



THIS IS UNFPA



Integrated Budget 2018-2021

Executive Board informal
29 August 2017

Continued dialogue with the Executive Board

- Two dedicated informal consultations in May and June
- Grounded in the discussions on the next Strategic Plan
- Bilateral responses and clarifications as requested
- ACABQ session and formal report

Focus today:

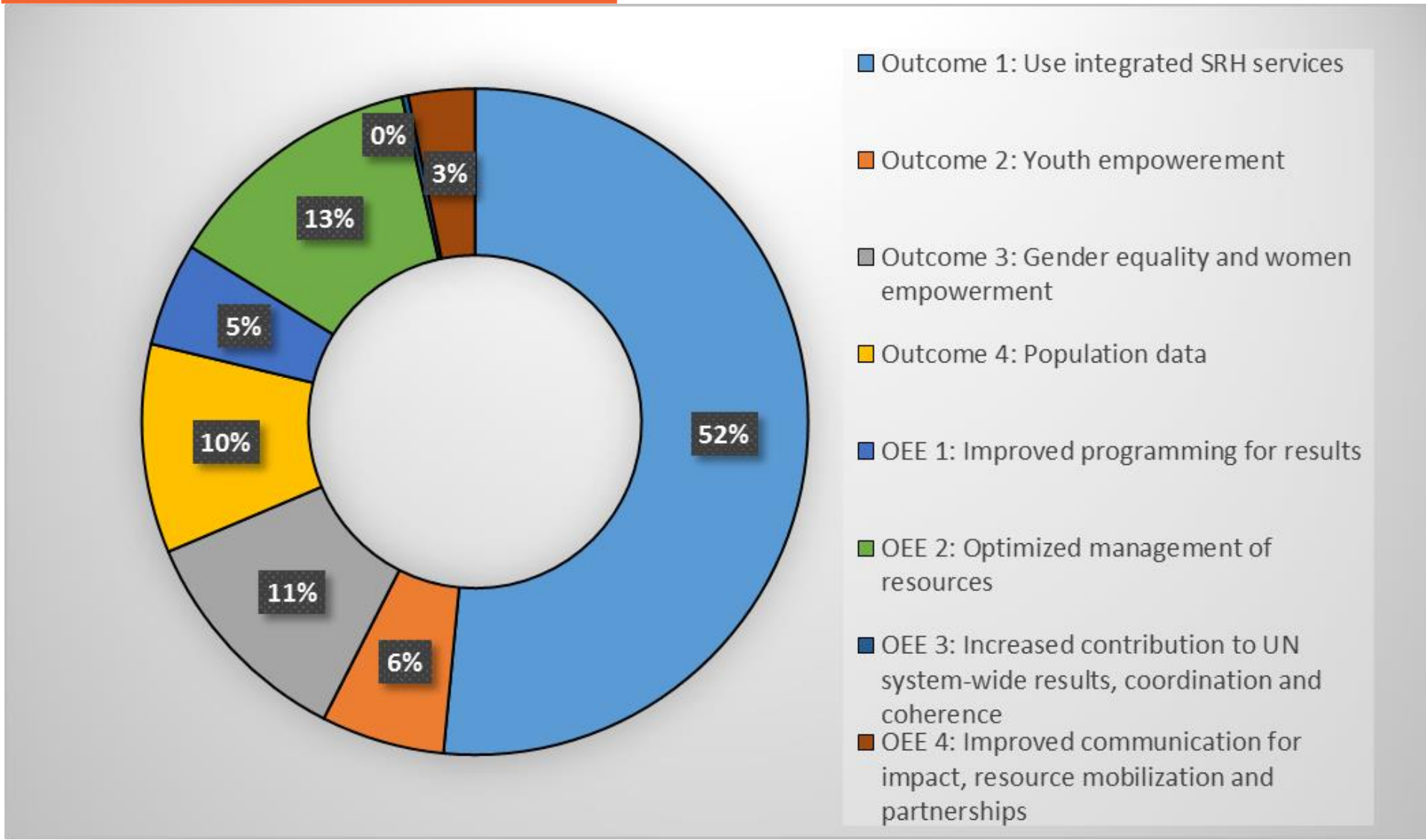
- Brief recap of Integrated Budget proposal
- Detailed focus on the ACABQ report and UNFPA response

