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**UNFPA – Financial, budgetary and administrative matters**

**UNITED NATIONS POPULATION FUND**

**Report of the Advisory Committee on Administrative and Budgetary Questions  
on the midterm review of the UNFPA integrated budget, 2018-2021**

*Summary*

The Advisory Committee on Administrative and Budgetary Questions has considered the midterm review of the United Nations Population Fund (UNFPA) integrated budget, 2018-2021 (DP/FPA/2020/5). During its consideration of the report, the Advisory Committee was provided with additional information and clarification, concluding with written responses received on 20 April 2020.

## I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered the midterm review of the United Nations Population Fund (UNFPA) integrated budget, 2018-2021 (DP/FPA/2020/5). During its consideration of the report, the Advisory Committee was provided with additional information and clarification, concluding with written responses received on 20 April 2020.

## II. Midterm review of the Integrated Budget

2. UNFPA indicates that the midterm report reviews the strategic and financial context within the 2030 Agenda for Sustainable Development and its implications on resource estimates, allocations and results. The report indicates that UNFPA took into account changes in the operational environment. These include revenue projections which are anticipated to increase from \$3.5 billion to \$3.8 billion, or 8.5 per cent, over the four-year period. The report indicates that UNFPA projects that total available resources for 2018-2021 will be \$4.3 billion (DP/FPA/2020/5, para. 16). The Advisory Committee notes that in terms of the revenue projection of \$3.8 billion, UNFPA indicates an opening balance of \$0.5 billion (ibid, table 1). Given the projected income, UNFPA is therefore proposing adjustments to the integrated budget. Programme activities, which account for 81.6 per cent of total available resources, will increase from \$3.0 billion to \$3.2 billion, or by 6.9 per cent. UNFPA is also proposing an appropriation for its institutional budget in the amount of \$738.6 million, an increase of 4.2 per cent compared to the \$708.2 million originally approved. The proportion of total resources utilized for the institutional budget is proposed to decrease from 18.8 per cent to 18.4 per cent in the revised integrated budget, 2018-2021 (DP/FPA/2020/5, summary).

3. A break-down of the planned use of total resources compared to updated estimates for period 2018-2021 is provided in various tables under annex 1 of the report. **The Committee reiterates that UNFPA's 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.**

4. The report indicates that contributions from other resources will decrease from \$982 million to \$650 million (ibid, Fig.1). Upon enquiry, the Advisory Committee was informed that while UNFPA does not necessarily foresee a sharp decrease in other resources, the UNFPA budget mid-term review provides for prudent income projections for the rest of the cycle given uncertainties and volatility, particularly in terms of the COVID-19 pandemic and the ensuing economic developments. The Committee was also provided with additional information regarding monitoring of the income situation and reprioritizing of proposed investments in the case of the adverse change in income. **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.**

5. The Advisory Committee notes that at the time of its consideration of the report, COVID-19 had been declared a pandemic by the World Health Organisation with the ensuing impact on Member States. Upon enquiry, the Committee was informed that the crisis could exact a massive toll on women and girls and that women could be affected in particular as they are disproportionately represented in the health and social services sectors, increasing their risk of exposure to the disease. They may be more vulnerable to gender-based violence and exploitation and have reduced access to family planning, antenatal care as critical services are impacted. In terms of UNFPA's role, the Committee was informed that UNFPA is on the ground, distributing personal protective equipment for health workers and supporting health systems where needed. UNFPA is also supporting efforts to learn more about the virus and its impact in order to better serve the most vulnerable.

6. The Committee was also informed that UNFPA is committed to continue implementing its Strategic Plan and live up to its commitments to the countries and population served, as well as commitments to partners and donors. While UNFPA expects to experience some delays in implementing activities in countries that have or are likely to enforce strict social distancing measures on account of COVID-19, UNFPA will proactively assess progress with its implementing partners to identify activities which may be delayed or suspended and assess the possibility of re-programming funds to any new

activities related to the pandemic. The Committee was provided with information relating to the actions taken by UNFPA to remain operational and activate business continuity plans.

7. The Committee was informed that both the strategic plan and the integrated budget have sufficient flexibility to adjust programme interventions and activities to assist the countries in responding to the crisis. Furthermore, the Committee notes that the Fund's strategic focus and goals remain unchanged by focusing on the substantial impact of the crisis on women, while current programme budgets are under review, in order to respond to requests from government partners for assistance related to the coronavirus. In terms of the mid-term review of the strategic plan and integrated budget, the Committee was informed that while there will be no resubmission of the proposals, UNFPA will carefully assess the impact of the virus on the results.

