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UNFPA – Financial, budgetary and administrative matters**UNITED NATIONS POPULATION FUND****Integrated budget, 2018-2021***Summary*

The integrated budget proposal for 2018-2021, contains the resources that will contribute to the achievement of UNFPA integrated results and resources framework. The integrated budget should be considered in conjunction with the strategic plan, 2018-2021 (DP/FPA/2017/9) and its annexes.

The income projections are based on indications from donors and analysis of actual contribution trends and funding environment. For 2018-2021 budget, UNFPA proposes conservative total contributions estimates of \$3,400 million, compared to \$3,963.6 million for 2014-2017. UNFPA estimates that the total resources available during 2018-2021 will be \$3,812.8 million, a decrease of \$474.2 million, or 11 per cent, compared to the previous cycle.

For 2018-2021 UNFPA proposes to allocate 83.8 per cent of total available resources to development activities, compared to 87.1 per cent in 2014-2017. UNFPA estimates that \$2,690.1 million will be available for programmes in 2018-2021, compared to \$3,066.3 million in 2014-2017. This represents a decrease of \$376.2 million or 12.3 per cent. Resources available for programmes will decrease from 78 per cent in 2014-2017 to 75 per cent in 2018-2021. The decreases are largely commensurate with the decline in the overall resources available compared to the previous period.

The institutional budget component of the integrated budget, which is presented for the Executive Board appropriation, is proposed at \$722.4 million. As a relative share of the total use of resources the institutional budget is increasing from 16.2 per cent to 20.1 per cent.

UNFPA will present the integrated budget proposal to the Advisory Committee on Administrative and Budgetary Questions, whose report will appear in document DP/FPA/2017/11.

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I. The integrated budget: strategic and financial context

A. Strategic context

1. In line with the 2030 Agenda for Sustainable Development the UNFPA strategic plan, 2018-2021 (DP/FPA/2017/9) sets out a vision for changes in the lives of women, adolescents and youth that UNFPA seeks to bring about in the next four years. The strategic plan determines the substantive focus of the organization, the integrated results and resources framework and the business model needed for the organization to achieve its desired impact. It reaffirms the strategic direction of the midterm review of the 2014-2017 strategic plan (DP/FPA/2016/2), as represented by the “bull’s eye”, and presents a set of changes that support its attainment.

2. Key trends with significant implications for UNFPA during 2018-2021 include that extreme poverty is on the decline and fell to below 10 per cent in 2016. However, approximately 800 million people still live in extreme poverty, and Southern Asia and sub-Saharan Africa account for about 80 per cent of this figure. A World Bank study on poverty and shared prosperity indicates that given projected growth trends, reducing high inequality may be a necessary component to reaching the world’s goal of ending extreme poverty by 2030.

3. Between 1990 and 2015, maternal mortality was reduced by 44 per cent, yet approximately 830 women die each day from preventable maternal death causes. Almost all maternal deaths (99 per cent) occur in developing countries; and more than half of these deaths occur in sub-Saharan Africa and almost one third occur in South Asia. More than half of maternal deaths occur in fragile and humanitarian settings. World Health Organization (WHO) emphasizes that maternal mortality is a key indicator of health inequality. A recent report states that the high number of maternal deaths in some areas of the world reflects inequities in access to health services.

4. Levels of child marriage in Southern Asia and sub-Saharan Africa, 44 per cent and 37 per cent, respectively, remain high. Similarly, teenage pregnancy declined but remains a major concern. In 2015, it was estimated that 15.3 million adolescents would give birth; at this rate, this figure was projected to reach 19.2 million by 2035.

5. Recognizing these trends and emerging challenges, UNFPA has formulated strategic plan development outcomes and organizational effectiveness outputs as well as the new resource investment choices to effectively address multidimensional poverty and inequality and leave no one behind.

6. The integrated results and resources framework (Annex I of the strategic plan, 2018-2021) comprises four development outcomes and four organizational effectiveness and efficiency outputs for UNFPA. The integrated budget is the financial plan to enable the organization to deliver on these results.

7. The four development outcomes are as follows:
- a) Outcome 1: Every woman, adolescent and youth everywhere, especially those furthest behind, has fully exercised his or her reproductive rights and used integrated sexual and reproductive health services free of coercion, discrimination and violence.
 - b) Outcome 2: Every adolescent and youth, in particular adolescent girls, is empowered to realize his or her sexual and reproductive health and reproductive rights, and participate in sustainable development, humanitarian action and peace-building.
 - c) Outcome 3: Gender equality and the empowerment of all women and girls, including their reproductive rights, are achieved by ending gender-based violence and harmful practices, including in humanitarian settings.
 - d) Outcome 4: Everyone, everywhere is counted, and accounted for, in the pursuit of sustainable development.
8. The four outputs of organizational effectiveness and efficiency are as follows:
- (a) Output 1: Improved programming for results
 - (b) Output 2: Optimized management of resources
 - (c) Output 3: Increased contribution to the United Nations system-wide results, coordination and coherence
 - (d) Output 4: Enhanced communication for impact, resource mobilization and partnerships

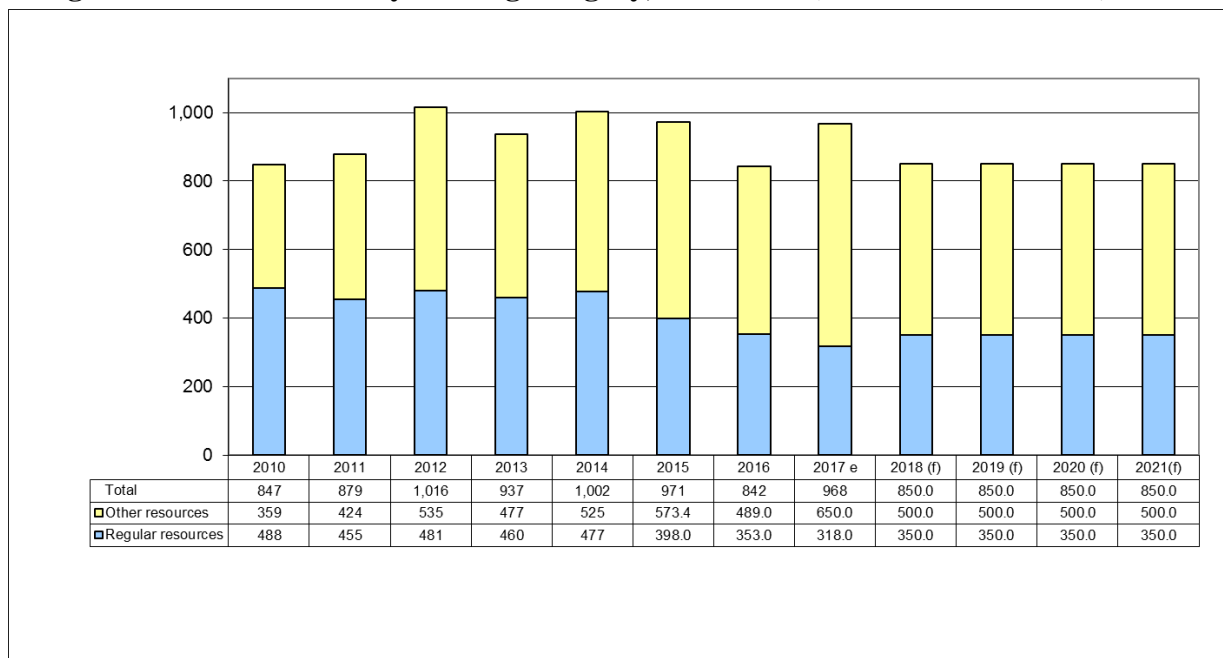
B. Financial context

9. The present budget proposal comprises the resources contributing to achieve the UNFPA integrated results framework and is an integral part of the organization's strategic plan. The integrated budget resource projections cover a four-year period 2018-2021, coinciding with the full length of the strategic plan.

10. In the past five years, UNFPA continued to receive a higher proportion of its income as other resources contributions. Also, the actual contribution vs. the strategic plan 2014-2017 resource mobilization targets agreed in 2013 were subject to vulnerabilities, driven by, among others, evolving and volatile economic and fiscal environment trends and overall reduction of official development assistance, combined with its increasing use for humanitarian financing to address migration.

11. Based on historical trends, donor indications gathered through engagement, and income scenario analysis, UNFPA forecasts a total of \$3,400 million in contributions for the period 2018-2021, a reduction of 14.2 per cent compared to the 2014-2017 period. The contributions comprise of \$1,400 million in regular resources and \$2,000 million in other resources.

Figure 1: Contributions by funding category, 2010-2021 (in millions of dollars)



Source: For 2010-2016, annual financial statements; for 2017, estimate (e); for 2018-2021, forecast (f).