Integrated Resource Plan 2018-2021

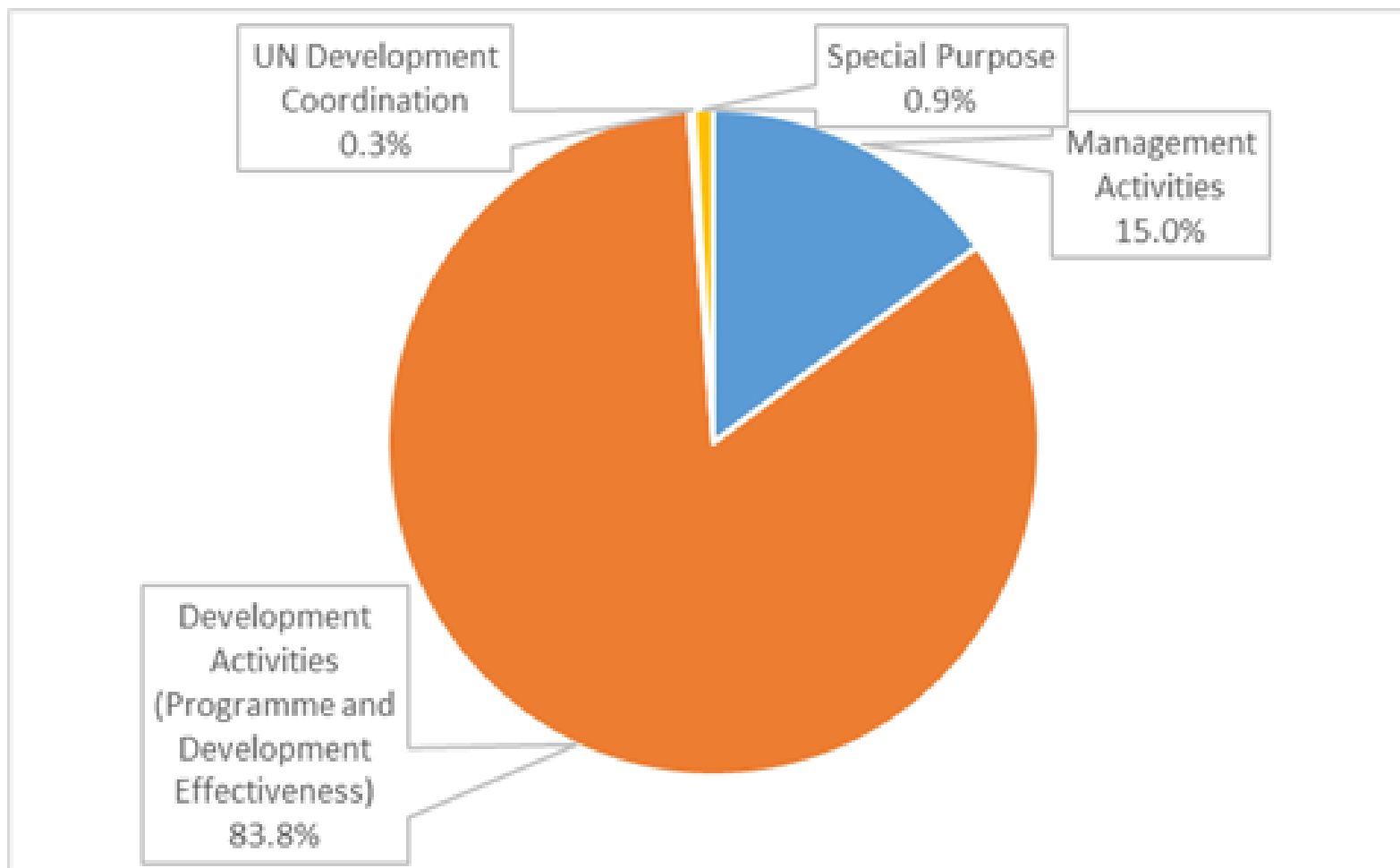


	Integrated budget, 2014-2017 - DP/FPA/2016/3					Integrated budget, 2018-2021				
	Regular resources	Other resources		Total resources	Percentage of total	Regular resources	Other resources		Total resources	Percentage of total
1. Resources available		Programme	Cost recovery				Programme	Cost recovery		
Opening balance ^{a/}	6.1	321.9		328.0		0.1	416.4		416.5	
Income										
Contribution-gross	1,565.0	2,398.6	-	3,963.6		1,400.0	2,000.0	-	3,400.0	
Other ^{b/}	29.7	(13.0)	-	16.7		20.1	-	-	20.1	
Total income	1,594.7	2,385.6	-	3,980.3		1,420.1	2,000.0	-	3,420.1	
Less tax reimbursement ^{c/}	(21.3)	-	-	(21.3)		(23.8)	-	-	(23.8)	
Total available	1,579.5	2,707.5		4,287.0		1,396.4	2,416.4		3,812.8	
2. Use of resources										
A. Development activities										
A.1 Programme ^{d/}	925.6	2,291.1	(150.4)	3,066.3	78.0%	642.8	2,194.1	(146.8)	2,690.1	75.0%
