist is embedded in the Integrated Accountability Checklist¹ .
Effective date	August 2018
Mandatory revision date	August 2021
Policy owner unit	Resource Planning and Budgeting Branch (RPBB) of the Division for Management Services (DMS)
Approval	Link to signed approval template

¹ For authorized users only.

UNFPA

Policies and Procedures Manual

Policy and procedures for the implementation of UNFPA Institutional Budget

Table of contents

I.	Purpose	1
II.	Policy	1
III.	Procedures	3
A.	Initial setup and review	4
B.	Monitoring by Budget Holders	6
C.	RPBB monitoring	8
D.	Fourth Quarter Review	9
IV.	Risk control matrix	10

POLICY AND PROCEDURES FOR THE IMPLEMENTATION OF UNFPA INSTITUTIONAL BUDGET

I. Purpose

1. This policy establishes the framework that governs the use of the Institutional Budget², outlines the basic management processes, and provides guidance on standard procedures to ensure sound budget management.
2. This policy is addressed to Budget Holders³, Operations Managers, Finance and Administration Associates and Assistants, as well as any UNFPA personnel responsible for managing Institutional Budget resources; it must be implemented in conjunction with the [Resource Management Policy](#), which provides the overarching framework of resource management at UNFPA.
3. This policy is accompanied by the [Guidance Note for the Implementation of the Institutional Budget](#), which provides operational details, tools, and support to manage and implement the Institutional Budget.

II. Policy

4. This policy outlines UNFPA's processes for basic budget management, identifies control actions to mitigate potential risks associated with the business process and establishes the following:
 - a. Budget Holders must adhere to issued allotments and are responsible and accountable for ensuring the prudent and efficient use of the Institutional Budget. They must proactively look for opportunities to maximize the effective and efficient use of Institutional Budget resources and achieve savings, as much as possible, irrespective of the budget allotment provided.
 - b. Budget Holders must keep abreast of, and apply, all relevant regulations, rules, policies, procedures and guidelines, and they must ensure all personnel under their supervision are informed of applicable policies and procedures regarding appropriate use of resources.
 - c. Budget Holders must ensure accurate and timely recording and update of expenditure to reflect the up-to-date implementation of the budget, including the creation of budget pre-encumbrance and encumbrance.
 - d. Budget Holders must periodically assess, at least quarterly, the need for redistribution of budget allotments to ensure sufficient coverage of all charges.
 - e. Budget Holders are not authorized to override budget commitment control mechanisms.

² As per the [Resource Management Policy](#), Institutional Budget includes costs classified as Management, Development Effectiveness, United Nations Development Coordination and Special Purpose.

³ For definition, please refer to Resource Management Policy available in the Finance and Budget section of the [Policies and Procedures Manual](#).

UNFPA

Policies and Procedures Manual

Policy and procedures for the implementation of UNFPA Institutional Budget

- f. Operations managers, finance and administrative staff support Budget Holders in the execution of the budget management responsibilities by reviewing budget and expenditure information, monitoring budget implementation, executing control procedures, and performing other budget management tasks that may be required by Budget Holders.
- g. No budget carryover of the Institutional Budget from one year to the next is permitted. Budget allotments are issued for one year only.
- h. Posts are budgeted based on standard costs, which include the estimated vacancy rate; consequently, unspent funds from vacant positions are not considered savings and cannot be utilized retroactively (within or between years), nor can they be used to supplement operational costs.
- i. Centrally managed services are apportioned to all the cost categories and funding sources and are referred to as Post Occupancy Costs (POC). This apportionment is in line with UNFPA's [Cost Recovery Policy](#).
- j. All budget commitments, for which goods or services are not received in the current budget year, become a first claim against next year budget allotment⁴. Offices must plan accordingly and will not receive additional budget provision for commitments carried over from the previous year.
- k. Direct support to programme implementation is not charged against the Institutional Budget; such costs must be budgeted for and charged as direct costs to programmes, irrespective of the funding source⁵.
- l. The apportionment of operational costs between Institutional Budget and Programme is based on the number of posts, including service contracts⁶ located in the UNFPA office space.
- m. The system-enabled budgetary control for the Institutional Budget is established at two different levels: a) by overall budget allotment per fund and department, and b) by block of accounts⁷. This prevents budget overspending and ensures total expenditure is

⁴ More information on financial receipt of goods and services is available in the Accounts Closure Instructions issued every year by DMS Finance Branch and available at the Financial Branch community site.

