



**Executive Board of the  
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Population Fund and the United Nations  
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**UNFPA – Financial, budgetary and administrative matters**

**UNITED NATIONS POPULATION FUND**

**INTEGRATED BUDGET FOR 2014-2017**

Report of the Advisory Committee on Administrative and Budgetary Questions

**I. Introduction**

1. The Advisory Committee on Administrative and Budgetary Questions has considered an advance version of the report of the Executive Director of the United Nations Population Fund (UNFPA) on the integrated budget for 2014-2017 (DP/FPA/2013/14). During its consideration of the report, the Advisory Committee met with the Executive Director, the Deputy Executive Directors for Programme and for Management, and other representatives, who provided additional information and clarification.

**II. Proposed integrated budget for 2014-2017**

*Format and presentation*

2. The Advisory Committee recalls that the concept of an integrated budget was formally introduced by the Executive Boards of UNDP/UNFPA and the United Nations Children's Fund (UNICEF), as part of decisions on the 2010-2011 biennial support budgets, whereby the organizations were requested to develop a single, integrated budget for each organization, beginning in 2014 (decision 2009/26, para. 16). It is indicated in the report that in accordance with the Board's decision 2010/2, the integrated budget proposal was developed on the basis of the revision and harmonization of the classification of activities and associated costs; the development of a harmonized results-based budgeting framework for management results; and a review of the cost-recovery methodology and rates and a mock integrated budget



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(DP/FPA/2013/14, para. 2). The Committee notes that, in accordance with the Board's decision 2009/27, the integrated budget for the UNFPA covers a four-year period, coinciding with the duration of the strategic plan (DP/FPA/2013/12), unlike previous institutional and support budgets, which were prepared for two-year periods. It is indicated in the report that the driving force behind the move to an integrated budget was to consider a funding proposal that encompassed all the cost categories and results of the organization within a single, integrated framework, in contrast to the former practice of submitting an institutional budget proposal that did not link results and resources to costs classified as "programme" (DP/FPA/2013/14, para. 3).

3. The Advisory Committee further notes that the presentation of requirements of UNFPA has been harmonized with that of UNDP and UNICEF with regard to the integrated resource plan for the period 2014-2017, and that, for the first time, the allocation of resources in UNFPA is presented according to the four development outcomes and three organizational effectiveness and efficiency outputs in the context of the integrated results framework (DP/FPA/2013/14, paras. 6-12). The report links the high-level allocation of resources to results-based budgeting results in the strategic plan, by resource requirements and by source of funding (ibid, table 2).

4. **The Advisory Committee welcomes the progress made by UNFPA in the budget harmonization exercise, including the improved alignment between resources and the strategic plan.**

#### *Projected resources*

5. The proposed integrated budget provides the resources for the development outcomes and organizational effectiveness and efficiency outputs in 2014-2017, including regular and other resources. According to the report, the largest share of UNFPA resources will be spent on country programmes, allocated through the resource allocation system (DP/FPA/2013/14, para. 18).

6. According to the integrated resource plan summarized in table 1 of the report, the total projected resources (regular resources and other resources) for the four-year period 2014-2017 amount to \$4,541.3 million, which comprises an opening balance of \$214.3 million and a total revenue of \$4,346.7 million, less tax reimbursements in the amount of \$19.7 million. The proposed total projected resources reflect an increase of \$1,092.4 million, or 31.7 per cent, compared with the estimate of \$3,448.9 million for 2010-2013. For 2014-2017, total regular resources are projected at \$1,973.8 million, reflecting a decrease of \$66.7 million, or 3.3 per cent, compared with \$2,040.5 million in 2010-2013. Other resources are projected at \$2,567.6 million, reflecting an increase of \$1,159.2 million, or 82.3 per cent, compared with \$1,408.4 million in 2010-2013.

7. Income from regular resources, mostly contributions, is estimated at \$1,964.6 million for 2014-2017, reflecting a decrease of \$24.2 million, or 1.2 per cent, compared with \$1,988.8 million for 2010-2013. Income from other resources is estimated at \$2,382.2 million, reflecting an increase of \$1,252.2 million, or 110.8 per cent, compared with \$1,130.0 million in 2010-2013.

As regards the use of resources, the total resources proposed for 2014-2017 is \$4,235.3 million, of which \$3,720.5 million will be used for development activities, \$8.6 million will be used for development coordination and \$506.2 million for management activities. The institutional budget component, comprising development effectiveness, United Nations development coordination and management activities, is proposed at \$664.1 million. The Advisory Committee notes that UNFPA projects that it will allocate 87.8 percent of its available resources to development activities in 2014-2017, compared to 85.4 per cent in 2010-2013. **Recalling its earlier comments (see DP/FPA/2009/11, para. 7 and DP/FPA/2012/2, para. 10), the Advisory Committee welcomes the positive trend of an increasing share of the total resources being available for programme implementation.**

8. The Advisory Committee notes that the share of other resources as a percentage of total resources available to UNFPA has grown from 40.8 per cent in 2010-2013 to 56.5 per cent in 2014-2017. The Committee was informed that, while UNFPA values the complementarity that other resources provide to its work, it continues to advocate for increased regular resources, as these unarmarked resources provide flexibility and enable an effective response to the development needs of countries.

9. Upon enquiry, the Advisory Committee was informed that the uncertainties surrounding a longer-term planning horizon (2014-2017) would be managed through various existing tools and mechanisms. The Committee was further informed that UNFPA provides annual budget allocations to its units, within the overall budget appropriation, in order to align those allocations with the income projections and resources available at the time, and that the midterm review of the integrated budget would provide the opportunity to assess the appropriateness of the budget assumptions and to adjust them if necessary.