A.2 Global and regional interventions	213.8			213.8	5.4%	153.9			153.9	4.3%
A.3 Emergency fund	14.0			14.0	0.4%	20.0			20.0	0.6%
A.4 Development effectiveness	127.3			127.3	3.2%	141.0			141.0	3.9%
Total development	1,280.7	2,291.1	(150.4)	3,421.4	87.1%	957.7	2,194.1	(146.8)	3,005.0	83.8%
B. United Nations development coordination	8.5			8.5	0.2%	9.4			9.4	0.3%
C. Management activities										
C.1 Recurring costs	338.2	0.0	145.4	483.6	12.3%	392.2	-	138.6	530.8	14.8%
C.2 Non-recurring costs	11.6		5.1	16.7	0.4%	4.4		2.8	7.2	0.2%
Total management	349.9	-	150.4	500.3	12.7%	396.6	-	141.4	538.0	15.0%
D. Special purpose										
D.1 Premises capital plan						8.6	-	5.5	14.1	0.4%
D.2 ICT transformation						20.0			20.0	0.6%
Total special purpose						28.5	-	5.5	34.0	0.9%
Total use of resources (A+B+C+D)	1,639.1	2,291.1	-	3,930.2	100.0%	1,392.3	2,194.1	(0.0)	3,586.4	100.0%