⁵ More information on direct and indirect costs is available in the [UNFPA Cost Recovery Policy](#) and the accompanying guidance notes.

⁶ More information regarding service contracts and individual consultants is available in the [Human Resources section of the PPM](#). The calculation of the amount to be apportioned for centrally managed costs is included in the *Individual Consultant Cost Estimate* referred to in the [Policy and Procedures for Contracting Individual Consultants](#).

⁷ Details regarding blocks of accounts are provided in Annex I – Institutional Budget Blocks and Activities of the [Guidance Note for the Implementation of the Institutional Budget](#).

UNFPA

Policies and Procedures Manual

Policy and procedures for the implementation of UNFPA Institutional Budget

- within the total allotment for an office/branch as well as by block (group of accounts of a similar nature)⁸.
- n. Requests for redeployment of funds from one allotment block to another, as well as requests for additional funds, must be submitted for approval to the DMS RPBB. Requests are submitted through the Integrated Service Desk.
 - o. The Resource Planning and Budgeting Branch (RPBB) is responsible for preparing and keeping accuracy and integrity of budget information, ensuring budget allotments are within the appropriation, establishing budgetary controls, providing authoritative advice on budget matters, and developing guidance and tools to facilitate the management of the Institutional Budget.
 - p. RPBB manages the automatic update of the project budgets in UNFPA's ERP, removing workload, from offices, associated with the management of Institutional Budget project budgets in the ERP.
 - q. RPBB monitors the post allotments globally and can adjust them across units as needed to ensure sufficient budget is available.