Note: Figures for regular resources contributions exclude interest income; for 2010-2013 they reflect adjustments of refunds to staff for income tax levied by a Member State.

12. The budget is based on lower contributions forecast which reflects a realistic approach UNFPA took in response to the challenging funding environment, especially given the changing trend in donor's priorities, exacerbated by the exchange rate volatility experienced during 2014-2017 cycle.

13. UNFPA funding targets will remain ambitious but from a fiduciary perspective the budget is prudent given the experience of the current strategic plan cycle, 2014-2017.

14. After taking account the estimated opening balances, interest and miscellaneous income, and adjustments for tax reimbursements, UNFPA projects that total available resources for 2018-2021 will be \$3,812.8 million, a decrease of \$474.2 million, or 11 per cent, compared to the previous cycle. This consists of projected regular resources of \$1,396.4 million and other resources of \$2,416.4 million.

15. UNFPA seeks to prioritize regular resources and to maintain a balance between regular and other resources as reiterated by the General Assembly resolution 71/243 on the quadrennial comprehensive policy review.

16. In this context, advancing UNFPA's resource mobilization strategy, introduced in 2015 (DP/FPA/2015/11), is a corporate priority. UNFPA continues to systematically emphasize that the preferred contribution modality remains an unrestricted regular resources contribution – this forms the bedrock of sustainability and effective delivery on the UNFPA mandate. This is increasingly important to the implementation of the universal and transformative 2030 Agenda for Sustainable Development. The flexibility of regular resources is the most strategic, and transaction-light modality, enabling organizational investment in vital functions and presence, innovation for integrated and scaled-up delivery, as well as mobilization of critical complementary other resources and to communicate those results.

17. At the same time, UNFPA has focused on nurturing key donor partnerships and building up a dedicated outreach to new donor and important stakeholder constituencies. UNFPA will continue to explore incentives, mechanisms and funding windows to broaden its donor base; to improve communications with donors; and to continue dialogue on options that will enhance the quality of contributions to finance development results.

II. Integrated budget, 2018-2021

A. Integrated resource plan

18. Table 1 shows the 2018-2021 integrated resource plan for all cost categories, including regular and other resources. The figures presented in table 1 and in all other tables are rounded to the closest decimal and thus may not add up to the decimal point.

Table 1: Integrated resource plan, 2018-2021 (in millions of dollars)

	Integrated budget, 2014-2017 - DP/FPA/2016/3					Integrated budget, 2018-2021				
	Regular resources	Other resources Programme	Cost recovery	Total resources	Percentage of total	Regular resources	Other resources Programme	Cost recovery	Total resources	Percentage of total
1. Resources available										
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%
3. Net amounts from/(to) reserves ^{e/}	59.7	-	-	59.7		(3.1)	-	-	(3.1)	
4. Balance of resources (1-2+3)	0.1	416.4	-	416.5		1.1	222.3	0.0	223.4	
Summary institutional budget										
A.4 Development effectiveness	127.3	-	-	127.3	3.2%	141.0	-	-	141.0	3.9%
B. United Nations development coordination	8.5	-	-	8.5	0.2%	9.4	-	-	9.4	0.3%
C.1 Management recurring costs	338.2	-	145.4	483.6	12.3%	392.2	-	138.6	530.8	14.8%
C.2 Management non-recurring costs	11.6	-	5.1	16.7	0.4%	4.4	-	2.8	7.2	0.2%
D.1 Special purpose - Premises capital plan	-	-	-	-	0.0%	8.6	-	5.5	14.1	0.4%
D.2 Special purpose - ICT transformation	-	-	-	-	0.0%	20.0	-	-	20.0	0.6%
Total	485.7	-	150.4	636.1	16.2%	575.6	-	146.8	722.4	20.1%

a/ Regular resources opening balance for 2014 has been revised as per 2013 financial statements; other resources have been revised based on funds received and available for programming.

b/ Includes interest and miscellaneous income.

c/ Adjustment for tax reimbursements to staff who are nationals of one Member State.

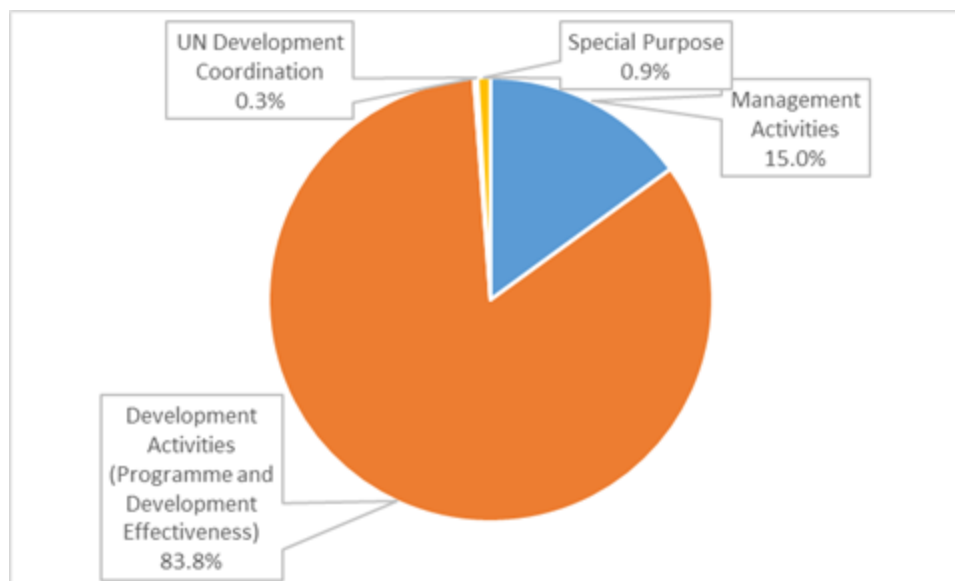
d/ 'Other resources - Programmes' reflects total programme expenses as per financial statements; the cost recovery is offset to enable a comparison with the estimates in the budget document.

e/ Includes adjustments to the operational reserve as per financial regulations and rules, transfer from previous reserve for field accommodation and transfers from previous periods.

Note: 2014-2017 figures are restated as per the annex of the midterm review of the integrated budget (DP/FPA/2016/3) to enable comparison with the 2018-2021 proposal.

Note: Figures in this table and in other tables in this document are rounded to the closest decimal; therefore, they may not add up.

19. The proposed use of resources is illustrated in figure 2 and shows the proportion of resources allocated to development activities, management activities, special purpose activities and UN development coordination activities. UNFPA continues to dedicate the majority of its resources to development activities.

Figure 2: Allocation of available resources, 2018-2021

20. For 2018-2021 UNFPA proposes to allocate 83.8 per cent of total available resources to development activities, compared to 87.1 per cent in 2014-2017. Resources available for programmes will decrease from 78 per cent in 2014-2017 to 75 per cent in 2018-2021. The decreases are largely commensurate with the decline in the overall resources available compared to the previous period.

21. One of the challenges with reduced income is a higher ratio of the institutional budget in proportion to overall use of resources, a reflection of the universal presence UNFPA continues to maintain given its mandate and normative agenda, as well as advocacy efforts at global, regional and country levels. As a relative share of the total use of resources the institutional budget is increasing from 16.2 per cent to 20.1 per cent. The proportionate share of recurring management costs to the total use of resources is 14.8 per cent, up from 12.3 per cent in 2014-2017. The key drivers are explained in the later sections of this document.

22. Procurement services to third parties are administered separately from regular resources. Income generated from third-party procurement is offset by direct costs and operating expenses related to procurement services. As a result they are excluded from the integrated budget presentation.

23. Total available resources for 2018-2021 have been adjusted by \$23.8 million for tax reimbursements to staff who are nationals of one Member State.

Lessons learned from the implementation of the integrated budget, 2014-2017

24. In decision 2016/10 the Executive Board requested UNFPA, in consultation with UNDP, UNICEF and UN-Women, as appropriate, to incorporate lessons

learned from the integrated budget, 2014-2017, in the preparation of the integrated budget, 2018-2021.

25. The preparation and implementation of a four-year budget has presented opportunities as well as challenges for UNFPA. In particular, the alignment of the strategic plan and integrated budget planning periods has enabled UNFPA to strengthen linkages between strategic and financial planning. This is critically important, as the strategic plan and the integrated budget constitute two aspects of a single/unified vision for the organization. The opportunity of the midterm review has also enabled UNFPA to revise plans and reflect on lessons learned prior to the preparation of a full-fledged new budget proposal. Furthermore, the four-year planning horizon benefits from the guidance and alignment with the QCPR.