Integrated budget by SP outcome and OEE output

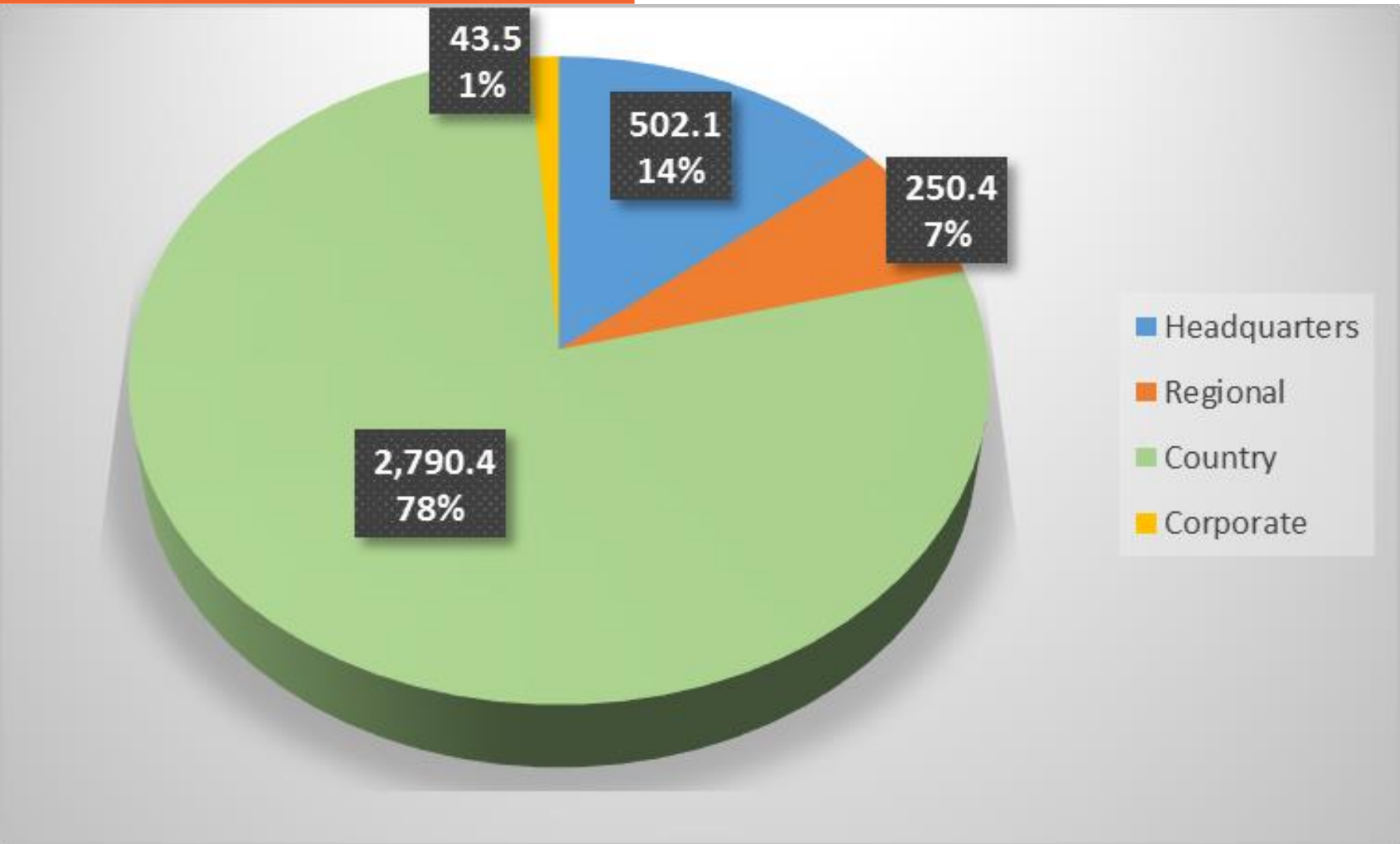


Integrated Budget by key cost category

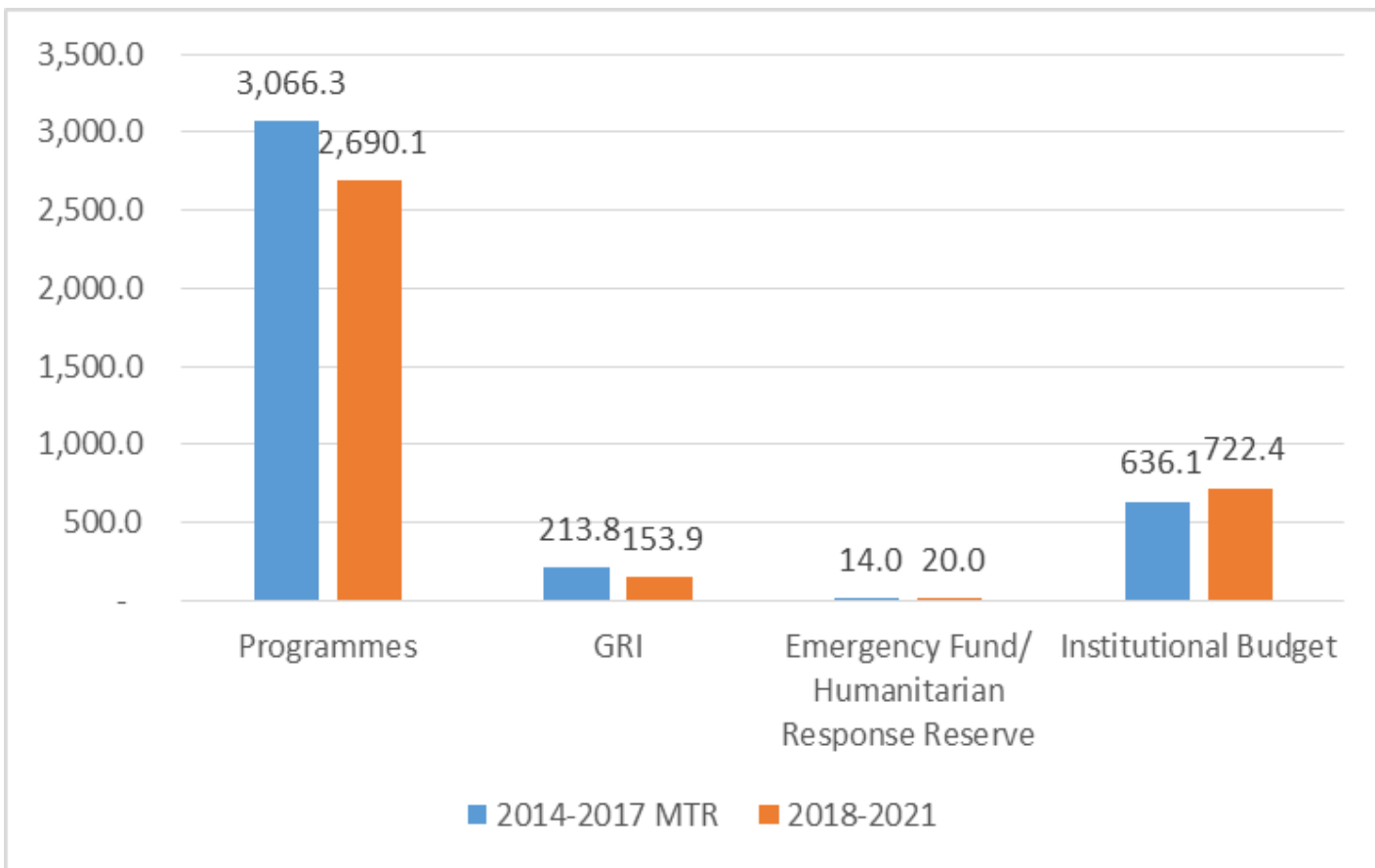


- Largest portion of resources to development activities
- Introduction of special purpose category
- Management activities proportionally higher due to lower income, transfers from programmes (GRI) and statutory increases

Integrated Budget by location



Integrated budget by component



- 75% of total resources allocated to programmes (overall decrease primarily due to reduced income levels plus investments in institutional budget)
- GRI reduced due to further reclassification of costs (4.3% of total)
- EF/HRR increase compared to mid-term review of 2014-2017 budget (0.6% of total)
- Institutional budget maintains significant austerity measures; however overall increase due to statutory cost increases, transfers from GRI and proposed investments (20.1% of total)

Country Programmes

- Will continue to receive the largest proportion of resources, for the attainment of four SP development outcomes
- Country programme regular resources will continue to be allocated through the resource allocation system (RAS), with updated indicators
- Matching funds concept for UMICs and HICs retained
- Indicative RAS ranges:

Color quadrant	2018-2021 target
Red	56-60%
Orange	14-18%
Yellow	15-17%
Pink	7-11%

Global and Regional Interventions (GRI)