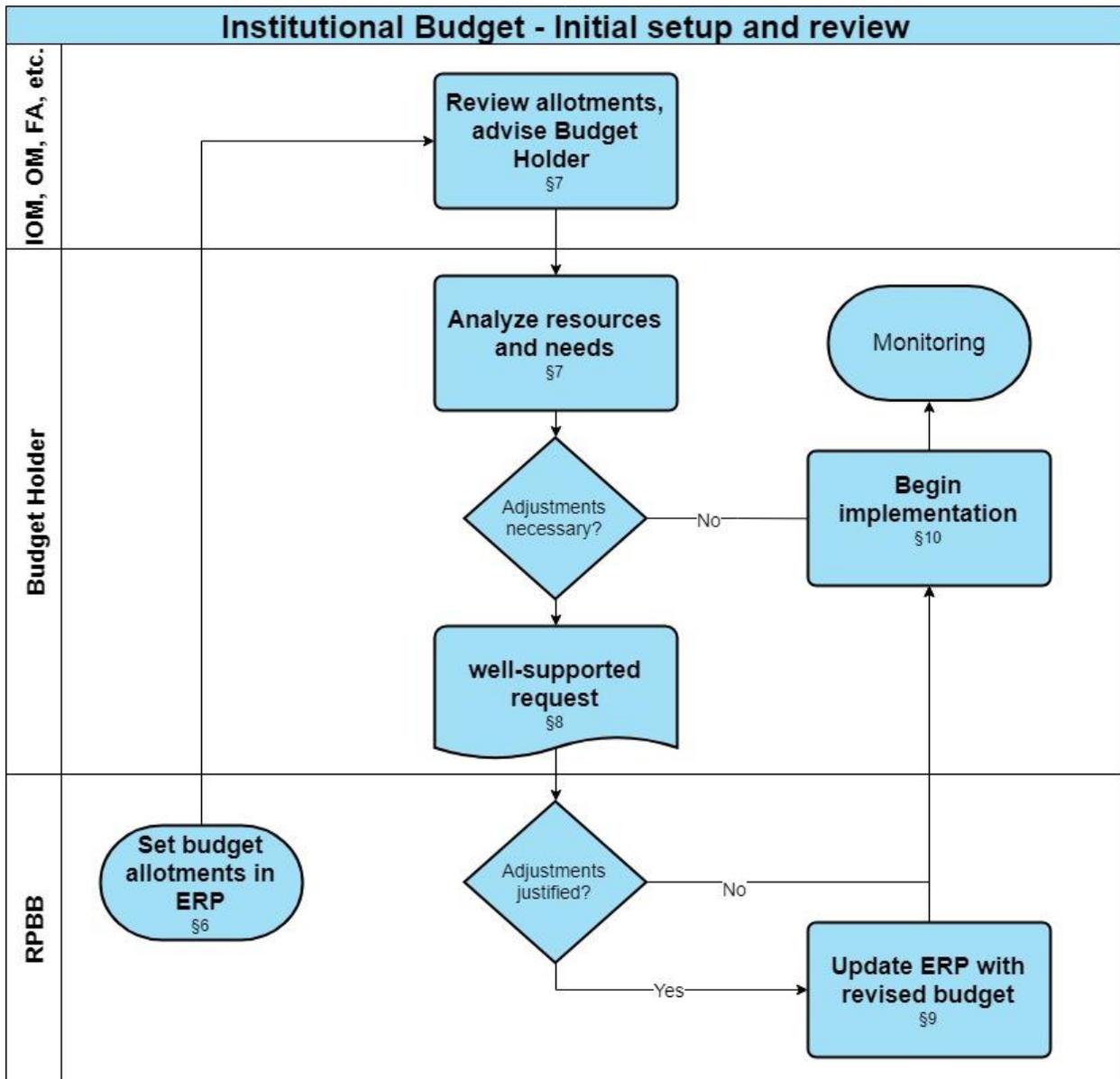
III. Procedures

- 5. This section provides details regarding budget management actions and mechanisms applied from the issuance of budget allotments in UNFPA's ERP system at the beginning of the budget implementation cycle to the end of the year.

⁸ UNFPA ERP system (Atlas) is configured to allow payroll override of budgetary controls. This creates a risk of possible budget overspend, which is mitigated by established budgetary controls referred to in the risk matrix of this policy.

UNFPA

A. Initial setup and review



6. During the preparation at the beginning of the budget year, after the Director of DMS has issued the budget allotments for each office, RPBB sets these budget allotments in UNFPA ERP.
7. Budget Holders, with the support of finance staff, review and analyze the assigned budget allotments to assess if any adjustments are necessary, looking for opportunities to maximize the effective and efficient use of the Institutional Budget and achieve savings irrespective of the budget allotment provided.