26. However, a four-year budget also entails some operational challenges. For instance, UNFPA has had to revise regular resources projections due to exchange rate fluctuations and indications from donors. In addition, UNFPA has absorbed additional costs of oversight and evaluation in response to Executive Board mandates that were approved after the approval of the integrated budget proposal. The longer-term financial planning horizon necessarily brings more uncertainty and the likelihood of changing priorities, assumptions and circumstances.

B. Integrated budget components

27. The integrated budget comprises of all planned resources for development outcomes and organizational effectiveness and efficiency outputs in 2018-2021. For all funding sources, programme design is aligned with the strategic plan. However, allocation mechanisms differ: for other resources, allocation is done in close cooperation with respective donors and stakeholders. For regular resources, allocation mechanisms vary, as follows.

Country programmes

28. The largest share of UNFPA resources will be allocated to country programmes, for the attainment of four development outcomes. These resources will continue to be allocated through the resource allocation system (RAS). The strategic plan and its annex includes an overview of the RAS and its alignment with the strategic direction of the organization – the bull’s eye – and the business model.

29. The indicators that determine resource allocations through the RAS have been updated and reviewed as part of the strategic plan to ensure they are in line with the bull’s eye and support the achievement of the results set out in the integrated results and resources framework (annex I of the strategic plan). A system of relative weights of RAS indicators is used to group countries according to their “needs” and the “ability to finance” (annex IV of the strategic plan). To measure the ability of a country to finance its development needs, the strategic plan will use inequality-adjusted gross national income per capita, factoring in health access

quality, as well as income inequality. This will address the shortcoming of gross national income per capita, which masks inequalities and variations within countries.

30. As a result, countries are grouped into quadrants, to enable UNFPA to provide tailored support and achieve greater impact. The strategic plan annex IV contains a list of countries by quadrant.

31. Modes of engagement are interlinked and may be applied in various combinations to provide tailored solutions to meet national needs. UNFPA may deploy all five modes of engagement for countries in the red quadrant and countries with humanitarian crises, which have the highest or urgent needs. For countries in the orange, yellow and pink quadrants, UNFPA focuses on upstream work, therefore may apply service delivery only under special circumstances that are tailored to meet the specific needs and priorities of those countries, as illustrated in the Annex IV of the strategic plan. This is consistent with the General Assembly resolution 71/243 on the quadrennial comprehensive policy review. This approach also responds to the requests of Member States for greater support in technical cooperation, policy and advocacy. Table below summarizes the use of the modes of engagements per colour quadrant.

Modes of engagement by setting

Modes of engagement	Countries in the red quadrant and countries with humanitarian crises	Countries in the orange quadrant	Countries in the yellow quadrant	Countries in the pink quadrant
Service delivery		Not deployed		
Capacity development	***	***	**	*
Partnerships and coordination, including South-South and triangular cooperation				
Knowledge management				
Advocacy, policy dialogue and advice				

*** The focus is on an enabling environment, and on institutional and individual levels

** The focus is on an enabling environment and on institutional levels

* The focus is on an enabling environment

32. Given the voluntary nature of the organization's funding and the characteristics of country programmes in terms of national ownership, aggregate resources assigned to country programmes are indicative. A resource framework for country programmes will continue to be submitted to the Executive Board for approval.

Global and regional interventions

33. The strategic plan will also be operationalized through global and regional interventions – one global and six regional action plans. The details are captured in the global and regional interventions annex to the strategic plan 2018-2021. The direction set for the global and regional interventions will enable greater focus on specific priorities and needs of countries both at regional and global level.

34. Global and regional interventions were developed concurrently with the strategic plan and integrated budget development to ensure their alignment and coherence of the specific contributions to the outcomes and outputs of the strategic plan, 2018-2021. The consultative budgeting process was based on a bottom-up approach tailored to the priorities of each action plan, so that the results and associated resources are established at the onset of the programme design.

35. UNFPA continued its commitment to review and reclassify costs previously in global and regional interventions (DP/FPA/2013/CRP.1) and progressively shift them to the institutional budget. Following the process started in the midterm review of the 2014-2017 integrated budget (DP/FPA/2016/3), in developing the integrated budget, 2018-2021, UNFPA closely scrutinized the classification of regular resources across programmatic and non-programmatic categories and substantially shifted costs between them, in line with cost definitions approved by the Executive Board. In particular, UNFPA undertook an extensive revision of costs pertaining to global and regional interventions to ensure that such costs corresponded to programmatic functions.

36. A net amount of \$39.9 million previously categorized as ‘programme’ is now proposed to be re-categorized under ‘management’ and ‘development effectiveness’, to be included in the institutional budget appropriations for 2018-2021. From the overall integrated budget perspective, this is a budget-neutral move, and it does not affect the resources available for programmes. More information on the reclassified costs is provided in the context of expected results, in the results and resources section of this document.

37. As a result of the above reclassification, as well as continued efforts to reduce the costs in general, UNFPA proposes a significantly reduced regular resources ceiling for global and regional interventions of \$153.9 million, down from \$213.8 million in 2014-2017.

Emergency fund and humanitarian response reserve

38. In decision 2013/32 on the integrated budget, 2014-2017, the Executive Board approved an annual allocation of \$5 million of regular resources for the emergency fund. In decision 2015/3 the Executive Board raised the annual allocation to the emergency fund to \$10 million; it also approved a one-time

allocation of \$10 million of regular resources for the establishment of the humanitarian response reserve.

39. The allocation was aimed to facilitate and strengthen the organization's rapid and robust response to humanitarian crises. The emergency fund is not intended to become a primary vehicle to finance humanitarian response, but plays an important role in providing catalytic funding, which often increases capacity to generate additional resources.

40. As reported at the mid-term review of the integrated budget, 2014-2017 (DP/FPA/2016/3), and in the report on UNFPA humanitarian response funding (DP/FPA/2017/CRP.3), as a result of austerity measures, the emergency fund was reduced from \$5 million to \$2 million in 2016. Similarly, it has not been possible to fully fund the humanitarian response reserve.

41. In 2017 the emergency fund was increased from \$2 million to \$5 million. UNFPA proposes to continue with the same regular resources allocation of \$5 million annually in the 2018-2021 period for the emergency fund and humanitarian response reserve combined (which is within the Executive Board approved ceiling of \$10 million per year for the emergency fund and \$10 million as a one-time allocation).

Institutional budget

42. In addition to the programme resources discussed above, the integrated resource plan includes the cost categories that form the institutional budget: development effectiveness, management (recurring and non-recurring), special purpose and United Nations development coordination. These elements are approved by the Executive Board as a nominal appropriation.

43. The institutional budget is proposed at \$722.4 million, \$86.3 million higher than the comparable 2014-2017 budget. The increase is predominantly due to three elements: the transfer of \$39.9 million previously in global and regional interventions, the proposed ICT transformation project estimated at \$24.1 million and the inclusion of the premises capital plan of \$14.1 million (further elaborated in the sections below). Together they amount to \$78.1 million or 90% of the overall proposed increase. The remaining minor investments, as well as statutory cost increases of \$52.8 million, are mostly absorbed within the budget through significant savings, efficiencies and austerity measures, as discussed in the sections below.

44. The proportionate share of institutional budget resources to the total use of resources is 20.1 per cent, up from 16.2 per cent in 2014-2017. One of the challenges UNFPA faces in a reduced income environment is an increase of the institutional budget in proportion to overall use of resources: even if the three main drivers for the proposed increase were excluded, the proportion of the institutional

budget to the total use of resources, 2018-2021 would have been 18%. UNFPA is clearly disadvantaged by economies of scale. UNFPA's universal presence is built upon a significant investment of institutional budget resources to cover predominantly fixed costs. These cannot be contracted in the short term without affecting its universal presence necessary for delivery of its mandate.

45. Within that context, UNFPA has embarked on a comprehensive resource review to ensure optimal alignment between the strategic plan, resource allocation and organizational structures through analysis of and recommendations for improved programmatic and operational efficiency and effectiveness at headquarters, regional and country level. This is a comprehensive, complex, multi-phased undertaking and UNFPA therefore expects that recommendations and decisions for immediate, medium and long-term adjustments can only be made available by the end of 2017. Consequently, the results cannot be factored/included in the present proposal. UNFPA will update the Executive Board on progress on a regular basis.

C. Integrated results and resources framework

46. 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. The integrated results and resources framework contained in the strategic plan continues to be the sole, overarching results framework for UNFPA.

47. The link between results and resources is, as in any conceptual framework, a simplified version of a complex reality. Accountability for the results in the integrated results and resources framework does not lie solely with the units or programmes whose resources are linked to those results. For example, for organizational effectiveness and efficiency outputs, the accountability for achieving the outputs is shared across organizational units or functional clusters, as outputs reflect corporate priorities to which multiple units must contribute. Similarly, the achievement of development outcomes is the effect of a concerted effort that involves various stakeholders.