Key Changes in Global and Regional Interventions	
Original approved GRI 2014-2017	275.0
Midterm review changes-impact on the four year basis	
GRI reclassification	(25.4)
Decreases during 2014-2017	(35.8)
Revised GRI 2014-2017 (mid-term review)	213.8
Changes proposed for 2018-2021:	
GRI reclassification	(39.9)
Proposed decreases	(20.0)
Proposed GRI 2018-2021	153.9
Total decreases	(55.8)

- The programming instrument at global and respective regional levels for delivery of UNFPA strategic plan results
- For the first time fully developed within the Integrated Budget process – 1 global + 6 regional action plans

- Decreased in line with ExB requirements and income realities
- Honors commitment (DP/FPA/2013/CRP.1) to review GRI costs and reclassify to management and/or development effectiveness
- Integrated budget-neutral effect of \$39.9 million proposed transfer for the 4-year period (one of key drivers for the increase in the Institutional Budget component, but no impact on country programmes)

Emergency Fund (EF) and Humanitarian Response Reserve (HRR)



- Decision 2015/3: approved the EF increase to \$10 million plus one-time funding for the HRR at \$10 million
- Due to significant income reductions since 2015 UNFPA was unable to fully fund the EF and HRR
- Mid-term review of the Integrated Budget envisaged \$2 million annually for the EF (and no funding for HRR)
- 2018-2021 projections: EF/HRR combined provision at \$5m per year
- UNFPA is actively working to ensure additional non-core funds for these key instruments

Institutional Budget

Key changes in the Institutional Budget

Original budget 2014-2017	664.1
Midterm review changes - impact on the four-year basis	
GRI reclassification	25.4
Investments (evaluation, audit and investigation, cost increases)	9.6
One-time allocation for implementation of the functional review	3.0
Decreases during 2014-2017	(66.0)
Revised Budget 2014-2017 (mid-term review)	636.1
Changes proposed for 2018-2021:	
Statutory cost increases	52.8
GRI reclassification	39.9
ICT transformation	24.2
Premises capital plan	14.1
Other investments (advocacy, ICPD, evaluation, etc.)	11.4
Proposed decreases	(56.0)
Proposed budget 2018-2021	722.4
Total decreases	(122.0)

- Overall increase, mainly driven by ExB decisions and/or audit recommendations
- 90% of the budget increase (\$78.1m) driven by 3 items: GRI transfer, ICT transformation and Premises capital plan
- GRI reclassification largest factor for institutional budget increase, but is overall budget-neutral (simple transfer between budget lines)
- Significant reductions and austerity measures to offset statutory cost increases and respond to the reduced income reality (e.g. post freeze, travel, consultancy, hospitality)
- About half of remaining investments during the cycle are to strengthen independent assurance functions (evaluation, internal audit and investigation), in direct response to ExB decisions

ACABQ report



ACABQ comments / recommendations	UNFPA response
<ul style="list-style-type: none">• Concern over decrease in regular funding• Expects any additional resources mobilized will be prioritized for programmes	<ul style="list-style-type: none">• Shares the concern; has been proactively engaging in fundraising efforts, as per the 2015 EXB-endorsed resource mobilization strategy; continued structured funding dialogue• It is the practice to prioritize programmes when additional resources are mobilized
<ul style="list-style-type: none">• Utilize one amount for institutional budget after midterm review (MTR; as a basis for comparing actual expenses and proposed future budget)	<ul style="list-style-type: none">• Would not compare like to like; The midterm change for one year vs. four years makes a material difference. At MTR, UNFPA transparently disclosed the effect of the proposed changes on both 1 and 4-year basis
<ul style="list-style-type: none">• More accurately present related budget amounts	<ul style="list-style-type: none">• Budget amounts are accurate (rounding difference in one number)

ACABQ report (continued)

ACABQ comments / recommendations	UNFPA response
<ul style="list-style-type: none"> Concern over proposed increase of number of institutional budget posts Encourage further review of effectiveness of the proposed staffing change given potential cost implications and limited income 	<ul style="list-style-type: none"> No real increase - 41 posts (32 in HQ and 9 in ROs) are all existing posts that were previously classified as programme and included in GRI. Now proposed to be transferred to the institutional budget as per 2013 commitments UNFPA made to the Executive Board No impact on effectiveness; cost is the same and already exists; proposal reflects reclassification from programme to management/dev. effectiveness to honor ExB commitment The comprehensive resource review (CRR) is underway to explore ways of optimizing structures towards improved programme and operational effectiveness