8. **The Advisory Committee trusts that more detailed information regarding the possible impact of the 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 utilisation of resources during this particular period of the Population Fund's activities.**

### III. Integrated budget, 2018-2021

#### A. Integrated resource plan

9. Section IIIA of the report indicates that in terms of the integrated resource plan UNFPA continues to channel the majority of its resources to development activities (DP/FPA/2020/5, paras.17 to 26). The midterm review projections for 2018-2021 show that UNFPA will allocate 85.3 per cent of total available resources to development activities, an increase of 0.4 per cent from the 84.9 per cent allocation projected in the revised budget for 2018-2021 (ibid, Fig. 2 and para. 19). The report further indicates that in the midterm review of the integrated budget, management activities will cumulatively decrease, from 14.1 per cent of total resources available to 13.8 per cent (ibid, para. 21).

#### B. Integrated budget

10. Section IIIB of the report indicates the allocation mechanisms of funding. The report indicates that the integrated budget comprises all planned resources for development outcomes and organizational effectiveness and efficiency outputs for 2018-2021. The report indicates that while for all funding sources, programme design is aligned with the strategic plan, the allocation mechanisms differ: for other resources, allocation is usually done in close cooperation with the respective donors and stakeholders; for regular resources, allocation mechanisms include the country, global and regional levels (ibid, para. 27). The report indicates that programme components, comprising country programmes, global and regional interventions and the emergency fund, will increase by a total of \$211.8 million (ibid, para. 28 and table 2). The report also indicates that the largest share of UNFPA resources will be allocated to country programmes for the attainment of four development outcomes under the strategic plan with an envisaged increase of \$194.7 million to strengthen country programmes, (ibid, para. 29).

11. In the midterm review, UNFPA proposes to increase the ceiling of regular resources for global and regional interventions by \$10.2 million, from \$152.5 million to \$162.7 million. Of this, \$3.7 million reflects staff cost changes related to the latest salary scale adjustments, inflation as well as an increase in the charge for the after-service health insurance liabilities (see para. 20 below). The remaining \$6.5 million increase is a result of realigning resources with global and regional programme plans and investments to reposition UNFPA to deliver on its mandate (ibid, para. 34). In the current integrated budget, UNFPA allocated \$22.5 million to the emergency fund for 2018-2021 of which \$7.5 million in 2018 and \$5 million annually thereafter (ibid, para. 37).

12. The report also provides information on the institutional budget indicating that over half of the institutional budget is allocated to UNFPA regional and country offices (ibid, paras. 40 and 41). The revised institutional budget is proposed at \$738.6 million, representing an increase of \$30.4 million from the approved revised budget for 2018-2021 (\$708.2 million). The report indicates that the increase is

driven by increases in staff costs, including the fiduciary responsibility to provide for after-service health insurance (\$15 million), and the proposed investments which cut across the organizational effectiveness and efficiency outputs and focus on a number of key priorities (\$15.4 million). The report indicates that while the funding of the institutional budget will increase, its relative share of the total use of resources will decrease from 18.8 per cent to 18.4 per cent. Additionally, the proportionate share of the recurring management costs to the total use of resources will reduce from 13.9 per cent, previously planned for the 2018-2021 period, to 13.6 per cent (ibid, paras. 42 and 44).

13. The report indicates that UNFPA is investing in basic management capacity of the most vulnerable, and in the least developed countries, which constitute the largest proportion of total resources. As such, the largest investment of \$7.1 million strengthens the organization's capacity to manage risk and enable country offices to continue to position the UNFPA mandate within the Sustainable Development Goals cooperation framework. The report also indicates that UNFPA plans to invest \$5.9 million to scale up partnerships and leverage the momentum of the Nairobi Summit (ibid, para. 43). Upon enquiry as to the nature of resources allocated to the current COVID-19 crisis, the Advisory Committee was informed that UNFPA has an emergency fund which aims to facilitate the organization's rapid response capability as well as flexibility to re-programme activities in order to respond to requests from government partners for assistance.