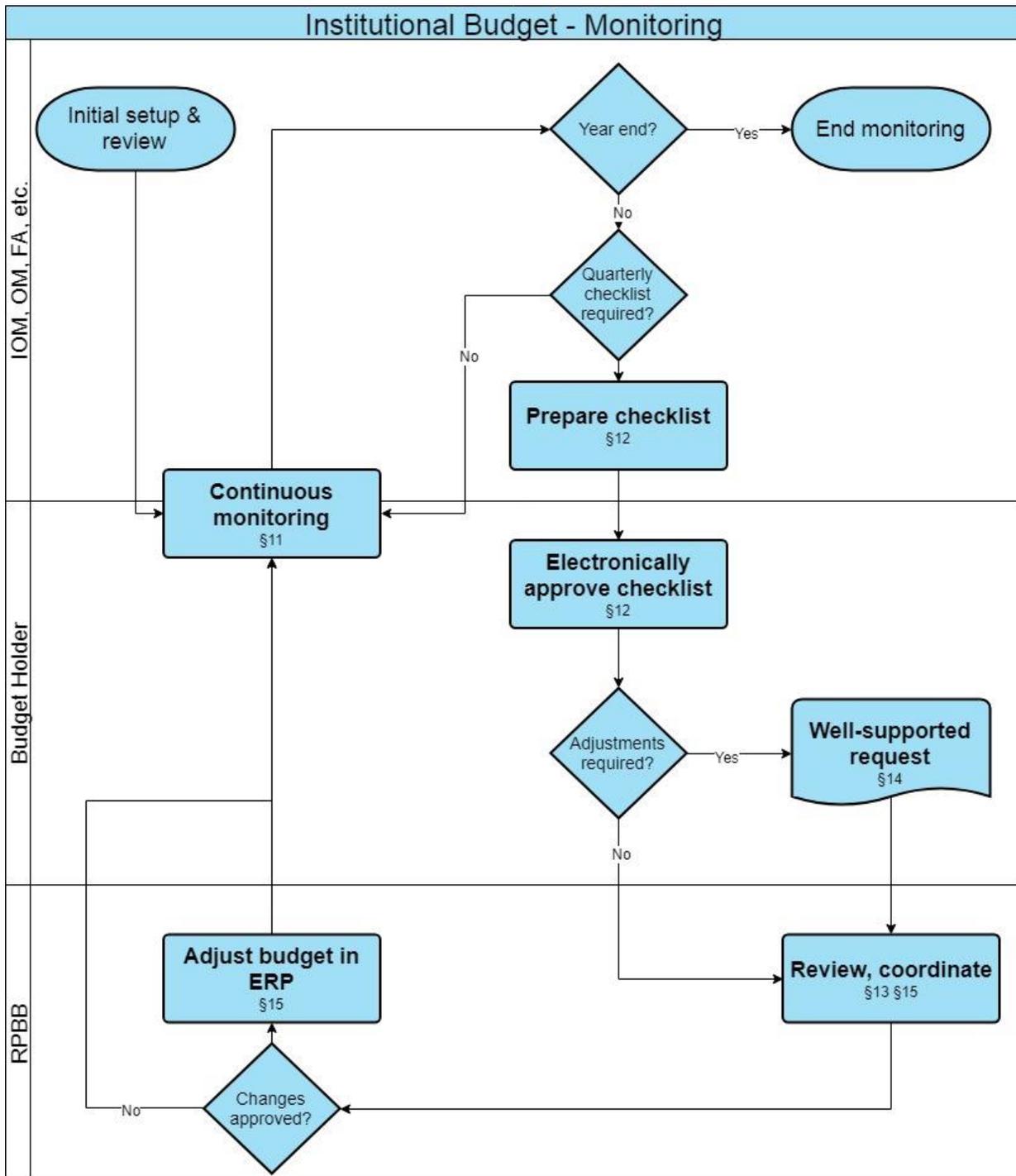
UNFPA

Policies and Procedures Manual

Policy and procedures for the implementation of UNFPA Institutional Budget

8. In case of changes that justify adjustments to the Institutional Budget allotments, Budget Holders prepare a well-supported request for budget revision and submits it to RPBB through the Integrated Service Desk.
9. RPBB reviews, coordinates and assesses if the request is justified. If changes in the situation and funding warrant modifications to budget allotments, RPBB reflects the revised budget in UNFPA ERP (e).
10. Budget holders initiate implementation after review and analysis of the resources in case no adjustments are necessary, or after RPBB's revision of the budget.

B. Monitoring by Budget Holders



11. Budget Holders continuously monitor the budget implementation and ensure the periodic review of reports, data completeness and accuracy, and take corrective actions when necessary. As part of the management responsibilities, Budget Holders monitor the Institutional Budget posts to ensure consistency with the number of Executive Board Approved Posts (EBAP) in

