



UNITED NATIONS POPULATION FUND

Integrated budget, 2018-2021

Annex 3

**UNFPA responses to ACABQ recommendations
made in its report on the midterm review of the
UNFPA integrated budget, 2014–2017 (DP/FPA/2016/4)**

1. While recognizing that UNFPA has incorporated the results-based budgeting approach in its integrated budget as approved by the Executive Board, the Advisory Committee, nonetheless, requests that UNFPA provide to the Committee information on major items of expenditure under post and non-post resources, as supplementary information, to facilitate its future consideration and better analysis of the institutional component of the integrated budget. The Committee is of the view that the supplementary information should include a comparison of expenditures against planning estimates and an analysis of variances.

UNFPA has included an additional summary table 3 (institutional budget increases and decreases by expense type) in annex 1 of the integrated budget document, which provides input-based information on the institutional budget component of the integrated budget, including cost and volume elements driving the proposed budget changes.

In addition, the table below provides a comparison of the current cycle expenses and the approved institutional budget appropriation at the midterm review of the integrated budget, 2014-2017, by expense type. Since the current budget cycle is ongoing, the 2017 figures are estimates.

Table. Comparison of current cycle expenses and approved institutional budget appropriation at the midterm review of the integrated budget, 2014-2017, by expense type

Expense type	2014-2017 approved institutional budget	2014-2016 actual; 2017 estimate	Implementation rate
Posts	451.4	441.2	98%
Other personnel costs	3.4	3.6	107%
Consultants	7.0	5.7	81%
Travel	14.2	11.2	78%
Operating expenses	64.5	55.1	85%
Furniture and equipment	8.6	5.8	67%
Reimbursements	27.6	23.7	86%
Insurance and security	7.9	5.7	72%
Total	584.7	552.0	94%
Management non-recurring	16.7	12.8	77%
UN development coordination	8.5	8.6	101%
Special purpose	-	-	
Grand total	609.9	573.4	94%

Note: 2014-2017 figures are based on 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.

The implementation of the institutional budget, 2014-2017, is estimated at 94 per cent, which is a reasonable value, taking into account resource availability, further austerity measures and expenditure efficiencies that UNFPA has been implementing. It is important to highlight that the expenditure estimates for 2017 are lower than the ones included in the midterm review, due to a reduced projected income after the midterm review.

Lines with lower implementation – such as consultants, travel, operating expenses, furniture and equipment, reimbursements and insurance and security – are a result of efficiencies introduced during 2014-2017 that will continue during 2018-2021.

A similar principle applies for management non-recurrent costs, where the unspent balances are being reflected as an important reduction of the amount budgeted for 2018-2021 under this category.

As a result, all funds not expected to be utilized, in the range of \$36 million, are included in the volume decreases and efficiency savings indicated in the table 4 of the budget document.

2. The Advisory Committee is of the view that the secretariat of UNFPA, in consultation with the secretariats of UNDP and UNICEF, should conduct a lessons learned exercise on the implementation of the first harmonized quadrennial integrated budget, and they should report to their respective Executive Boards in the context of the submission of the next strategic plan and integrated budget.

The preparation and implementation of a four-year budget has presented opportunities as well as challenges for UNFPA. In particular, the alignment of the planning periods for the strategic plan and the integrated budget 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 opportunity of the midterm review has 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 2016 quadrennial comprehensive policy review (QCPR) of the operational system of the United Nations.

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 updated 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.

UNFPA has included these lessons in its integrated budget, 2018-2021 (DP/FPA/2017/10) for consideration by its Executive Board.

3. The Advisory Committee welcomes the increasing percentage of the funding of the institutional budget from cost recovery. The Committee expects that, in accordance with General Assembly resolution 67/227, the financing of all non-programme costs will be based on full cost recovery, proportionally, from core and non-core funding sources. In this regard, the Advisory Committee looks forward to receiving an update on the alignment of the cost recovery methodology with General Assembly resolution 67/226, including the findings of the independent and external assessment involving UNDP, UNFPA, UNICEF and UN-Women, in the context of the next submission of the integrated budget.

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, 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)].

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.

A key challenge remains in ensuring that direct costs are charged to other resources. UNFPA country office configurations show that 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.

UNFPA has included these and more detailed information in the integrated budget, 2018-2021 (DP/FPA/2017/10), in particular in Section E, as well as in the annex that accompanies the budget proposal.

UNFPA, together with UNDP, UNICEF and UN-Women, has been engaged with the ongoing dialogue on cost recovery with the respective Executive Boards. In addition, the independent and external assessment on the consistency and alignment of cost recovery with General Assembly resolution 67/226 of September 2016 [[DP/FPA-ICEF-UNW/2016/CRP.1](#)] provides a detailed overview on challenges as well as opportunities for the above United Nations system entities.

4. The Advisory Committee trusts that UNFPA will work with other UN system entities to ensure an integrated approach to the implementation of the 2030 and Addis Ababa Action Agendas.

Responding to the ambitious 2016 QCPR, which requests the United Nations development system entities to ensure an integrated support to the implementation of the Agenda 2030, UNFPA will continue to actively engage and support the Secretary-General's ongoing review of the United Nations development system to ensure a higher degree of integration, coordination and accountability, including through the new generation of strategic plans. Aligning these plans, both in terms of process as well as structure, help to enhance system-wide coherence.

At the country level, UNFPA and the United Nations country teams (UNCTs) are now using the revised United Nations Development Assistance Framework (UNDAF) guidance to make planning frameworks more strategic, in response to the 2030 Agenda; an increased number of UNCTs are now organized around issue-based results groups, with many bringing their policy and implementation capacities to bear upon joint products and programmes.

UNFPA, with its broad country-level presence, is engaged in the UNCTs – and in many cases leads on behalf of the UNCT – in a wide range of nationalization processes of the Sustainable Development Goals, guided by the common approach of the United Nations Development Group for coherent implementation support, known as MAPS (Mainstreaming, Acceleration, and Policy Support).