14. The Committee was also informed that UNFPA has launched, as part of the UN-system wide response, a coordinated Global Humanitarian Response Plan to fight COVID-19 in some of the world's most vulnerable countries and that the investment of \$7.1 million, while not directly related to response for the COVID-19 crisis, will cover overall programme management, oversight and interventions deliverables, including coordinated COVID-19 response in programme countries. The Committee was further informed that the investment of \$5.9 million is not directly related to risk and crisis management, but to scaling up of partnerships in support of achieving the goals of the International Conference on Population and Development (ICPD) and Sustainable Development Goals (SDGs), communications, branding, as well as to strengthen resource mobilization from both private and public partners, thus developing a more diverse donor base and increased funding. **The Advisory Committee trusts that information relating to UNFPA's contribution within the UN-system wide response to the impact of COVID-19 will be provided in the next budget submission (see para.8 above).**

### C. Integrated results and resources framework

15. The report indicates that the integrated results and resources framework for 2018-2021 reflects the four development outcomes and four organizational effectiveness and efficiency outputs of the UNFPA strategic plan (ibid, para. 45 and table 4) with a commitment to channel the majority of total resources to development outcomes, representing 80 per cent of total, and approximately 48 per cent of total resources devoted to outcome 1 (ibid, para.50 and Figure 3). The details of the four outcomes are indicated in paragraphs 51 to 58 of the report, including the allocation of 60.1 per cent of resources to outcome 1 (integrated sexual and reproductive health services), 8.8 per cent to outcome 2 (adolescents and youth), 19.4 per cent to outcome 3 (gender equality and women's empowerment) and 11.7 per cent to outcome 4 (population and development). The report also indicates the allocation of resources as follows: \$192.1 million to improved programming for results (output 1), \$462.6 million to optimized management of resources (output 2) and \$125.0 million to enhanced communication for impact, resource mobilization and partnerships (output 4) (ibid, paras. 60 to 72).

16. In terms of the output 1 and strengthening a risk-based approach at country offices, the report indicates that UNFPA proposes to strengthen leadership and accountability for results in countries with smaller programmes without senior international staff. This entails transitioning the senior national staff into the 'Head of Office' role to lead UNFPA in the new generation of United Nations country teams and engage directly with the United Nations resident coordinator system (ibid, para. 61). As regards the engagement process, upon enquiry the Advisory Committee was informed that UNFPA National Heads of Office will be full members of United Nations Country Teams and as such will be appraised by the UN Resident Coordinators on their contribution to collective United Nations results and provide inputs into their Resident Coordinator's performance appraisal. The Committee was informed that UNDP will no longer serve as the UNFPA Representative in those countries but will continue to provide critical operational services based on the Universal Price List. In order to align with the ongoing United Nations

development system reform, the Committee was informed that the new model enhances UNFPA visibility, strengthens management function, national capacity and accountability for results, and enables better engagement and partnership with the new United Nations Resident Coordinators and sister agencies (see also paras. 24 to 26 below).

17. The Advisory Committee notes that UNFPA proposes to strengthen leadership and accountability for results in countries with smaller programmes without senior international staff with the senior national staff into the 'Head of Office' role to lead UNFPA in the new generation of United Nations country teams and engage directly with the United Nations resident coordinator system. **Nevertheless, 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.**

18. The report indicates a strengthened and decentralized human resources management strategy under output 2, including a strategy to bolster client support to field offices, through additional analytical and administrative functions, to support UNFPA staff based in the field (88 per cent of the total UNFPA workforce) (ibid, para. 69). As regards gender parity, the Advisory Committee was informed that UNFPA has achieved an overall 50-50 gender split among the staff positions and that UNFPA is working towards achieving gender parity at all levels in the organization. **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.**

#### D. Increases and decreases in the institutional budget

19. The report indicates that the changes to the nominal amounts in the institutional budget component are a combination of cost increases (non-discretionary and fiduciary items), volume changes (including corporate initiatives and investments), and efficiencies and savings. The impact of each of these elements is summarized in table 6 and paragraphs 76 to 84 of the report.

