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UNITED NATIONS POPULATION FUND

UNFPA integrated budget, 2018-2021

Summary

The proposed UNFPA integrated budget, 2018-2021 presents 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 UNFPA 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 the funding environment. For 2018-2021, 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 overall decline in 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 will increase from 16.2 per cent (for the previous period) 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/2017/12.

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Annexes

(Annexes to this document can be found (in English) on the [UNFPA Executive Board website](#))

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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 the vision for transformative change 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, 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 UNFPA (represented by the “bull’s eye”), as laid out in the midterm review of the 2014-2017 strategic plan (DP/FPA/2016/2).

2. Key trends with significant implications for UNFPA during 2018-2021 include the decline in extreme poverty, which fell to below 10 per cent in 2016. However, approximately 800 million people still live in extreme poverty; Southern Asia and sub-Saharan Africa account for about 80 per cent of this figure. A 2016 World Bank study (*Poverty and Shared Prosperity: Taking on inequality*) 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; more than half of these deaths occur in sub-Saharan Africa and almost one third occur in South Asia. It is not surprising that more than half of maternal deaths occur in fragile and humanitarian settings. The World Health Organization (WHO) emphasizes that maternal mortality is a key indicator of health inequality. The United Nations Sustainable Development Goals Report 2016 notes that the high number of maternal deaths in some areas of the world reflects inequities in access to health services.

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

5. Recognizing these trends and emerging challenges, UNFPA has formulated development outcomes and organizational effectiveness outputs for the strategic plan as well as new resource investment choices to address multidimensional poverty and inequality effectively 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 utilized integrated sexual and reproductive health services and exercised reproductive rights, free of coercion, discrimination and violence.
- (b) Outcome 2. Every adolescent and youth, in particular adolescent girls, is empowered to have access to sexual and reproductive health and reproductive rights, in all contexts.
- (c) Outcome 3. Gender equality, the empowerment of all women and girls, and reproductive rights are advanced in development and 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:
- Output 1. Improved programming for results;
 - Output 2. Optimized management of resources;
 - Output 3. Increased contribution to the United Nations system-wide results, coordination and coherence;
 - Output 4. Enhanced communication for impact, resource mobilization and partnerships.

B. Financial context

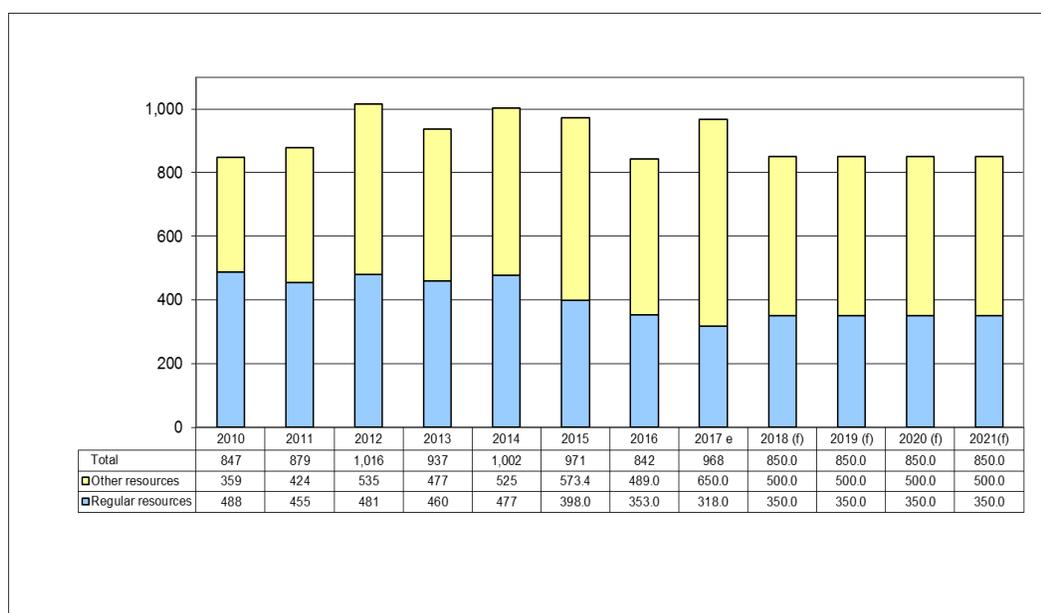
9. The present budget proposal includes the resources contributing to achieve the UNFPA integrated results framework, and is an integral part of the organization's strategic plan. The integrated budget resource projections cover the four-year period of the strategic plan, 2018-2021.