48. The link between results and resources was developed on the basis of the harmonized results-based budgeting framework for the institutional budget (approved in Executive Board decision 2011/10) and the analysis of actual expenditure trends for programme resources.

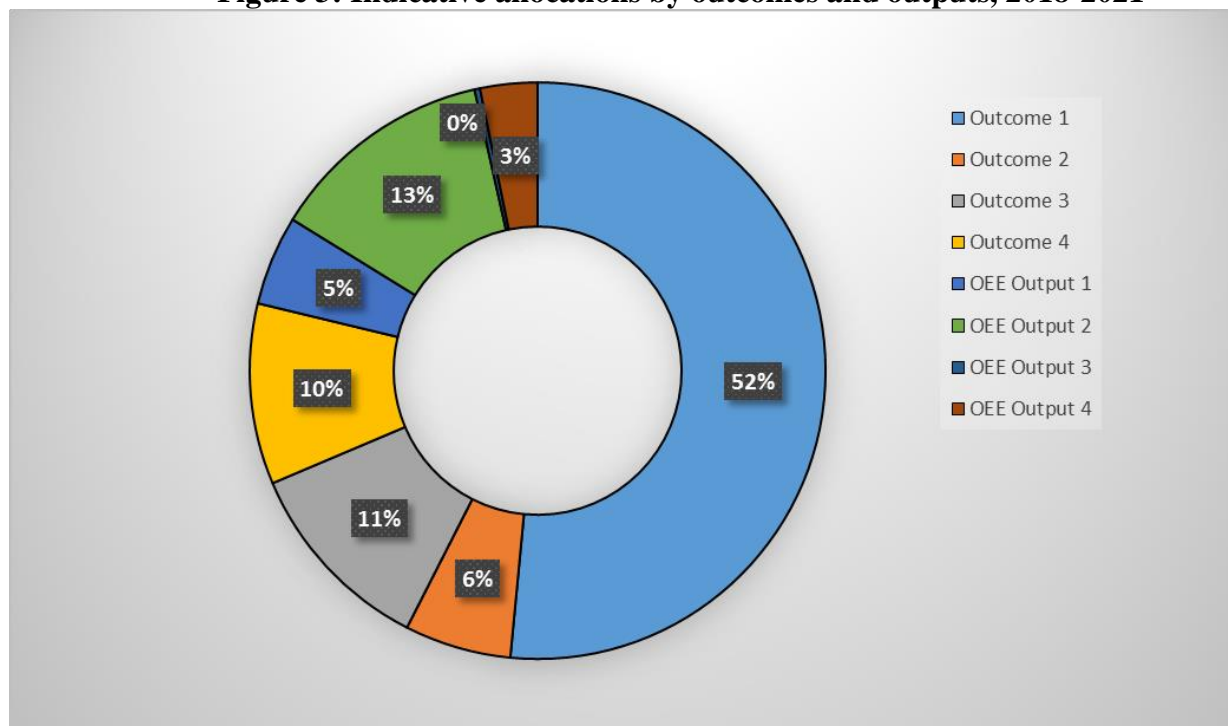
49. Table 2 shows the high-level allocation of resources to results (allocations are indicative).

Table 2: Integrated results and resources framework, 2018-2021 (indicative)
(in millions of dollars)

Outcome / Output	Cost classification	Functional cluster	Integrated budget, 2018-2021			
			Regular resources	Other resources	Cost recovery	Total
Outcome 1: Every woman, adolescent and youth everywhere, especially those furthest behind, have fully exercised their reproductive rights and used integrated sexual and reproductive health services free of coercion, discrimination and violence	Programme		415.4	1,432.2	-	1,847.6
Outcome 2: Every adolescent and youth, in particular adolescent girls, are empowered to realize their sexual and reproductive health and reproductive rights, and participate in sustainable development, humanitarian action and peace-building	Programme		98.8	115.9	-	214.6
Outcome 3: Gender equality and the empowerment of all women and girls, including their reproductive rights, are achieved by ending gender-based violence and harmful practices, including in humanitarian settings	Programme		94.3	304.5	-	398.8
Outcome 4: Everyone, everywhere is counted, and accounted for, in the pursuit of sustainable development	Programme		181.3	182.4	-	363.6
OEE1: Improved programming for results	Programme		16.8	9.8	-	26.6
		Technical expertise for effective response to development challenges	11.3	-	-	11.3
	Development effectiveness	Programme planning, policy and management support	124.1	-	-	124.1
		Procurement and quality-assured supply base for reproductive health commodities	5.6	-	-	5.6
	Management	Corporate evaluation	8.4	-	4.3	12.7
	Total			166.2	9.8	4.3
OEE2: Optimized management of resources	Programme		3.8	0.2	-	4.0
		Corporate oversight and assurance (internal and external audit and investigations)	22.7	-	10.4	33.1
	Management (recurrent costs)	Corporate financial, information and communication technology and administrative management	47.5	-	24.9	72.4
		Field office oversight, management and operations support	209.1	-	60.2	269.3
		Staff and premises security	5.7	-	2.5	8.2
		Corporate human resources management	19.0	-	7.9	26.9
	Management (non-recurrent costs)		4.4	-	2.8	7.2
		Special purpose - ICT transformation	20.0	-	-	20.0
		Special purpose - premises capital plan	8.6	-	5.5	14.1
	Total			340.7	0.2	114.3
OEE3: Increased contribution to the United Nations system-wide results, coordination and coherence	Programme		1.5	0.0	-	1.5
		United Nations development coordination	9.4	-	-	9.4
Total			10.9	0.0	-	10.9
OEE4: Enhanced communication for impact, resource mobilization and strategic partnerships	Programme		4.9	2.4	-	7.3
	Management (recurrent costs)	Leadership and corporate direction	20.7	-	5.9	26.6
		Corporate external relations and partnerships, communications and resource mobilization	59.2	-	22.3	81.5
	Total		84.7	2.4	28.3	115.4
Total			1,392.3	2,047.3	146.8	3,586.4

50. Figure 3 below reflects the UNFPA commitment to channel the large majority of its total resources to development outcomes (79 per cent of total). Approximately 52 per cent of total resources are devoted squarely to outcome 1 reflecting UNFPA continued focus on the ‘bull’s eye, the strategic direction reaffirmed in the strategic plan 2018-2021.

Figure 3: Indicative allocations by outcomes and outputs, 2018-2021



Allocation of resources to development outcomes:

51. The allocation of resources to the four development outcome is submitted for the consideration of the Executive Board, as part of the present integrated budget proposal. The figures reflect the results that UNFPA seeks to achieve in 2018-2021. The updated theory of change addresses the reality that sexual and reproductive health depends on several highly interactive and interdependent elements. Not addressing or achieving one element will lead to weaknesses in other elements. In this regard, sexual and reproductive health also requires a life-cycle approach with the individual at the center. The details are captured in the strategic plan, the theory of change and the accompanying targets in the integrated results and resources framework, but a few elements are important to highlight.

52. First, the focus on the bull’s eye that is described in the strategic plan is reflected clearly in the allocation of resources, as can be seen in the figure 3 above. The largest share of the Fund’s resources will be directed to improving the availability and use of integrated sexual and reproductive health services that meet human rights standards for quality of care and equity in access. Emphasis will be on increasing investments that support strengthening national capacity to develop

policies that deliver family planning services, such as through improving the supply of contraceptives and ensuring that health personnel are trained to deliver services that meet standards for quality of care and are free of coercion, discrimination and violence.

53. As outcome 1 will increase the use of quality integrated sexual and reproductive health services for marginalized adolescents and youth, the scope of outcome 2 lies beyond the health care system. With the goal of empowering all adolescent and youth, UNFPA will focus under this outcome on equipping young people with the skills and knowledge they need for their sexual and reproductive health and rights, giving them a voice in matters that affect their health and well-being and strengthening international and national investments in adolescents and youth, particularly adolescent girls, in a broad range of sectors.

54. Outcome three focuses on advancing gender equality and empowering women and girls to access to sexual and reproductive health. Empowering women and girls to reach their full potential requires that they have equal opportunities to those of men and boys. This means eliminating all forms of discrimination and violence against them, including violence by intimate partners, sexual violence and harmful practices, such as child marriage and female genital mutilation. Ensuring that women have better access to paid employment, sexual and reproductive health and reproductive rights, and real decision-making power in public and private spheres will further ensure that development is equitable and sustainable.

55. UNFPA will continue to invest in countries' national population data system and ability to identify and support population groups that are furthest behind in the achievement of the bull's eye and the ICPD agenda (outcome 4). UNFPA will support the mainstreaming of demographic intelligence to improve the responsiveness, targeting and impact of development policies, programmes and advocacy.