UNFPA

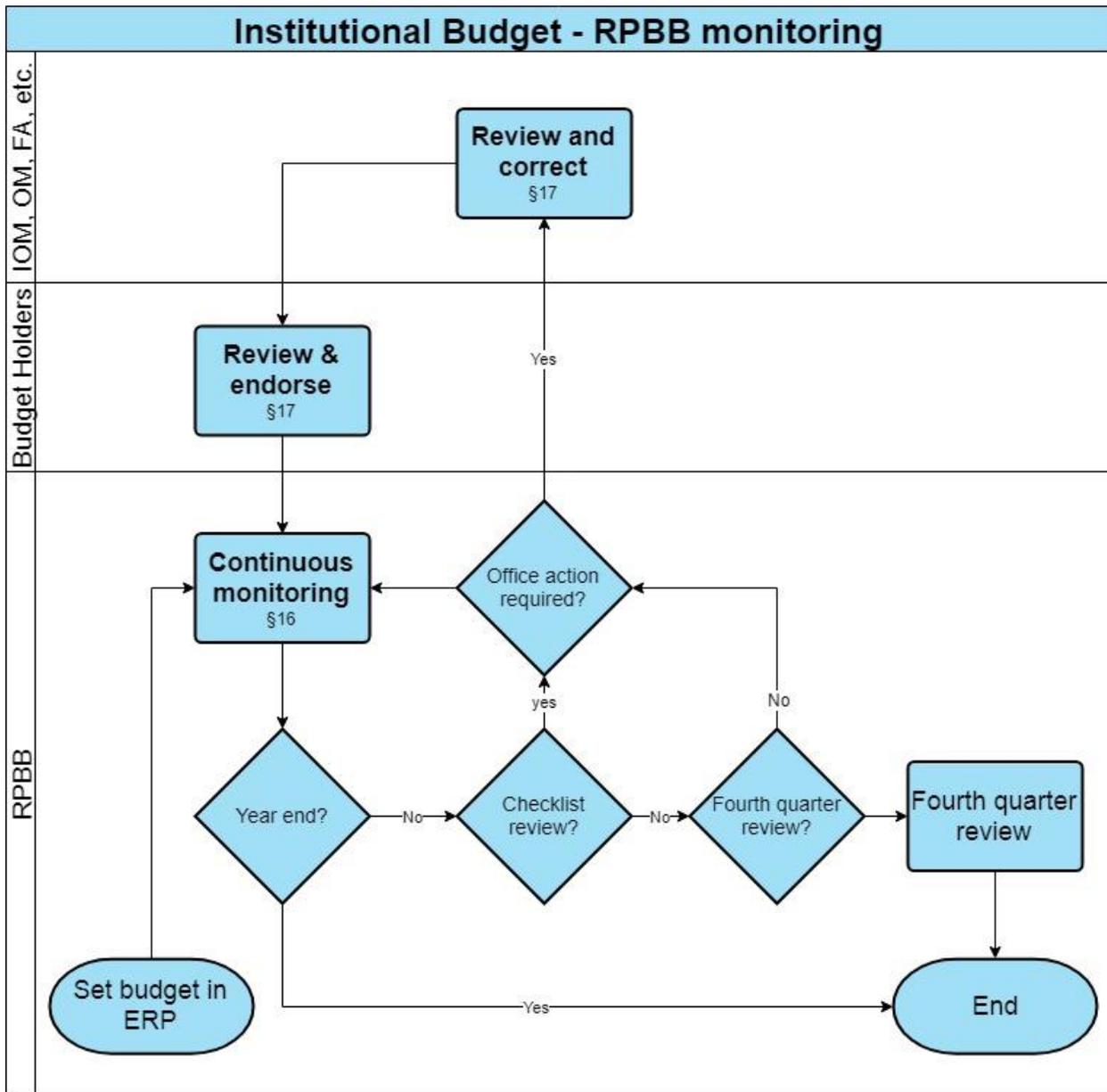
Policies and Procedures Manual

Policy and procedures for the implementation of UNFPA Institutional Budget

UNFPA's ERP (i.e. the total authorized number of Executive Board approved posts must not be exceeded at any point in time).

12. Where required, Budget Holders prepare, review, and sign the [Integrated Accountability Checklist Application](#) (Checklist), which is one of the tools for monitoring budget implementation. At the beginning of the year, RPBB establishes the list of offices required to complete the Checklist. Thresholds for determining the checklist completion requirements and the periodicity of the review are provided in the [Guidance Note for the Implementation of the Institutional Budget](#).
13. Upon receipt of the signed Checklist, RPBB reviews the document and sends requests for clarification or guidance to offices as necessary.
14. When budget adjustments are required during the year; for example, increase in operational allotments or budget redeployments, Budget Holders prepare and submit a well-supported request for changes. Additional requests for operational requirements may be considered on an exceptional basis. The request should include a comprehensive review of the budget, identifying savings to be redeployed.
15. RPBB reviews the proposal, seeks additional information if necessary, and assesses the request. If changes in budget allotments are warranted by the change in conditions, and subject to resource availability, RPBB adjusts budget allotments in UNFPA ERP. In cases of budget requests that cannot be accommodated within the available allotments, RPBB submits the request, with its recommendation, to the Senior Management (Executive Director and the Deputy Executive Directors) for consideration.