10. Over the past five years, UNFPA received a higher proportion of its income as other resources contributions. Also, the actual contribution versus the resource mobilization targets for the strategic plan 2014-2017 (agreed in 2013) were subject to vulnerabilities, driven by evolving and volatile economic and fiscal environment trends and the overall reduction of official development assistance, among others, 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 2018-2021, a reduction of 14.2 per cent compared to 2014-2017. The contributions comprise \$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 a lower contributions forecast; this reflects the realistic approach UNFPA took in response to the challenging funding environment, especially given the changing trend in donor priorities, exacerbated by the exchange rate volatility experienced during 2014-2017 cycle.
13. UNFPA funding targets remain ambitious; however, from a fiduciary perspective, the budget is prudent, given the experience of the strategic plan cycle 2014-2017.
14. After taking into account 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; this represents a decrease of \$474.2 million, or 11 per cent, compared to the previous cycle. This figure comprises projected regular resources of \$1,396.4 million and other resources of \$2,416.4 million.
15. UNFPA continues to prioritize regular resources and seeks to maintain a balance between regular and other resources, as reiterated in General Assembly resolution 71/243 (2016) on the quadrennial comprehensive policy review.
16. In this context, advancing the UNFPA resource mobilization strategy – introduced in 2015 (DP/FPA/2015/11) – is a corporate priority. UNFPA consistently emphasizes that the preferred contribution modality remains an unrestricted regular resources contribution – this forms the bedrock of sustainability and effective delivery on the UNFPA mandate, and is increasingly important in the implementation of the 2030 Agenda. The flexibility of regular resources is the most strategic and effective modality, enabling an 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 donors and important stakeholder constituencies. UNFPA will continue to explore incentives, mechanisms and funding windows to broaden its donor base, improve communications with donors, and 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 integrated resource plan for 2018-2021 in 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 | | | | 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 | - | - | - | - | 0.0% | 8.6 | - | 5.5 | 14.1 | 0.4% |
| D.2 ICT transformation | - | - | - | - | 0.0% | 20.0 | - | - | 20.0 | 0.6% |
| Total special purpose | - | - | - | - | 0.0% | 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.

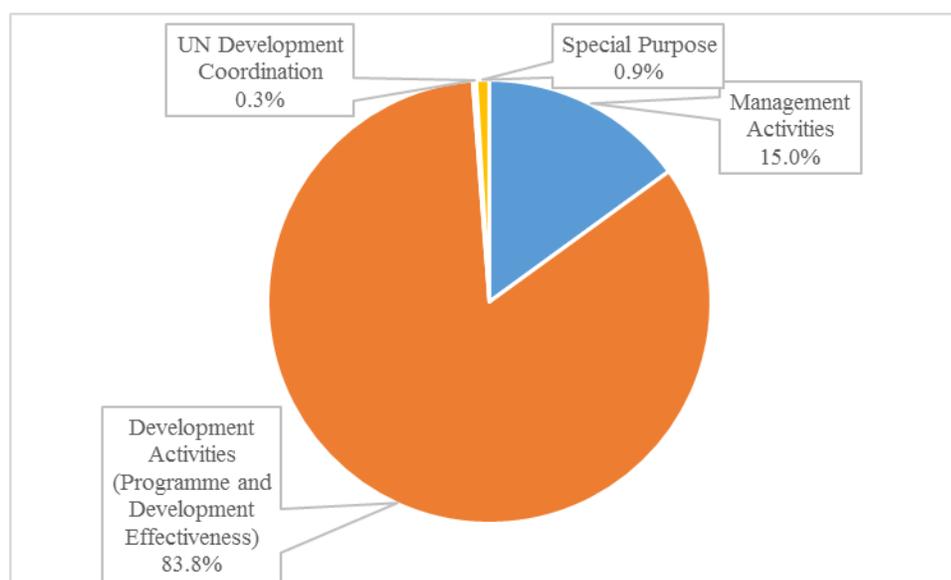
e/ Includes adjustments to the operational reserve as per financial regulations and rules, transfer from previous reserve for field accommodation and transfers from previous periods.