56. Across all of these programmatic areas, UNFPA will focus on upstream interventions such as advocacy and policy dialogue, powered by high-quality and timely knowledge management, in line with the business model.

57. The resource estimates reflect the different settings in which the organization works, based on the business model. Countries in the red quadrant which have the highest needs related to sexual and reproductive health, are projected to spend more of their programme resources on outcome 1, which focuses on sexual and reproductive health. Conversely, countries in the pink quadrant, which have relatively lower sexual and reproductive health needs, are still estimated to spend a considerable fraction of their resources on outcome 1, but may spend proportionally more on outcomes 3 and particularly 4, because most of these countries are middle income and so have more significant needs relating to, for example, emerging population issues (outcome 4).

58. Based on this methodology, it is estimated that the resources allocated to the four outcomes in the integrated results and resources framework will receive the following proportional share of overall programme resources:

- (a) Outcome 1 (integrated sexual and reproductive health services): 65.4 per cent;
- (b) Outcome 2 (adolescents and youth): 7.6 per cent;
- (c) Outcome 3 (gender equality and women's empowerment): 14.1 per cent;
- (d) Outcome 4 (population and development): 12.9 per cent.

59. Several important elements influence the interpretation of these numbers. First, the integrated results and resources framework has been designed as an integrated approach to deliver upon the bull's eye, so the outcomes are not distinct but, rather, are interrelated. This particularly affects outcome 2, as resources directed at adolescents and youth are contained in each of the four outcomes, not solely in outcome 2. For example, the work that UNFPA does to support the delivery of sexual and reproductive health services for adolescents and youth is contained in outcome 1 (to reflect the integration of these services with broader sexual and reproductive health services), rather than outcome 2.

60. Secondly, the programme strategies for the different outcomes vary based both on the setting and on the nature of the work. For example, work on outcome 3 often takes the form of advocacy and policy dialogue, whereas work on outcome 1, employs a full spectrum of strategies, ranging from advocacy and policy dialogue/advice to knowledge management, capacity development and, in some circumstances, service delivery."

61. Thirdly, these are global estimates, informed by current priorities in the ongoing country programmes, rather than precise amounts that each country is expected to spend on each outcome. The amounts that each country spends on each outcome will be determined by dialogue at the national level, and approved separately by the Executive Board. Therefore, the allocations of resources to development outcomes must be seen as indicative only.

62. Finally, these are not fully-costed estimates of what is necessary to achieve each outcome. The attainment of results at the outcome level involves the participation of many other actors – particularly national governments – besides UNFPA. The figures in table 2 represent estimates of the UNFPA contribution towards the achievement of these results, rather than the sum total necessary to reach the targets.

63. Another way to look at the allocation of resources is by using the quadrants from the business model. Countries in the red quadrant have the highest needs and lowest abilities to finance their own responses, and so receive the largest share of

resources. For the period of 2018-2021 based on quadrant countries will receive, as per table 3. The modes of engagement and the associated regular resources allocation system for country programmes are elaborated in detail in the annex IV to the UNFPA strategic plan, 2018-2021.

Table 3: Resource allocation by quadrant

Countries in the red quadrant	Countries in the orange quadrant	Countries in the yellow quadrant	Countries in the pink quadrant
56-60 per cent	14-18 per cent	7-11 per cent	15-17 per cent

Allocation of resources to organizational efficiency and effectiveness outputs

64. The organizational effectiveness and efficiency outputs are linked to resources for seven management functional clusters (harmonized with UNDP, UNICEF and UN-Women) and UNFPA-specific development effectiveness clusters. The functional clusters are groupings of organizational units that carry out activities to deliver intended outputs and constitute the conceptual link between results and resources in the results-based budgeting framework approved by the Executive Board. Certain costs classified as programme are linked to organizational effectiveness and efficiency results, in support of development outcomes.

Output 1: Improved programming for results

65. Resources allocated to this output in 2018-2021 amount to \$180.4 million (\$26.6 million in programme, 141 million in development effectiveness and \$12.7 million in management). Main areas of investment under this output include the following.

66. Reclassifying costs to better reflect the nature of the activity performed (\$18.6 million) – the overall approach to the reclassification of costs from global and regional interventions is discussed in the integrated budget by component section of this document. In relation to the OEE output 1 UNFPA is reclassifying as development effectiveness the costs of regional monitoring and evaluation advisers and regional programme advisers or support staff whose functions contribute primarily to overall programme effectiveness in the region, rather than a specific development outcome (\$7.5 million). At headquarters, the reclassified costs relate primarily to functions in technical division and programme division that do not contribute to specific development outputs, but to overall programme management improvement. Those are the posts and associated costs related to support of strategic information and measurements, programme policy, standards tools and quality assurance, programme monitoring and functions supporting the United Nations reform efforts (\$11.1 million).

67. While this is a *budget-neutral* move from an integrated budget perspective, it represents a significant increase of \$18.6 million in development effectiveness costs, fully offset by the corresponding decrease in amounts requested for the global and regional interventions.

68. Further strengthening corporate evaluation capacity (\$1.5 million) – the proposed investments confirm UNFPA commitment to continue strengthening the corporate evaluation capacity. The proposed budget is in line with the Executive Board approved Quadrennial budgeted evaluation plan, 2016-2019 (DP/FPA/2015/12), which includes nine evaluations and studies for the period 2018-2019. The justification for them remains valid in light of the outcomes of the forthcoming strategic plan, 2018-2021.

69. For the period 2020-2021, a gap analysis has been performed and consultations within the Evaluation Office as well as with other UNFPA stakeholders have been undertaken. As a result, the Evaluation Office proposes two new evaluations: a thematic evaluation of UNFPA support to integrated sexual and reproductive health and rights including HIV and STIs and an institutional evaluation of UNFPA support to South-South and Triangular Cooperation. These new evaluations and other programme evaluations and studies planned for the period 2020-2021 will be part of the next budgeted evaluation plan, to be submitted to the Executive Board for approval in 2019.

Output 2: Optimized management of resources

70. Resources allocated to this output in 2018-2021 amount to \$455.1 million (\$4 million in programme, 409.9 million in management recurrent, \$7.2 million in management non-recurrent and \$34.1 million in special purpose cost categories). Main areas of investment under this output include the following.

71. ICT transformation project (\$24.2 million) – UNFPA relies on information and communication technology (ICT) solutions for continued and increased effectiveness and efficiency of programming, resource allocation, monitoring, evaluation, reporting and oversight. The availability and use of modern technologies are critical enablers of organizational effectiveness and efficiency outputs for the strategic plan, 2018-2021 and beyond.

72. UNFPA is currently relying on an outdated and at-risk enterprise resource planning (ERP) systems to support key business operations. Other applications for programme management and business intelligence are incomplete and not integrated with one another, leading to inefficiencies and “silos” of information that inhibit information availability. The result is that business processes are more manual than necessary, and knowledge to support decision making is extremely difficult and time consuming to obtain.

73. UNFPA has developed a comprehensive ICT strategy, to address the situation. Underpinning the strategy is the ICT transformation project which will close the gaps through the deployment of business and technology architectures that provide a foundation that serves UNFPA's programme goals over the next 2-3 strategic plan cycles. A technical "enterprise information architecture" will enable fully integrated and digitized business processes, a coherent information model that simplifies the tasks of reporting and knowledge usage, and improved interoperability with UN and other partners for joint operations. UNFPA expects that the new ERP and other improved solutions will lower direct ongoing costs for enterprise applications on a steady-state basis. The new ERP will also enable further strengthening of internal controls framework and reduced risk of fraud, through controls already built in the systems.

74. Of the total estimated cost of ICT transformation project, \$20 million is classified as special purpose, as a one-time investment into the design, development, deployment, stabilization and support of the new ICT architecture during the 2018-2021 period. It comprises cost associated with application architecture improvement, development and deployment of the enterprise information architecture, customer relationship management solution implementation, maintenance and operations, cloud migration for business intelligence and reporting solution, implementation of a new ERP system, including programme management and analytics.

75. The costs that are estimated to continue as part of the ongoing support have been classified as management recurrent costs (\$4.2 million) and are associated with monitoring and maintenance of enterprise information architecture, software subscriptions, cloud services hosting and maintenance, maintenance and administration of the new ERP, and external assessment of UNFPA ICT security posture.

76. Premises capital plan (\$14.1 million) – UNFPA proposes a new approach to funding capital expenditure on its premises globally. Since 1992, such expenditure has been funded from the Reserve for field accommodation (RFA), set at a level of \$5 million per year. However recent review of the RFA shows expenditure trends below the \$5 million annual level, whilst at the same time, restrictions on its current scope prevent full coverage for all requirements in UNFPA's real estate portfolio. The Board of Auditors has also recommended that UNFPA consolidates the reserve for field accommodation within the integrated budget, rather than managing it separately in its financial statements.