20. In terms of cost increases, the report indicates that the budget incorporates a total of \$15 million (2.1 per cent) cost increases for 2020 and 2021. Non-discretionary cost increases comprise \$8.3 million and include increases in post costs due to the salary-scale revisions, within-grade salary increments and other post entitlements determined by the International Civil Service Commission. The Committee notes that in terms of after-service health insurance (ASHI) liabilities, and to cover annual service costs, UNFPA is increasing the contribution for ASHI from the current 4 per cent to 8 per cent (\$6.7 million). **The Advisory Committee trusts that detailed information on the ASHI contribution will be provided in the next budget submission.**

21. As regards savings and efficiencies, the report indicates that UNFPA has reviewed activities that can be reduced or curtailed (\$1.3 million), including reductions in existing mainstream media and publications activities, as well as reductions in translation costs of formal documents (\$0.9 million) and general operating efficiencies (\$0.4 million). **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.**

#### E. Post changes

22. With respect to post changes, the midterm review includes a total of 1,073 posts, representing a net increase of 12.5 posts compared with a total of 1,060.5 in the approved budget. A summary on post changes is provided in paragraphs 87 to 89 and table 7 of the report, while related information on allocation of resources to organizational outputs is provided in paragraphs 60 to 72 of the report. Annex 1 provides additional financial and post information related to the midterm review.

23. With respect to the ratio of staff in headquarters compared to field locations, the Advisory Committee was informed upon enquiry that the majority of the UNFPA delivery is programmatic and that the institutional budget represents approximately 25 per cent of posts under the institutional budget in New York. In terms of total UNFPA positions, the Committee was informed that UNFPA only has 12 per cent of the total positions in headquarters locations. The Committee was also informed that UNFPA

is a field based organization with maintenance of the majority of posts in the field. The net increase of 3.5 positions is mainly driven by the initiative to have a strengthened and decentralized human resources management and the changes are the result of revising the field offices structures. Nevertheless, the Committee notes that the number of management posts in headquarters locations have increased by 13.5 posts in the mid-term review compared to the approved budget and that the number of posts for developmental effectiveness decreased overall and in the field by 4 posts (ibid, Annex 1, summary table 1). **The Advisory Committee is of the view that given the intrinsically field based and programmatic nature of UNFPA's 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 (see para 17 above).**

24. In terms of the establishment of four UNFPA representative posts in Burkina Faso, Cameroon, Central African Republic and Sierra Leone at the level of D-1 (ibid, Annex 1, Summary Table 2), the report indicates that a high-level representative is needed to manage the complexities of the development and humanitarian nexus (ibid, para. 87). Upon enquiry, the Advisory Committee was informed that the Western and Central African (WCA) region is considered one of the most complex regions in terms of programme execution in UNFPA. A number of factors have contributed to poor reproductive and maternal health outcomes, especially among the most vulnerable populations, and the high prevalence of gender based violence combined with a lack of access to the required services remain a challenge for the region. The region also has a very high poverty rate and many of the countries have the highest maternal mortality rates in the world.

25. The Committee was also informed, upon enquiry, that while the WCA region rates high on many of UNFPA's Strategic Development Indicators and large annual resources need to be managed, the key position of Representative in the four countries holds a lower grade than that commensurate with the complexity of the function. The country management positions in sister agencies (UNICEF, UNDP and UNHCR) are also established at a higher level than in UNFPA. The Committee was provided with additional information regarding the need for UNFPA to have the ability to tackle operational risk at the country level in high-risk operational environments such as those encountered in the region, and informed that the UNFPA Representatives will not rank higher than the Resident Coordinator positions (see also paras. 16 and 17 above).

**26. 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.**

## **F. Cost recovery**

27. The report indicates that the UNFPA current cost recovery policy was approved by the Executive Board in decision 2013/9, with an effective date of 1 January 2014. The Executive Board is currently reviewing this cost recovery policy in coordination with the other United Nations funds and programmes that share a harmonized cost recovery model (ibid, para. 90). Upon enquiry, the Advisory Committee was informed that in 2018, the Executive Board requested UNFPA, together with UNDP, UNICEF and UN-Women to: (a) present a preliminary comprehensive proposal on the cost-recovery policy for consideration by the Executive Board at its first regular session in 2020, with a view to present a final comprehensive proposal for decision by the Executive Board at its second regular session in 2020; (b) review in a comprehensive manner cost-recovery rates, as part of the comprehensive proposal; and (c) present an assessment of the reasons why full cost recovery is not currently being achieved, as part of the comprehensive proposal. The four agencies presented the preliminary report as requested and are

currently preparing the final comprehensive proposal for Executive Board consideration in September 2020. UNFPA will implement any changes resulting from the revision in the integrated budget for 2022-2025. **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.**

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