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 United Nations development coordination activities. UNFPA continues to dedicate the majority of its resources to development activities.

Figure 2. Allocation of available resources, 2018-2021



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

21. One of the challenges with a reduced income is the higher ratio of the institutional budget in proportion to overall use of resources; this is a reflection of the universal presence UNFPA continues to maintain, given its mandate and normative agenda, as well as its advocacy efforts at global, regional and country levels. As a relative share of the total use of resources, the institutional budget will increase 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. The preparation and implementation of a four-year budget has presented opportunities 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 unified, holistic vision for the organization. The midterm review of the strategic plan, 2014-2017 in 2016 also allowed 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 2016 quadrennial comprehensive policy review of operational activities for development of the United Nations system.

25. 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

26. The integrated budget comprises of all planned resources for development outcomes and organizational effectiveness and efficiency outputs for 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; these are explained below.

Country programmes

27. 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 4 provide an overview of the RAS and its alignment with the organization's strategic direction ("the bull's eye") and its business model.

28. 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 1 of the strategic plan). A system of relative weights of RAS indicators is used to group countries according to their 'needs' and 'ability to finance' (annex 4 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 as an indicator, which masks inequalities and variations within countries.

29. As a result, countries are grouped into quadrants, to enable UNFPA to provide tailored support and achieve greater impact. The strategic plan annex 4 contains a list of countries by quadrant.

30. 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 in 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; in these countries, service delivery may be undertaken only under special circumstances, tailored to meet the specific needs and priorities of those countries, as illustrated in the annex 4 of the strategic plan. This is consistent with General Assembly resolution 71/243 on the quadrennial comprehensive policy review. This approach responds to requests of Member States for greater support in technical cooperation, policy and advocacy. Table 2 below summarizes the use of the modes of engagements per colour quadrant.

Table 2. 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

31. Given the voluntary nature of the organization's funding and the characteristics of country programmes in terms of national ownership, the 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

32. The strategic plan will also be operationalized through global and regional interventions, comprising one global and six regional action plans. The details are captured in the strategic plan annex 6 on global and regional interventions. The direction set for these global and regional interventions will enable a greater focus on the specific priorities and needs of countries at regional and global levels.

33. Global and regional interventions were developed concurrently with the strategic plan and the integrated budget to ensure the 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.

34. UNFPA continued its commitment to review and reclassify costs that were previously in global and regional interventions (DP/FPA/2013/CRP.1) and progressively shift them to the institutional budget. Building on the process started with the midterm review of the integrated budget 2014-2017 (DP/FPA/2016/3), UNFPA closely scrutinized the classification of regular resources across programmatic and non-programmatic categories, and substantially shifted costs between them, in line with the 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.

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

36. Due 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 for 2018-2021, down from \$213.8 million in 2014-2017.

Emergency fund and humanitarian response reserve

37. 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.

38. The allocation was aimed to facilitate and strengthen the organization's rapid 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.

39. As reported at the midterm 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.

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

Institutional budget

41. 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.

42. The institutional budget is proposed at \$722.4 million, \$86.3 million higher than the comparable budget for 2014-2017. The increase is predominantly due to three factors: the transfer of \$39.9 million previously in global and regional interventions; the proposed information and communication technology (ICT) transformation project estimated at \$24.2 million; and the inclusion of the premises capital plan of \$14.1 million. Together, they amount to \$78.2 million or 90 per cent 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.

43. 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 for 2018-2021 would have been 18 per cent. UNFPA is clearly disadvantaged by economies of scale. UNFPA 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 the organization's universal presence necessary for delivery of its mandate.

44. UNFPA has therefore embarked on a comprehensive resource review to ensure optimal alignment between the strategic plan, resource allocation and organizational structures; it has been carrying out a thorough analysis that will result in recommendations for improved programmatic and operational efficiency and effectiveness at headquarters, regional and country level. This is a comprehensive, complex, multi-phased undertaking; UNFPA expects that recommendations and decisions for immediate, medium and long-term adjustments can only be made at the end of 2017. Consequently, the results are not available for the present proposal. UNFPA will update the Executive Board on the progress of the resource review on a regular basis.

C. Integrated results and resources framework

45. 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.

46. 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.