ACABQ report (continued)

ACABQ comments / recommendations	UNFPA response
<ul style="list-style-type: none"> • Takes note of the limited reductions to non-staff in 2015-2017 • Encourages UNFPA to reduce reliance on non-staff to conduct headquarters and field-based activities 	<ul style="list-style-type: none"> • 9.3% reduction in Service Contract (SC) positions and 14.2% reduction in headcount over 2 years are considerable reductions • Use of non-staff personnel (NSP) including consultants, service contract holders and United Nations Volunteers (UNVs) is a critical, cost effective mechanism to address short-term or project-based needs; increasingly necessary given the decrease in core funding and increase in short-term, less predictable, non-core funding • Predominant type of NSP are service contracts, used exclusively in the field (not headquarters) • Most service contract holders are employed in support of project-based, time-bound, activities

ACABQ report (continued)



ACABQ comments / recommendations	UNFPA response
<p>ICT transformation</p> <ul style="list-style-type: none">• Encourage UNFPA to collaborate with UNICEF and UNDP when exploring options for ICT transformation project• Given complexity of ERP upgrade and financial context, recommends further review and provision of concrete options for the most cost-effective and appropriate technology to be used• Should not result in an increase to the institutional budget for 2018-2021• Looks forward to an update in the midterm review of the integrated budget 2018-2021	<ul style="list-style-type: none">• UNFPA is a pioneer in sharing services, ERP platform and outsourcing → sharing ERP is foremost among the options being considered• Review and analysis of ERP options, in conjunction with the ongoing Atlas consortium assessment are integral parts of the proposed ICT transformation project. UNFPA management will chose the most appropriate option based on the thorough analysis and review of options.• Any ERP solution will require an investment regardless of the option chosen• UNFPA will provide the update on the implementation progress



ACABQ report (continued)

ACABQ comments / recommendations	UNFPA response
<ul style="list-style-type: none"> • Receive updates on the changes in the cost recovery methodology, if any • Taking into account comments and recommendations above, ACABQ encourages UNFPA to apply budgeting methodology approaches that are based on realistic assumptions, given the inherent uncertainties in resource projections and costing assumptions over a four-year period 	<ul style="list-style-type: none"> • UNFPA will provide the update to ACABQ; harmonized approach with UNDP, UNICEF and UNWomen to be discussed with the EXB in 2018 • UNFPA applies sound budgeting methodology, based on EXB-approved concepts, harmonized with UNDP, UNICEF and UNWomen • UNFPA has indeed used realistic income assumptions and transparently disclosed its impact on the proposed budget • UNFPA proactively manages uncertainties inherent with longer-term planning horizon, through constant review of income assumptions and resulting need to adjust spending in order to remain financially sound

ACABQ report (continued)

ACABQ comments / recommendations	UNFPA response
<ul style="list-style-type: none">Looks forward to receiving an updated report on expenditures in the midterm review of the integrated budget for 2018-2021	<ul style="list-style-type: none">UNFPA will continue to provide publicly available annual financial statements and expenditure reports, as well as the updates in the proposed budget documents

Key Takeaways

80% of total resources are at country level

Institutional budget (IB) includes \$56m austerity measures/reductions

Real decrease in IB posts

41 posts transferred from GRI to IB are all existing posts → no impact on country programmes

Key driver for higher IB ratio is reduced income

GRI reclassification + ICT + Capital Plan = 1.1% impact on programmes

IB proposals based on ExB decisions and/or audit recommendations

Any additional income raised will be dedicated to programmes

UNFPA

Delivering a world where
every pregnancy is wanted
every childbirth is safe and
every young person's
potential is fulfilled

Thank you!

