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UNITED NATIONS POPULATION FUND

UNFPA integrated budget, 2022-2025

(DP/FPA/2021/9)

Annex 3

**UNFPA responses to ACABQ recommendations
made in its report on the
midterm review of the UNFPA integrated budget, 2018-2021**

(DP/FPA/2020/8)

Summary

The present document provides management responses and additional information addressing the recommendations of the Advisory Committee on Administrative and Budgetary Questions in its report on the UNFPA midterm review of the UNFPA integrated budget, 2018-2021 (DP/FPA/2020/8).

1. The Committee reiterates that UNFPA budget reports could be analysed more thoroughly if the information therein was presented in a more transparent manner with the proposed resources justified by comparing them with actual expenditures, shown by programmes and by items of expenditure. The Committee is of the view that such information should be included in future budget reports.

UNFPA follows the budget format approved by its Executive Board and harmonized with UNDP, UNICEF and UN-Women. The budget format focuses on the results, with the links of resources to the organization's Strategic Plan. UNFPA programmes are separate comprehensive documents prepared in collaboration with the national Governments and approved by the Executive Board (all programme documents are publicly available on the [UNFPA website](#)). They are aligned with the United Nations Sustainable Development Cooperation Frameworks approved at the country level. UNFPA has provided the information on the institutional budget by UNDG-agreed groupings of items of expenditure, as well as the comparison of actual/estimated expenditure against the current approved integrated resource framework, in annex 1 to the UNFPA integrated budget, 2022-2025.

2. The Advisory Committee trusts that more detailed information regarding the income projections proposed in the revised budget should be provided to the Executive Board at the time of its consideration of the present report.

UNFPA income forecast is based on historical trends, donor intelligence gathered through engagement and income scenario analysis estimates, leading to a total of \$5,045.6 million in contributions for 2022-2025; this is an increase when compared to the targets set for 2018-2021 (\$4,051.8 million) but it represents a decrease of \$14 million (or 0.3 per cent) when compared to the actuals for 2018-2021 (\$5,060 million; note: this figure includes 2018-2020 actual income and 2021 projections as of 1 May 2021). The projected contributions comprise \$1,516.4 million in regular resources and \$3,529.2 million in other resources.

Amid the [current global economic downturn](#)^[HR1], the income targets remain conservative, when compared to the actual income received/expected during 2018-2021. This reflects the realistic approach UNFPA takes in response to a challenging global economic and funding environment that has been so severely affected by the COVID-19 pandemic.

The income targets presented underwent a thorough review of projections and have taken into account the significant reductions recently announced by a key donor. The projected figures are backed up by expected positive trends, such as the recent growth in partnerships with international financial institutions, the return of a key donor, growing contributions from the private sector, including individual giving, and the expected growth in key relationships.

3. The Advisory Committee trusts that more detailed information regarding the possible impact of the COVID-19 pandemic, including the possible impact on revenue and the operations of UNFPA, should be provided to the Executive Board at the time of its consideration of the present report. The Advisory Committee trusts that UNFPA will provide information in future budget reports regarding the revenue and utilization of resources during this particular period of the Fund’s activities.

UNFPA agrees and has been regularly providing updates to its Executive Board on the impact of the COVID-19 pandemic on its revenue and programmes. For example, in September 2020, UNFPA shared a comprehensive [update on the UNFPA response to COVID-19 and strategic, programmatic and operational level impacts](#). More recently, in February 2021, UNFPA provided its latest [update on the UNFPA response to the COVID-19 pandemic](#).

Regarding the revenue and utilization of resources, UNFPA also provides comprehensive reporting to the Executive Board, including through the [Structured Funding Dialogue](#) [DP/FPA/2020/9] as well as the [Report of the Executive Director](#) [DP/FPA/2021/4 (Part I)] and its annexes, as well as the accompanying [Statistical and financial review, 2020](#) [DP/FPA/2021/4 (Part I/Add.1)] and its annex.

4. The Advisory Committee trusts that information relating to UNFPA contribution within the UN system-wide response to the impact of COVID-19 will be provided in the next budget submission.

UNFPA agrees and has provided regular updates on its response, including its contributions within the United Nations system response, as part of its overall reporting to the Executive Board (see links provided in item 3 above).

The United Nations system and UNFPA response have demonstrated the benefits of United Nations development system reform and a coherent United Nations action. At the global level, UNFPA collaborates with the Executive Office of the UN Secretary-General on an ongoing basis to develop and contribute to policy briefs and reports on COVID-19 and gender, human rights, people on the move, children, older persons, and mental health. UNFPA has also co-authored, in collaboration with WHO, the health pillar of the United Nations framework for the immediate socio-economic response to COVID-19, and has provided contributions to the social protection and basic services, economic recovery and multilateral collaboration pillars. The positive impacts of United Nations system collaboration are seen even more clearly at the country level. UNFPA is working more closely than ever with other entities as part of the United Nations country teams under the leadership of empowered resident coordinators to deliver effective and joined-up responses on the health, humanitarian and socio-economic fronts.