77. The premises capital plan is based on a projection of real estate requirements over the next quadrennium, and is therefore aligned to the strategic plan 2018-2021. The plan will facilitate the establishment of safe working space and residential accommodation in crises areas (when required), and will ensure that all UNFPA premises are used efficiently and managed responsibly. It comprises cost projections for 'planned' and 'ongoing' premises projects, as well as

contingency allowances for emergencies and unexpected requirements that may arise over the planned period.

78. Categories of funding requirements include UNFPA share of costs involved in setting up United Nations common premises under the United Nations delivering as one strategy, changes to UNFPA leases and new acquisitions, maintenance of premises (defects, health and safety etc.), investments in initiatives such as space efficiency, accessibility, greening or risk management), replacement of furniture and equipment, field missions by technical experts in support of field office premises projects and premises management systems.

79. Reclassifying costs to better reflect the nature of the activity performed (\$3.8 million) – the overall approach to the reclassification of costs from global and regional interventions is discussed in the integrated budget by component section of this document. In relation to the OEE output 2 UNFPA is reclassifying as management the costs of posts associated with financial and information technology support to the development of the global programming system (\$1.7 million) as well as apportionment of operational costs due to change in cost classification of posts (\$2.1 million).

80. While this is a *budget-neutral* move from an integrated budget perspective, it represents an increase of \$3.8 million in recurrent management costs, fully offset by the corresponding decrease in amounts requested for the global and regional interventions.

81. In line with previous budget proposals, the Executive Director requests the Executive Board to grant him exceptional authority, similar to that in decisions 2008/6, 2012/3 and 2013/32, to access up to \$5.4 million in regular resources for security measures, in the event that unforeseen requirements arise in connection with United Nations-mandated security costs. UNFPA would limit the use of those funds to new and emerging security mandates as defined through the United Nations Department of Safety and Security (UNDSS) directives. The amount of \$5.4 million represents approximately 20 per cent of the three largest security cost components for 2018-2021, totaling \$27.1 million as follows: \$12.6 million estimated UNFPA-apportioned share of the costs of UNDSS; \$7.3 million recurring insurance and security costs fund-wide; and \$7.2 million for investments in fund-wide compliance with the minimum operating security standards and the minimum operating residential security standards.

Output 3: Increased contribution to the United Nations system-wide results, coordination and coherence

82. Resources allocated to this output in 2018-2021 amount to \$10.9 million (\$1.4 million in programme and \$9.4 million in United Nations development coordination cost categories). The latter constitutes the UNFPA share of the

contributions to the Resident Coordinator system as per currently agreed cost-sharing formula and the estimate provided by the UNDG DOCO.

83. UNFPA contribution to the United Nations system-wide results, coordination and coherence is significantly wider, and involves time, efforts and contributions from all units in the organization, at global, regional and country level, and all aspects of coordination, including programmatic and operational. However, from the resource allocation perspective, they are not reflected under this output, as discussed in paragraph 47 above.

Output 4: Enhanced communication for impact, resource mobilization and partnerships

84. Resources allocated to this output in 2018-2021 amount to \$115.4 million (\$7.3 million in programme and \$108.1 million in management recurrent cost categories). Main areas of investment under this output include the following.

85. Reclassifying costs to better reflect the nature of the activity performed (\$17.5 million) – the overall approach to the reclassification of costs from global and regional interventions is discussed in the integrated budget by component section of this document. In relation to the OEE output 4 UNFPA is reclassifying as management recurrent the costs of liaison offices in the Division for Communications and Strategic Partnerships (\$15 million), as well as the costs of producing and launching the UNFPA flagship report, the State of the World Population (\$2 million) and two global activities, the United Nations population award and Rafael M. Salas memorial lecture (\$0.5 million).

86. While this is a *budget-neutral* move from an integrated budget perspective, it represents a significant increase of \$17.5 million in recurrent management costs, fully offset by the corresponding decrease in amounts requested for the global and regional interventions.

87. Strengthened outreach, advocacy, branding, communications and resource mobilization (\$3.6 million) – in a challenging resource environment, UNFPA must strengthen its ability to advocate, communicate and showcase the results achieved. A modest investment is proposed in activities related to donor relationship and advocacy, improving UNFPA brand, social and mainstream media advocacy, as well as website/data portal development and maintenance, including the International Aid Transparency Initiative.

88. Strengthened global engagement for ICPD and SDGs (\$1.1 million) – A small investment is proposed for activities related to the global outreach for a greater awareness of and commitment to the ICPD agenda in the context of the sustainable development agenda and its follow-up processes. This includes engagement with civil society and parliamentarians for their support to the ICPD

agenda at national, regional and global levels, and other inter-governmental processes.

D. Summary of increases and decreases in the institutional budget

89. Changes to the nominal amounts in the institutional budget component are a combination of cost increases (non-discretionary items), volume changes (including corporate initiatives and investments) and efficiencies and savings. The impact of each of these elements is summarized in table 4.

90. Most of the material volume increases have been linked to the strategic plan organizational effectiveness and efficiency outputs, as detailed in the previous section. Others are the result of various areas that cannot be directly attributed to a strategic investment. Those areas, as well as volume decreases and the impact of cost increases are discussed below.

Cost increases

91. The budget incorporates non-discretionary cost increases, with a net cost increase of \$52.8 million or 8.3% over the four years.

92. These include increases in post costs to the salary-scale revisions, within-grade salary increments and other post entitlements determined by the International Civil Servants Commission. They also include provisions for after-service health insurance and for bridging the gap of unfunded liabilities for staff entitlements and operating cost adjustments resulting from inflation.

Investments in the organization – volume increases

93. Strategic investments are proposed within the integrated budget to ensure that UNFPA capacity remains commensurate with the results expected. Investments, linked to the strategic plan's IRRF as discussed above are driven by the commitments made to the Executive Board and a few key areas as outlined in previous sections.

94. Main volume increases already described and discussed within the scope of the results and resources framework are included in table 4 as items (i) through (vi).

95. In addition, UNFPA proposes an increase of \$2.1 million for the replacement of the equipment whose lifecycle has been extended due to the austerity measures, but would need replacement in the next four years. The majority relates to the replacement of vehicles older than 6 years. The remaining equipment includes copiers, printers and laptops due for replacement.

96. Other proposed investments (\$3.1 million) include global staff meeting, provision of differentiated support for field offices with highest need, costs

associated with recruitment for senior management positions and improved videoconferencing and information technology security. It also includes a net increase of \$0.25 million resulting from the realignment of positions in the field and headquarters.

Savings, efficiencies and austerity measures – volume decreases

97. UNFPA identified important reductions in the institutional budget, which are reflected as volume decreases. They include a reduction of \$1.6 million as a result of changed methodology to budget for the termination indemnities. Going forward they will be apportioned as direct costs, in line with the costs recovery methodology, thereby ensuring that costs are correctly attributed to the source of funding where the cost originally initiates.

98. In addition, \$7.5 million reduction in one-time investments is proposed, mainly due to removal of the one-time provision for the implementation of the functional review, reductions in the investments for Atlas development, information technology infrastructure, security equipment as well as documents management system.

99. UNFPA will continue its efforts to reduce costs and continue austerity measures, and will maintain a number of positions frozen, generating reductions of \$10.7 million.

100. Last but not least, UNFPA has made significant efforts to reduce costs and impose efficiencies across the organization, and will continue to do so in the next cycle, 2018-2021. They include, among others, reductions in operational expenses, travel, consultancies and hospitality etc. The proposed decrease resulting from those efforts is \$36.2 million.

101. These proposed budget reductions absorb all the statutory cost increases, plus they partially offset the proposed investments. Table 4 summarizes the costs and volume increases and decreases for 2018-2021.

Table 4: Summary of increases and decreases (in millions of dollars)

	Total	% increase / (decrease)
I. 2014-2017 institutional budget	636.1	
II. Increases and decreases due to costs		
(i) Inflation, currency and staff costs	52.8	8.3%
Net total increases due to costs	52.8	8.3%
III. a. Increases due to volume		
(i) GRI reclassification of costs	39.9	6.3%
(ii) ICT transformation	24.2	3.8%
(iii) Premises capital plan	14.1	2.2%
(iv) Strengthened outreach, branding, communications and resource mobilization	3.6	0.6%
(v) Strengthened global engagement for ICPD and SDG	1.1	0.2%
(vi) Strengthened corporate evaluation	1.5	0.2%
(vii) Replacement of equipment after austerity measures	2.1	0.3%
(viii) Other investments	3.1	0.5%
Total increases due to volume	89.5	14.1%
b. Decreases due to volume		
(i) Change in budgeting for termination indemnities	(1.6)	-0.3%
(ii) Reductions in one-time investments	(7.5)	-1.2%
(iii) Savings and austerity measures	(10.7)	-1.7%
(iv) General operating efficiencies	(36.2)	-5.7%
Total decreases due to volume	(56.0)	-8.8%
IV. Net volume increases/(decreases) (III.a + III.b.)	33.5	5.3%
V. Total 2018-2021 institutional budget	722.4	
VI. Estimated income to the institutional budget	(146.8)	
VII. 2018-2021 net institutional budget (V + VI)	575.6	

Summary of post changes

102. Table 5 provides an overview of proposed post changes in 2018-2021. UNFPA proposes a net additional 37.5 posts, 5 in the field and 33.5 in headquarters.