47. The link between results and resources was developed based on 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.

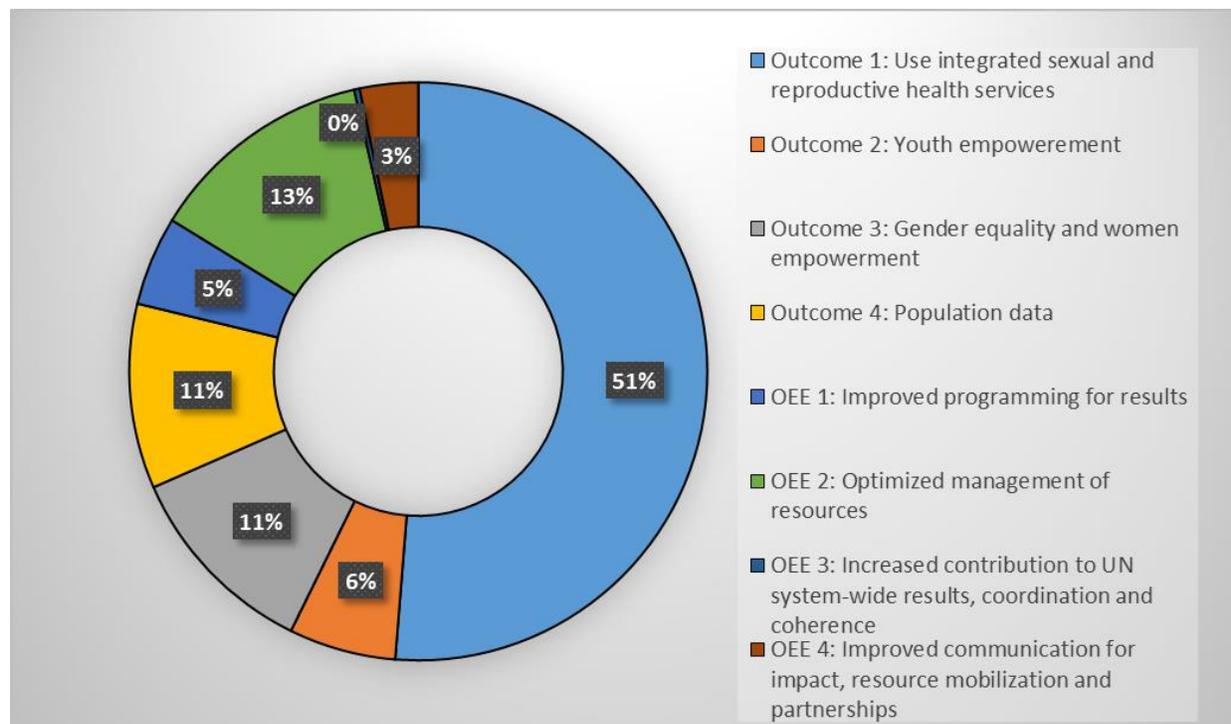
48. Table 3 below shows the high-level allocation of resources to results (allocations are indicative).

Table 3. Integrated results and resources framework, 2018-2021 (indicative)

| 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, has utilized integrated sexual and reproductive health services and exercised reproductive rights, free of coercion, discrimination and violence | Programme | | 406.9 | 1,432.2 | - | 1,839.1 |
| Outcome 2: Every adolescent and youth, in particular adolescent girls, is empowered to have access to sexual and reproductive health and reproductive rights, in all contexts | Programme | | 98.8 | 115.9 | - | 214.6 |
| Outcome 3: Gender equality, the empowerment of all women and girls, and reproductive rights are advanced in development and humanitarian settings | Programme | | 96.2 | 304.5 | - | 400.6 |
| Outcome 4: Everyone, everywhere, is counted, and accounted for, in the pursuit of sustainable development | Programme | | 188.4 | 182.4 | - | 370.8 |
| OEE1: Improved programming for results | Programme | | 15.4 | 9.8 | - | 25.2 |
| | Development effectiveness | Technical expertise for effective response to development challenges | 11.3 | - | - | 11.3 |
| | | 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 | | | 164.8 | 9.8 | 4.3 | 179.0 |
| OEE2: Optimized management of resources | Programme | | 3.3 | 0.2 | - | 3.4 |
| | Management (recurrent costs) | Corporate oversight and assurance (internal and external audit and investigations) | 22.7 | - | 10.4 | 33.1 |
| | | 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 | | | 340.1 | 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 | | 6.4 | 2.4 | - | 8.8 |
| | 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 | | | 86.2 | 2.4 | 28.3 | 116.9 |
| Total | | | 1,392.3 | 2,047.3 | 146.8 | 3,586.4 |