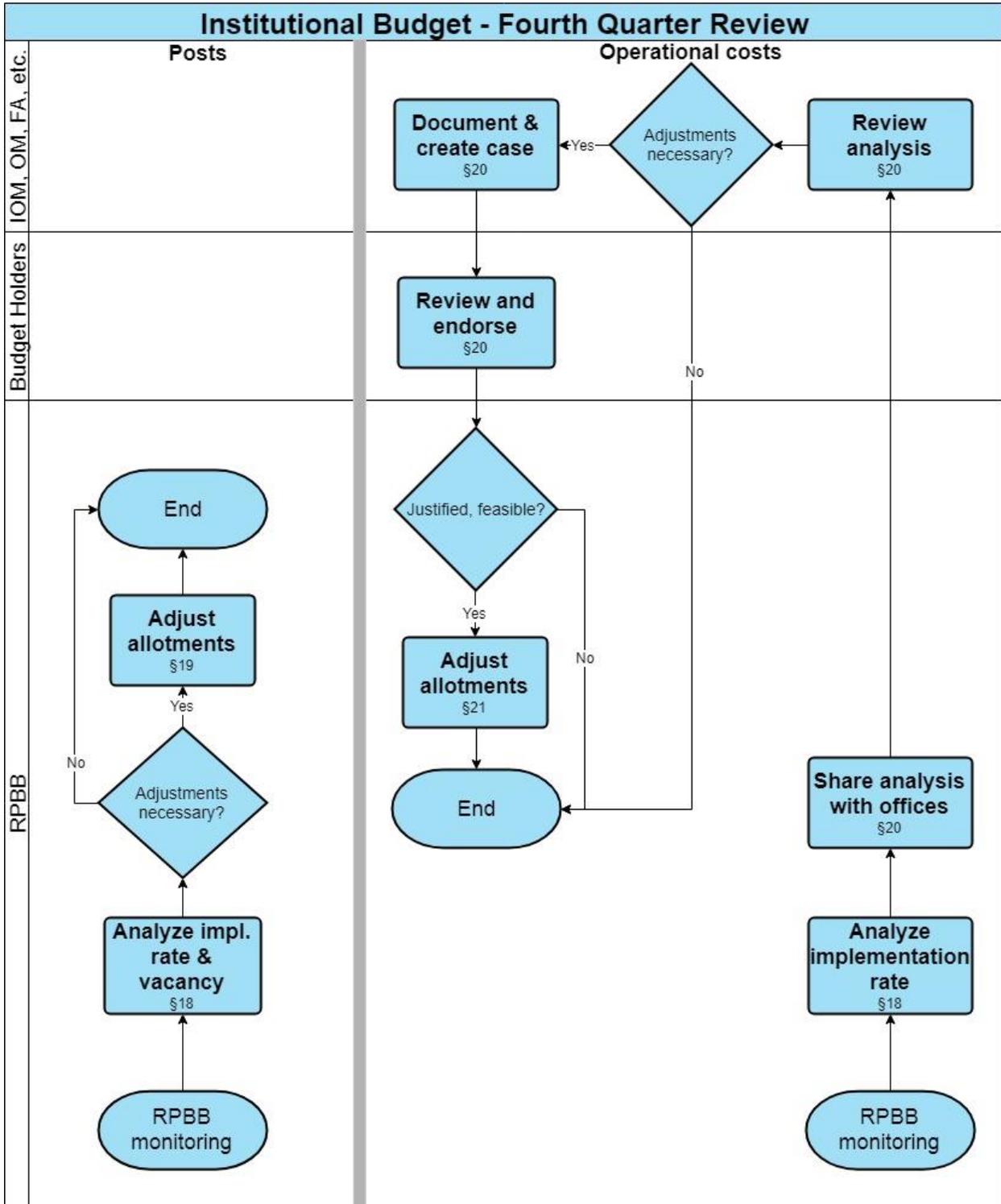
C. RPBB monitoring



16. RPBB continuously monitors the budget during the year to ensure expenditure is within allotments, regulations are complied with, and Integrated Accountability Checklists are completed in a timely manner. The review includes monitoring the total budget implementation rate, performing budget projections (to estimate spending during the year), verifying the Integrated Checklists from required offices, and analyzing post allotment implementation. RPBB makes budget adjustments and/or proposes budget increases/decreases if necessary

17. When inconsistencies or inadequate funding is detected, offices are contacted to review and take corrective actions as necessary.

D. Fourth Quarter Review



UNFPA

Policies and Procedures Manual

Policy and procedures for the implementation of UNFPA Institutional Budget

18. At the beginning of the last quarter of the budget year, or when needed, RPBB reviews and analyzes the overall and individual implementation of the Institutional Budget for posts and operational costs.
19. If and as necessary, RPBB adjusts posts allotments in an effort to maximize the use of the budget and ensure no budget shortfall for salaries and staff entitlements.
20. RPBB analyzes the implementation of the Institutional Budget for operational costs. The analysis is shared with all Offices, who are required to prepare a case through the [Integrated Service Desk⁹](#) to modify the budget allotments.
21. After analysis, coordination, and evaluation of the requests, RPBB may adjust the budget allotments.

IV. Risk control matrix

The risk control matrix for this policy is located at

<https://drive.google.com/open?id=1golygpUOFdZ2PApCgsxFE6lINCbaN4wA>

⁹ Categories in ISD: Finance and Budget/Institutional Budget Services/IB Allotments – Redeployment Changes