Table 5: Summary of post changes

	2014-2017 approved posts							Changes: increase and (decrease)						2018-2021 proposed posts						
	USG/ ASG	D2	D1	Other IP	All other	Total	% of total	USG/ ASG	D2	D1	Other IP	All other	Total	USG/ ASG	D2	D1	Other IP	All other	Total	% of total
Field		6.0	43.0	171.0	539.0	759.0	72.2%			1.0	6.0	(3.0)	4.0		6.0	44.0	177.0	536.0	763.0	70.1%
Headquarters	3.0	7.0	25.0	156.0	101.0	292.0	27.8%			2.0	25.5	6.0	33.5	3.0	7.0	27.0	181.5	107.0	325.5	29.9%
Total	3.0	13.0	68.0	327.0	640.0	1,051.0	100.0%			3.0	31.5	3.0	37.5	3.0	13.0	71.0	358.5	643.0	1,088.5	100.0%

Note: IP= international professional

103. The bulk of the proposed post changes is due to the proposed reclassification of costs from global and regional interventions, and the associated transfer of posts into the institutional budget, net 41 posts. They comprise of :

- (a) 9 additional posts in the field (7 “other international professional” and 2 “all other”)
- (b) 32 additional posts in headquarters, including liaison offices (3 D1 posts, 23 “other international professional” and 6 “all other” posts).

104. In addition, UNFPA proposes the following post changes in headquarters:

- (a) 0.5 new post in the evaluation function (“other international professional”), plus one upgrade (within “other international professional”).
- (b) 1 new post for outreach activities (“other international professional”)
- (c) 1 upgrade in activities related to the global engagement for ICPD and SDGs (“all other”, no effect on post count)
- (d) 1 downgrade in administrative function, from D1 (thus reducing D1 level and increasing (“other international professional” level)
- (e) 2 upgrades, offset by 2 downgrades, and 2 new posts, offset by 2 abolished posts

105. UNFPA proposes the following additional post changes in the field:

- (a) 1 upgrade of a Representative post, to reflect the additional complexity (thus increasing D1 level and reducing “other international professional” level)
- (b) 1 new post, offset by 1 abolished post, 4 upgrades within the “other international professional” level
- (c) 5 abolished posts, 4 downgrades, offset by 3 upgrades within the “all other” level

E. Cost recovery

106. In decision 2016/18 the Executive Board requested UNFPA in collaboration with other relevant funds and programmes, to present to the Executive Board, in accordance with decision 2013/9, all requested information on cost recovery in time to be included in the consultations on the strategic plan 2018-2021 and the integrated budget 2018-2021 at its annual session 2017. The present document includes the estimated amounts of cost recovery for 2018-2021 based on the currently approved methodology (decision 2013/9). Annex I presents detailed information based on current cost recovery methodology, as it pertains to the 2018-2021 integrated budget.

107. UNFPA, together with UNDP, UNICEF and UN-Women, engaged the Executive Boards of all four organizations and provided detailed information on actual implementation of cost recovery policy based on currently approved methodology.

108. UNFPA complied with approved indirect costs recovery rates, with very few exceptions which have been reported to the Executive Board in the Statistical

and Financial Review reports of 2014 (DP/FPA/2015/5 (Part I/Add.1), 2015 (DP/FPA/2016/2 (Part I/Add.1) and 2016 (DP/FPA/2017/4 (Part I/Add.1).

109. An analysis of the implementation of the cost recovery methodology shows that the actual effective rate for UNFPA was 7.07 per cent for 2014 and 7.10 per cent for 2015 and 7.27 per cent for 2016. This is within the range of the general harmonized rate of 8 per cent, the differentiated rate of 7 per cent for thematic contributions and the 5 per cent preferential rate for government cost-sharing contributions. The financial analysis was carried out following the approved harmonized methodology.

110. Table 6 below provides the overview of the impact of differentiated rates, legacy and waivers vs. the standard cost recovery rate for the first three years of implementation of the cost recovery methodology.

Table 6: Impact of differentiated rates, legacy and waivers vs. standard rate

IC category	Effective rates			Variance vs. standard 8% rate		
	2014	2015	2016	2014	2015	2016
IC waiver approved	5.20%	5.19%	6.71%	123,685	180,210	74,270
Legacy agreements	7%	7%	7%	901,586	646,242	279,870
Programme Country	5%	5%	5%	452,914	682,321	534,167
Standard (8% IC)	8%	8%	8%	-	-	-
Thematic Trust Funds	7%	7%	7%	1,898,992	1,505,532	1,305,214
Various umbrella agreements - EC, UN Pooled / Harmonized	7%	7%	7%	999,231	1,204,582	1,303,275
Total	7.07%	7.10%	7.27%	4,378,422	4,220,902	3,498,812

Note: Variance vs. the standard rate represents the difference between the effective cost recovery received and the cost recovery that would have been earned using the standard approved rate (8%). Thus the amount is not exactly the same when comparing the effective cost recovery received to the notional rate derived by applying the approved methodology.

The calculations exclude any cost recovery that is not credited to the Institutional Budget.

111. On the basis of actual expenditure for 2014, 2015 and 2016, management costs to be apportioned between regular resources and other resources were calculated by excluding critical cross-cutting functions, funded from regular resources. Critical cross-cutting functions for UNFPA were defined and costed strictly on the same basis as contained in the approved cost recovery methodology.

112. From remaining management costs, the amounts related to regular resources and to other resources were obtained based on the principle of full proportionality, as stipulated by the Executive Board approved cost recovery methodology. Indirect costs arising from implementation of regular resources and indirect costs arising from the implementation of other resources were estimated based on the share of actual use of resources (regular and other) for each of the three years.

113. In line with the cost-recovery decision 2013/9, development effectiveness activities arising from the implementation of programmes and projects funded from other resources is charged directly to those programmes and projects. Thus, development effectiveness costs arising from the projected growth in other resources that would have otherwise been included as part of the budget appropriation have instead been reflected as direct charges to the projects and shown under other resources programme.

114. In the context of an increasing proportion of other resources funding, cost recovery of indirect costs and charging of direct costs to programmes funded from other resources are key to ensuring the financial sustainability of the organization. Cost recovery constitutes a critical change management effort for UNFPA. In addition to internal measures geared towards ensuring full recovery and charging of all costs, UNFPA must rely on the partnership of stakeholders to ensure that agreements for programmes funded from other resources always embed the necessary direct costs.

115. A key challenge remains in ensuring that direct costs are charged to other resources. UNFPA country office configurations show that the programme regular resources are disproportionately utilized to fund positions. Within this context, UNFPA will continue to reinforce internally with its staff and to advocate externally with its partners the need for full adherence to cost recovery in all proposals funded from other resources.

III. Elements of a decision

The Executive Board may wish to:

- a) *Welcome* the UNFPA integrated budget, 2018-2021, submitted in conjunction with the UNFPA strategic plan, 2018-2021 (DP/FPA/2017/9);
- b) *Welcome* the improved results focus and enhanced linkages with the strategic plan results and harmonized methodology and presentation, including cost classification, attribution and recovery;
- c) *Take note* of the results and resource requirements in the UNFPA integrated budget estimates, 2018-2021, including linkages of results and resources, as contained in document DP/FPA/2017/10;
- d) *Approve* the presentation of activities and associated costs reflected in document DP/FPA/2017/10;
- e) *Approve* gross resources in the amount of \$ 722.4 million representing 2018-2021 estimates for the institutional budget and note that these estimates include an amount of \$146.8 million for indirect cost recovery from other resources;
- f) *Authorize* \$153.9 million of the projected regular resources, as a ceiling for global and regional interventions in the 2018-2021 period, which cannot be exceeded without the approval of the Executive Board;
- g) *Recalling* Executive Board decision 2015/3, to approve an annual allocation of \$10 million of regular resources for the emergency fund as well as one-time allocation of \$10 million of regular resources for the humanitarian response reserve, and noting the changed financial environment since then;
- h) *Approve* an annual amount of \$5 million of regular resources for the emergency fund and humanitarian response reserve (noting the authorization for UNFPA Executive Director to increase the emergency fund by up to \$2 million beyond the ceiling in a given year if the number and extent of the emergencies so warrant);
- i) *Resolve* that the appropriated amounts should be used to achieve the results of the strategic plan that are linked to these resources;
- j) *Endorse* the proposal of the Executive Director, similar to that of decisions 2008/6, 2012/13 and 2013/32, to grant him exceptional authority during 2018-2021 to access up to an additional \$5.4 million in regular resources for security measures. UNFPA will limit the use of those funds to new and emerging security mandates, as defined by the directives of the United Nations Department of Safety and Security, and will report to the Executive Board on the use of those funds in its annual statistical and financial review.