49. Figure 3 below reflects the organization's commitment to channel the large majority of its total resources to development outcomes (79 per cent of total). Approximately 51 per cent of total resources are devoted squarely to outcome 1, reflecting the continued focus on the 'bull's eye, the strategic direction reaffirmed in the UNFPA strategic plan 2018-2021.

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



Allocation of resources to development outcomes

50. 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 during 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 centre. 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.

51. First, the focus on the bull's eye described in the strategic plan is reflected clearly in the allocation of resources, as can be seen in 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 the 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 – improving, for instance, 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.

52. Outcome 1 will increase the use of high-quality integrated sexual and reproductive health services for marginalized adolescents and youth, while outcome 2 focuses beyond the health care system.

53. With the goal of empowering all adolescent and youth, UNFPA will focus, under outcome 2, 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 3 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 opportunities equal to those of men and boys. This means eliminating all forms of discrimination and violence against them, including violence from 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. Under outcome 4, UNFPA will continue to invest in national population data systems and in identifying and supporting those population groups furthest behind in the achievement of the bull's eye and the ICPD agenda. 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 its 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 have the highest needs related to sexual and reproductive health, and are projected to spend more of their programme resources on outcome 1 (focusing on sexual and reproductive health). Conversely, countries in the pink quadrant have relatively lower sexual and reproductive health needs but will still spend a considerable fraction of their resources on outcome 1; however, because most are middle-income countries, they may spend proportionally more on outcomes 3 and 4 as they have more significant needs relating to, for example, emerging population issues.

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): 65.1 per cent;
- (b) Outcome 2 (adolescents and youth): 7.6 per cent;
- (c) Outcome 3 (gender equality and women's empowerment): 14.2 per cent;
- (d) Outcome 4 (population and development): 13.1 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; the outcomes are not distinct but interrelated. This particularly affects outcome 2, as resources directed at adolescents and youth programming are contained in each of the four outcomes, not solely in outcome 2. For example, UNFPA support in the delivery of sexual and reproductive health services for adolescents and youth is contained in outcome 1 (reflecting an integration of these services with broader sexual and reproductive health services) rather than in outcome 2.

60. Secondly, the programme strategies for the different outcomes vary, based on both the setting and 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. Table 4 below shows the share of resources, based on quadrant, countries will receive during 2018-2021. The modes of engagement and the associated regular resources allocation system for country programmes are elaborated in detail in the annex 4 to the UNFPA strategic plan, 2018-2021.

Table 4. 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; they 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 (OEE) results, in support of development outcomes.

Output 1. Improved programming for results

65. Resources allocated to this output in 2018-2021 amount to \$179 million (\$25.2 million in programme; \$141 million in development effectiveness; and \$12.7 million in management). The main areas of investment under this output are listed below.

Reclassifying costs to better reflect the nature of the activity performed (\$18.6 million)

66. 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 advisors 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 the Technical Division and the Programme Division that do not contribute to specific development outputs, but to overall programme management improvement. These posts and associated costs are 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 a corresponding decrease in amounts requested for the global and regional interventions.

Strengthening corporate evaluation capacity (\$1.5 million)

68. 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 during 2018-2019; their justification remains valid in light of the outcomes of the strategic plan, 2018-2021.

69. For 2020-2021, a gap analysis has been performed and consultations have been undertaken within the Evaluation Office as well as with other UNFPA stakeholders. As a result, the Evaluation Office proposes two new evaluations: a thematic evaluation of UNFPA support to integrated sexual and reproductive health and reproductive 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 2020-2021 will be part of the next budgeted evaluation plan, which will be submitted to the Executive Board for approval in 2019.

Output 2. Optimized management of resources

70. Resources allocated to this output for 2018-2021 amount to \$454.6 million (\$3.4 million in programme; \$409.9 million in management recurring; \$7.2 million in management non-recurring and \$34.1 million in special purpose). The main areas of investment under this output are listed below.