5. The Committee is of the view that further information regarding the scale of such changes and the implementation of the functions of the UNFPA National Heads of Office and coordination with the UN Resident Coordinators should be clarified to the Executive Board and updated in the next UNFPA budget report. The Advisory Committee also trusts that information relating to the delegation of authority and the accountability mechanisms in place will be provided.

As a prerequisite for successful and mutually beneficial partnerships, UNFPA is investing in staff skills and capacities. In the approximately 30 countries where UNFPA does not have an international representative, the senior ‘national professional officer’ positions will be strengthened and empowered to take the role of ‘heads of offices’, supported by country directors, usually situated in a neighbouring country. The move will strengthen UNFPA programmatic and management capacities, visibility and accountability for results. Most importantly, it will promote stronger substantive partnerships within the new resident coordinator system and the United Nations country teams, and also with national Governments and all stakeholders.

UNFPA will integrate the Sustainable Development Goals certification training, or “SDGs Primer” in its internal training curricula, such as in the managers’ certification programme, for more collaborative and joined-up inter-agency approaches at all levels. UNFPA management also supports and encourages staff who have aspirations of becoming resident coordinators through tailored training, development and coaching plans.

6. The Advisory Committee welcomes the overall progress to date and encourages UNFPA to achieve gender parity at all levels. The Committee expects that further information will be reflected in future budget reports.

UNFPA is proud to note that it has achieved overall gender parity in the organization, and is regularly measuring gender-parity levels to help inform organizational initiatives and decisions. Overall, UNFPA saw a gender parity split between women and men in 2019 and 2020 (50 per cent women in 2019 and 51 per cent women in 2020). Among ‘international professional’ positions, currently 53.22 per cent of staff are female, an increase of about 1.5 per cent from 2019. Grades for further focus on achieving parity are D2 and P4 posts (although progress has been made over the past year). In 2020, 38.46 per cent of D2-level staff were female, compared to 37.5 per cent in 2019; and 46.41 per cent of P4-level staff were female, compared to 42.73 per cent in 2019. At the National Officer level, 54.78 per cent were female in 2020, compared to 53.41 per cent in 2019; and at the General Service level, 45 per cent were female in 2020, compared to 47 per cent in 2019.

UNFPA is highly committed to ensuring full gender parity throughout the organization; as a means to further accelerate gender parity and equality throughout the organization, management is planning to undertake an Economic Dividends for Gender Equality (EDGE) assessment and certification process in 2021. This will support the organization to further

understand key issues and develop measurable action plans to further promote gender parity and equality. UNFPA also continues to be engaged in the United Nations System-wide Action Plan on Gender Equality and the Empowerment of Women, where the organization met or exceeded requirements for 87 per cent of indicators in 2019, outperforming both the average performance of the funds and programmes and the overall United Nations system.

7. The Advisory Committee trusts that detailed information on the ASHI contribution will be provided in the next budget submission.

UNFPA has adopted a multifaceted strategy for funding its after-service health insurance (ASHI) liability, which includes three main components:

- (a) *ASHI contributions* – funding allocated through monthly charges on eligible staff payroll, at the rates reflected in the budget approved by the Executive Board;
- (b) *Investment returns* – returns generated by the accumulated ASHI funding held in dedicated investment portfolios;
- (c) *Discretionary funding* – additional regular resources periodically allocated by management for funding the ASHI liability (since 2018 discretionary funding is being phased out, as UNFPA has been increasing the overall rate of ASHI contributions instead).

Summary information about ASHI funding as well as the total ASHI liability and its annual costs over the last three years of the strategic plan, 2018-2021 is provided in the table below.

(in thousands of dollars)

Year	Annual ASHI costs (a)	Annual ASHI funding				Accumulated ASHI funding at 31 Dec	ASHI liability at 31 Dec	Funding as % of ASHI liability
		ASHI contributions (b)	Benefits paid (c)	Investment returns (d)	Discretionary funding (e)			
2018	28,583	6,095	-3,170	-10,058	15,000	222,069	332,798	67%
2019	28,813	6,393	-3,285	39,377	–	264,554	307,443	86%
2020	24,870	13,690	-3,889	34,113	–	308,468	352,844	87%

(a) Increase in the ASHI liability due to employee service rendered in the year (service cost) and time elapsed (interest cost) – as determined by the actuaries who calculate the ASHI liability balance.

(b) In 2020, UNFPA increased, with approval of the Executive Board, its ASHI contribution rate from 4.0 per cent to 8.0 per cent of payroll costs, which resulted in an increase in funding of \$7.3 million, to \$13.7 million (2019: \$6.4 million).

(c) UNFPA share of retiree health insurance premiums paid during the year.

(d) Funds set aside in the separate ASHI investment portfolio generated returns of 12.14 per cent and 14.67 per cent, for the portfolio components managed by each of the two investment managers (2019: 18.65 per cent and 19.33 per cent).

(e) Discretionary funding had to be allocated in previous years due to the low ASHI contributions at the time. Management did not need to allocate any discretionary funding for ASHI in 2020, and at this time does not foresee the need to do it in the future.

It should be noted that the high level of ASHI liability funding achieved by UNFPA is primarily the outcome of the premium investment portfolio returns achieved in 2019 and 2020. It is, however, expected that, over time, the accumulated return on investment will align to the investment portfolios benchmark rate of return of 7 per cent per year.