**Summary table 1: Integrated resource plan, 2014-2017 - plan versus actual/estimated
(in millions of dollars)**

1. Resources available	Integrated budget, 2014-2017 - DP/FPA/2016/3					2014-2016 actual; 2017 estimate				
	Regular resources	Other resources	Cost recovery	Total resources	Per cent of total	Regular resources	Other resources	Cost recovery	Total resources	Per cent of total
Opening balance ^{a/}	6.1	321.9		328.0		6.1	321.9		328.0	
Income										
Contributions	1,565.0	2,398.6		3,963.6		1,533.1	2,235.4		3,768.5	
Refund to donors							(12.5)		(12.5)	
Other ^{b/}	29.7	(13.0)		16.7		33.4	(44.4)		(11.0)	
Total income	1,594.7	2,385.6		3,980.3		1,566.5	2,178.5		3,745.0	
Less tax reimbursements ^{c/}	(21.3)			(21.3)		(23.0)			(23.0)	
Total available	1,579.5	2,707.5		4,287.0		1,549.6	2,500.4		4,050.0	
2. Use of resources										
A. Development activities										
A.1 Programmes ^{d/}	934.2	2,291.1	(150.4)	3,074.8	78.3	875.6	2,016.7	(135.3)	2,757.0	77.3
A.2 Global and regional interventions	231.5			231.5	5.9	216.7			216.7	6.1
A.3 Emergency fund	14.0			14.0	0.4	19.0			19.0	0.5
A.4 Development effectiveness	127.3			127.3	3.2	122.8			122.8	3.4
Total development activities	1,307.0	2,291.1	(150.4)	3,447.6	87.8	1,234.1	2,016.7	(135.3)	3,115.5	87.3
B. United Nations development coordination	8.5			8.5	0.2	8.6			8.6	0.2
C. Management activities										
C.1 Recurring costs	312.2		145.2	457.4	11.6	297.6		131.5	429.1	12.0
C.2 Non-recurring costs	11.4	-	5.3	16.7	0.4	8.9		3.8	12.7	0.4
Total management activities	323.6	-	150.4	474.1	12.0	306.5		135.3	441.8	12.4
D. Special purpose										
D.1 Capital investments										
Total use of resources (A+B+C+D)	1,639.1	2,291.1	-	3,930.2	100.0	1,549.2	2,016.7		3,566.0	100.0
3. Net amounts from (to) reserves ^{e/}	59.7	-		69.7		12.6			5.5	
4. Balance of resources (1-2+3)	0.1	416.4		426.5		13.0	483.7		489.5	
Summary institutional budget:										
A.4 Development effectiveness	127.3	-		127.3	3.2	122.8			122.8	3.4
B. UN Development Coordination	8.5			8.5	0.2	8.6			8.6	0.2
C.1 Management recurring costs	312.2	-	145.2	457.4	11.6	297.6		131.5	429.1	12.0
C.2 Management non-recurring costs	11.4	-	5.3	16.7	0.4	8.9		3.8	12.7	0.4
Total	459.4	-	150.4	609.9	15.4	438.0		135.3	573.3	16.0

a/ Regular resources opening balance for 2014 has been revised as per 2013 financial statements; other resources have been revised based on funds received and available for programming.

b/ Includes interest and miscellaneous income.

c/ Adjustment for tax reimbursements to staff who are nationals of one Member State.

d/ 'Other resources - Programmes' reflects total programme expenses as per financial statements; the cost recovery is offset to enable a comparison with the estimates in the budget document.

e/ Includes adjustments to the operational reserve as per financial regulations and rules and transfers from previous periods.

Note: 2014-2017 figures are from Table 1 of the approved midterm review of the integrated budget (DP/FPA/2016/3) to enable comparison with the 2014-2016 actual and 2017 estimate.

Note: Figures in this table and in other tables in this document are rounded to the closest decimal; therefore, they may not add up.

Summary table 2: Posts by location (institutional budget)

Cost classification/ organizational unit	USG		Other IP	All Other	Grand Total	
	ASG	D2				D1
A. <u>Development effectiveness</u>						
1. Field						
2014-2017 midterm review			6.0	59.0	74.0	139.0
2018-2021 proposal			6.0	65.0	77.0	148.0
2. <u>Headquarters</u>						
Technical Division						
2014-2017 midterm review		1.0	5.0	1.0	7.0	14.0
2018-2021 proposal		1.0	5.0	1.0	7.0	14.0
Programme Division						
2014-2017 midterm review		1.0	3.0	13.0	8.0	25.0
2018-2021 proposal		1.0	3.0	27.0	10.0	41.0
Procurement Services						
2014-2017 midterm review			1.0	3.0	6.0	10.0
2018-2021 proposal			1.0	3.0	6.0	10.0
Quality Management Unit						
2014-2017 midterm review				5.0		5.0
2018-2021 proposal				5.0		5.0
Total: A2 Development effectiveness, headquarters						
2014-2017 midterm review		2.0	9.0	22.0	21.0	54.0
2018-2021 proposal		2.0	9.0	36.0	23.0	70.0
<u>Total: A. Development effectiveness</u>						
2014-2017 midterm review		2.0	15.0	81.0	95.0	193.0
2018-2021 proposal		2.0	15.0	101.0	100.0	218.0

Summary table 2 (continued): Posts by location (institutional budget)

Cost classification/ organizational unit	USG		Other IP	All Other	Grand Total	
	ASG	D2				D1
B. Management						
1. Field (*)						
2014-2017 midterm review		6.0	37.0	112.0	465.0	620.0
2018-2021 proposal		6.0	38.0	112.0	459.0	615.0
2. Headquarters						
Office of the Executive Director (**)						
2014-2017 midterm review	3.0		2.0	10.0	9.0	24.0
2018-2021 proposal	3.0		2.0	10.0	8.0	23.0
Office of Audit and Investigation Services						
2014-2017 midterm review		1.0		19.0	4.0	24.0
2018-2021 proposal		1.0		19.0	4.0	24.0
Division for Management Services						
2014-2017 midterm review		1.0	3.0	21.0	29.0	54.0
2018-2021 proposal		1.0	2.0	23.0	29.0	55.0
Div. for Comm. & St. Partners.						
2014-2017 midterm review		1.0	3.0	19.0	13.0	36.0
2018-2021 proposal		1.0	6.0	29.0	19.0	55.0
Div Governance & Multi Affairs (*)						
2014-2017 midterm review		1.0	3.0	11.0	7.0	22.0
2018-2021 proposal		1.0	3.0	10.0	6.0	20.0
Management Information Services						
2014-2017 midterm review			1.0	23.0	4.0	28.0
2018-2021 proposal			1.0	24.0	4.0	29.0
Division for Human Resources						
2014-2017 midterm review		1.0	1.0	17.0	10.0	29.0
2018-2021 proposal		1.0	1.0	17.0	10.0	29.0
Ethics Office						
2014-2017 midterm review			1.0		1.0	2.0
2018-2021 proposal			1.0		1.0	2.0
Evaluation Office						
2014-2017 midterm review			1.0	6.0	1.0	8.0
2018-2021 proposal			1.0	6.5	1.0	8.5
Office of the Security Coordinator						
2014-2017 midterm review			1.0	8.0	2.0	11.0
2018-2021 proposal			1.0	7.0	2.0	10.0
Total B2. Management headquarters						
2014-2017 midterm review	3.0	5.0	16.0	134.0	80.0	238.0
2018-2021 proposal	3.0	5.0	18.0	145.5	84.0	255.5
Total: B Management						
2014-2017 midterm review	3.0	11.0	53.0	246.0	545.0	858.0
2018-2021 proposal	3.0	11.0	56.0	257.5	543.0	870.5
Grand Total						
2014-2017 midterm review	3.0	13.0	68.0	327.0	640.0	1,051.0
2018-2021 Regular resources	3.0	13.0	71.0	358.5	643.0	1,088.5

(*) Posts in DGM Liaison Office in Addis Abbaba included under field

(**) Includes Legal Office

Figure 4: Organizational chart (institutional budget)