ICT transformation project (\$24.2 million)

71. UNFPA relies on ICT solutions for 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) system (known as 'Atlas') to support key business operations. The current ERP software version is no longer supported by its vendor. The investment in ERP is required regardless of the solution chosen, and project costs are unavoidable. Other applications for programme management and business intelligence are incomplete and not integrated, leading to inefficiencies and "silos" of information that inhibit information availability. The result is that business processes require more 'manual' adjustments 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 programme goals over the next 2-3 strategic plan cycles (8-12 years). A technical enterprise information architecture will support fully integrated and digitized business processes, a coherent information model that simplifies the tasks of reporting and knowledge usage, and improved inter-operability with United Nations and other partners for joint operations.

74. A variety of options will be assessed, emphasizing the best value for money, including utilizing other United Nations organization resources, services and solutions, where feasible. 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 further strengthen the internal controls framework and reduce the risk of fraud, by improving controls already built in the systems.

75. 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 2018-2021. It comprises costs associated with application architecture improvement, development and deployment of the enterprise information architecture, maintenance and operations, cloud migration for business

intelligence and reporting solutions, implementation of a new ERP system, including programme management and analytics.

76. The costs estimated to continue as part of the ongoing support have been classified as ‘management recurring’ 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 the UNFPA ICT security posture.

Premises capital plan (\$14.1 million)

77. 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, set at \$5 million per year. However, a recent review of the RFA showed expenditure trends below the \$5 million annual level while restrictions on its current scope prevented full coverage for all requirements in the organization’s real estate portfolio. In addition, the Board of Auditors has recommended that UNFPA consolidate the Reserve for Field Accommodation within the integrated budget rather than managing it separately in its financial statements.

78. The premises capital plan is based on a projection of real estate requirements over the next four years, and is aligned to the strategic plan, 2018-2021. The plan will facilitate the establishment of safe working space and residential accommodation in crises areas (where 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.

79. Categories of funding requirements include the UNFPA share of costs involved in setting up United Nations common premises under the One United Nations strategy, changes to UNFPA leases and new acquisitions, maintenance of premises (defects, health and safety), investments in initiatives (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.

Reclassifying costs to better reflect the nature of the activity performed (\$3.8 million)

80. 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 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).

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

82. In line with previous budget proposals, the UNFPA 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, totalling \$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

83. Resources allocated to this output for 2018-2021 amount to \$10.9 million (\$1.5 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 United Nations Development Operations Coordination Office.

84. 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 46 above.

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

85. Resources allocated to this output for 2018-2021 amount to \$116.9 million (\$8.8 million in programme and \$108.1 million in management recurring cost categories). The main areas of investment under this output are listed below.

Reclassifying costs to better reflect the nature of the activity performed (\$17.5 million)

86. 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 recurring’ the costs of liaison offices in the Division for Communications and Strategic Partnership (\$15 million), as well as the costs of producing and launching the UNFPA flagship report, *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).

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

Strengthened advocacy, branding, communications and resource mobilization (\$3.6 million)

88. In a challenging resource environment, UNFPA must strengthen its ability to advocate and communicate the results achieved. A modest investment is proposed in activities related to donor relationship and advocacy, improving the UNFPA brand, social and mainstream media advocacy, as well as website/data portal development and maintenance, including the International Aid Transparency Initiative.

Strengthened global engagement for ICPD and Sustainable Development Goals (\$1.1 million)

89. 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. This includes intergovernmental processes and engagement at national, regional and global levels for the support to the ICPD agenda.

D. Summary of increases and decreases in the institutional budget

90. 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 below.

91. Most of the material volume increases have been linked to the organizational effectiveness and efficiency outputs of the strategic plan, 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

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

93. 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

94. 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 integrated results and resources framework (annex 1), as discussed above, are driven by the commitments made to the Executive Board and a few key areas, as outlined in previous sections.

95. The main volume increases already described and discussed within the scope of the results and resources framework are included in table 5 as items (i) through (vi).

96. In addition, UNFPA proposes an increase of \$2.1 million for the replacement of equipment where the lifecycle had been extended due to the austerity measures but would need replacement within the next four years, notably the replacement of vehicles older than 6 years. The remaining equipment includes copiers, printers and laptops due for replacement.