8. The Advisory Committee acknowledges the progress made to date to review those activities that provide for savings and efficiencies and encourages continued efforts in this regard.

UNFPA has built and improved upon extant efforts to contain costs, deliver efficiencies, and reduce administrative overhead wherever possible, both during the current integrated budget cycle and in the formulation of the integrated budget proposal for 2022-2025.

As highlighted in the institutional budget section of the UNFPA integrated budget, 2022-2025 (DP/FPA/2021/9), especially table 5, the institutional budget proposal contains several budget reductions. Of particular note in this respect are reductions of \$9.1 million from general operating efficiencies (from overall lower operating cost, including for materials and hospitality) as well as \$5.7 million in reductions in travel costs that UNFPA proposes to realize against the backdrop of experiences with remote collaboration during the COVID-19 pandemic.

Within the United Nations development system, UNFPA has been a keen and active participant in the first system-wide effort to report on operational efficiency gains for 2019 and 2020, led by the Development Coordination Office. As a result of a global organization-wide effort, UNFPA was able to report on efficiencies using a harmonized methodology, distinguishing efficiencies arising from staff time saved, cost avoidance, as well as quality improvements. The report also distinguishes between efficiencies arising from UNFPA-internal efforts, bilateral efforts involving UNFPA and other entities, and United Nations system-wide efforts to improve operational efficiencies, such as the common back office and business operations strategy interventions.

The result of this exercise will be published as part of the Development Coordination Office report and will be presented to ECOSOC upon its approval. However, these efficiency reporting figures cannot be expected to translate directly into budget figures since initiatives resulting in cost avoidance or staff time savings do not necessarily result in reduced commitments or outlays.

9. The Advisory Committee is of the view that given the intrinsically field-based and programmatic nature of UNFPA activities, the latest trend towards an increasing headquarters presence, which could potentially impact the field, should be closely monitored. A prior assessment should be made to ensure that any changes enhance the field presence and activities.

UNFPA continues to be a field-centric organization, with approximately 88 per cent of all posts stationed in duty stations outside of headquarters. During the budget formulation, every effort was made to focus investments in field activities, wherever possible, and to ensure that the organization's presence in regional and country offices is enhanced quantitatively as well as qualitatively.

For example, with the integrated budget, 2022-2025, UNFPA proposes to locate 22 positions with human resources functions in the field, a marked increase compared to 15 field-based human resources positions after the midterm review of the integrated budget, 2018-2021, and 6 such positions in the original integrated budget, 2018-2021.

However, some other institutional budget functions – including independent oversight and assurance, legal, innovation and change management, as well as corporate communications and resource mobilization functions – are inherently located at headquarters. While strengthening these functions is envisaged in the proposed integrated budget, decentralizing them would risk creating inefficiencies due to diseconomies of scale. This background is important for assessing the distribution of posts between headquarters and the field in the proposed integrated budget.

10. The Advisory Committee recalls that the General Assembly, in paragraph 9 of resolution 72/279, requested the Secretary-General to strengthen the authority and leadership of resident coordinators, as the highest-ranking representatives of the United Nations development system, over United Nations country teams, and system-wide accountability on the ground for implementing the United Nations Development Assistance Framework and supporting countries in their implementation of the 2030 Agenda. The Committee trusts that the levels of country representatives of UNFPA will be closely monitored. Furthermore, the Committee considers that the level of any particular post should not be used as justification to exclude the incumbent from participating in meetings that are relevant to the functions of that post. The Committee

trusts that the classification of any particular post should be based on the classification standards promulgated by the International Civil Service Commission.

UNFPA Representatives are either at the P5 or D1 level, depending on the country's complexity and programme size. In countries where there is no resident representative, UNFPA has the role of 'Head of Office' at the National Office Director level. All UNFPA positions undergo a classification by an external classifier to determine the level of the role, taking into account the nature of roles and their complexity. All classifications follow the master standard set by the International Civil Service Commission for job evaluations to ensure standardization in approach across the United Nations system.

11. The Advisory Committee trusts that detailed information on the cost recovery policy, as well as the related amounts, will be presented in future budget submissions.

UNFPA, UNDP, UNICEF and UN-Women presented a joint comprehensive cost recovery policy to their Executive Boards (DP/FPA-ICEF-UNW/2020/1) detailing a harmonized approach to cost recovery and a cost classification framework. The joint policy updates and further harmonizes the cost recovery and classifications compared to previous policies. In addition, the Executive Board approved 'independent oversight and assurance' as a new cost classification category, comprising activities and associated costs supporting the independent audit and investigation and corporate evaluation functions of each organization. In the decision 2020/12, the Executive Board approved the revised cost recovery policy, including methodology and rates, to be applied with an effective date of 1 January 2022. The UNFPA integrated budget, 2022-2025 is prepared based on the updated cost classification and cost recovery policy. Annex 2 of the UNFPA integrated budget, 2022-2025 provides detailed information and a calculation of the notional indirect cost-recovery rate using the updated cost-recovery methodology.