97. Other proposed investments (\$3.1 million) include global staff meetings, provision of differentiated support for field offices with the highest need, costs associated with recruitment for senior management positions, and improved videoconferencing and information technology security. This 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

98. 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.

99. 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 development of the Atlas ERP system, information technology infrastructure, security equipment as well as documents management system.

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

101. Finally, UNFPA has made significant efforts to reduce costs and impose efficiencies across the organization, and will continue to do so over the next cycle, 2018-2021. These include, among others, reductions in operational expenses, travel, consultancies and hospitality. The proposed decrease resulting from such efforts is \$36.2 million.

102. These proposed budget reductions absorb all the statutory cost increases, and partially offset the proposed investments. Table 5 below summarizes the costs and volume increases and decreases for 2018-2021.

Table 5. 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) Global and regional interventions reclassification of costs | 39.9 | 6.3% |
| (ii) ICT transformation | 24.2 | 3.8% |
| (iii) Premises capital plan | 14.1 | 2.2% |
| (iv) Strengthened advocacy, branding, communications and resource mobilization | 3.6 | 0.6% |
| (v) Strengthened global engagement for ICPD and SDGs | 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

103. Table 6 below 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 at headquarters.

Table 6. 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

104. 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 – a net gain of 41 posts:

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

105. In addition, UNFPA proposes the following post changes at headquarters:

- (a) A new half ‘other international professional’ post in the evaluation function; 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 the SDGs (‘all other’; no effect on post count);
- (d) 1 downgrade in administrative function, from D1 (thus reducing the D1 level and increasing the ‘other international professional’ level);
- (e) 2 upgrades, offset by 2 downgrades; and 2 new posts, offset by 2 abolished posts;

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

- (a) 1 upgrade of a representative post, to reflect the additional complexity (thus increasing the D1 level and reducing the ‘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

107. 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 1 presents detailed information based on current cost recovery methodology, as it pertains to the integrated budget, 2018-2021.

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

109. 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 for 2014, 2015 and 2016 [DP/FPA/2015/5 (Part I/Add.1); DP/FPA/2016/2 (Part I/Add.1); and DP/FPA/2017/4 (Part I/Add.1)].

110. 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, 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.

111. Table 7 below provides an overview of the impact of differentiated rates, legacy and waivers versus the standard cost recovery rate for the first three years of implementation of the cost recovery methodology.

Table 7. Impact of differentiated rates, legacy and waivers versus standard rate

| Indirect cost category | Effective rates | | | Variance vs. standard 8% rate | | |
|---|-----------------|--------------|--------------|-------------------------------|------------------|------------------|
| | 2014 | 2015 | 2016 | 2014 | 2015 | 2016 |
| Indirect cost recovery 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 rate (8%) | 8% | 8% | 8% | - | - | - |
| Thematic trust funds | 7% | 7% | 7% | 1,898,992 | 1,505,532 | 1,305,214 |
| Various umbrella agreements - European Commission, 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.

112. Based on 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.

113. 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 cost recovery methodology approved by the Executive Board. 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 (regular and other) resources for each of the three years.

114. In line with Executive Board decision 2013/9 on cost-recovery, development effectiveness activities arising from the implementation of programmes and projects funded from other resources are 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 are shown under other resources programme.

115. 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.

116. 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. 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

117. The Executive Board may wish to:

- (a) *Welcome* the UNFPA integrated budget, 2018-2021 (DP/FPA/2017/10), submitted in conjunction with the UNFPA strategic plan, 2018-2021 (DP/FPA/2017/9);
- (b) *Welcome* the improved results focus and the 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 for 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 the institutional budget estimates for 2018-2021, 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 for 2018-2021, noting that this amount cannot be exceeded without approval by the Executive Board;
- (g) *Recall* 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 *note* the changed financial environment since then;
- (h) *Approve* an annual amount of \$5 million of regular resources for the emergency fund and the humanitarian response reserve, and *reaffirm* the existing authorization for the 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, 2018-2021 that are linked to these resources;
- (j) *Endorse* the proposal of the Executive Director, similar to 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, provided these are used for new and emerging security mandates, as defined by the directives of the United Nations Department of Safety and Security, and *request* UNFPA to report to the Executive Board on the use of those funds in its annual statistical and financial review.