10. In this regard, the Advisory Committee was informed that UNFPA continuously monitors actual income received in order to be proactive in the management of the associated risks. Moreover, UNFPA maintains an operational reserve, in accordance with its Financial Regulations and Rules (reg. 15.2), to cater for short-term cash-flow shortages. The Committee was informed that the operational reserve is intended to cover downward fluctuations or shortfalls in resources, uneven cash flows, increases in actual costs as compared to planning estimates and fluctuations in delivery and other contingencies. **The Advisory Committee encourages UNFPA to continue to build on sound financial management practices to minimize disruption in planned development activities.**

11. It is indicated in the report that in line with Executive Board decision 2012/27, the integrated budget will be reviewed together with the midterm review of the strategic plan (DP/FPA/2013/14, para. 5). The Advisory Committee notes that financial regulation 11.10 of the UNFPA Financial Regulations and Rules stipulates that the Executive Director shall prepare supplementary proposals to amend the institutional budget in a form consistent with the approved institutional budget and shall submit such proposals to the Executive Board, and that they shall also be submitted to the Advisory Committee. Upon enquiry, the Committee was informed that UNFPA intends to present the midterm review of the integrated budget through the

Advisory Committee, whose report is considered by the Board together with the proposed budget or revision. **In view of the uncertainties associated with the resource projections and the costing assumptions over a four-year period, the Committee looks forward to the midterm review of the integrated budget for 2014-2017, which will be an important opportunity to assess integrated budget formulation and its implementation.**

12. **While recognizing that UNFPA has incorporated the results-based budgeting approach into its integrated budget, 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 analysis of the UNFPA institutional portion of the integrated budget.**

### **III. Institutional portion of the integrated budget for 2014-2017**

13. The institutional portion of the integrated budget amounts to \$664.1 million in 2014-2017, compared to \$587.4 million in 2010-2013, comprising 15.7 per cent of the total use of resources in 2014-2017, compared to 18.2 per cent in 2010-2013. The increase of \$76.7 million, 13.1 per cent, over 2010-2013 levels in the institutional portion of the integrated budget is attributable to the net impact of volume changes, including corporate initiatives and investments; non-discretionary cost increases; and efficiencies and savings (DP/FPA/2013/14, para. 87), which are summarized in table 4 of the report. The institutional portion of the integrated budget is proposed to finance a total of 1,009 posts in 2014-2017, compared to 997 in 2010-2013. The Advisory Committee was informed, upon enquiry, that 742 of the proposed posts are located in the field and 267 are located at Headquarters. The proposed staffing changes for 2014-2017 are outlined in paragraph 100 of the report.

#### *Cost recovery*

14. The Advisory Committee recalls that the UNFPA cost-recovery rate had been harmonized in 2005 with UNDP and UNICEF at 7 per cent for projects funded from donors and 5 per cent for projects funded from the programme country (see DP/FPA/2012/2, para.18). The Committee had been informed, during its consideration of the institutional budget for 2012-2013, that the rates and methodology would again be reviewed jointly with UNDP and UNICEF in 2013, within the context of the new integrated budget for 2014. The Committee notes that the proposed integrated budget for 2014-2017 is based on a new methodology for the calculation of cost recovery and a new, higher base rate of 8 per cent, and a preferential rate of 5 per cent for government cost-sharing. Income from cost recovery in 2014-2017 is estimated at \$166.7 million, compared to \$85.6 million in 2010-2013, an increase of \$81.1 million, or 94.7 per cent (DP/FPA/2013/14, para.34). **The Advisory Committee notes the progress achieved in the harmonization of the cost-recovery methodology and welcomes the increasing proportion of the institutional portion of the integrated budget funded from cost-recovery income in UNFPA. The Committee expects a further update on this issue in the context of the midterm review of the integrated budget in 2015.**

15. **The Advisory Committee recommends that the Executive Board approve the proposed institutional portion of the UNFPA integrated budget for 2014-2017.**

#### **IV. Other matters**

##### *Policies on information technology and communications equipment and vehicles*

16. The Advisory Committee requested information on UNFPA policies related to the allocation of information technology and communications equipment and vehicles for staff. The Committee was informed that under the proposed integrated budget all staff are entitled to one computer. However, as UNFPA subscribes to a one-to-one ratio, staff are not entitled to both a desktop and laptop computer. Staff having a desktop computer may use a shared laptop for travelling or for occasional home use. The Committee was also informed that procurement for most information technology hardware follows a four-year replacement cycle. The Committee was informed that, based on the current policy of allowing up to a 50 per cent surcharge over Headquarters pricing, the local procurement of a desktop or laptop is encouraged, as long as cost does not exceed a ceiling of \$1,300 for computers or \$2,200 for laptops, and if local costs exceed these amounts, procurement through Headquarters is recommended.

17. Regarding vehicles, the Advisory Committee was informed that each field UNFPA office with a Representative is entitled to one representational vehicle. Representational vehicles may only be replaced when the vehicle has reached 100,000 miles (160,000 kilometres) or five years of age, which is included as part of the institutional budget estimates. The Committee was further informed that there is a maximum amount that is allowed for the purchase of the representational vehicles. Regarding programme vehicles, needs are assessed by a Regional Office on the basis of the size of the programme; the number of field staff; the number of projects and their geographical distribution; the availability and access to the United Nations car pool and car rentals; the geographical characteristics and quality of public transportation of the duty station; and the availability of programme funds. The Committee was also informed that armoured vehicle requests are referred to the UNFPA Security Office for their approval and clearance, in accordance with the minimum operating security standards (MOSS).

18. **The Advisory Committee recommends that the Executive Board explore efficiencies in the procurement of information technology and communications equipment and vehicles, including through the establishment of systems contracts with suppliers. The Committee further requests that UNFPA provide to the Committee updated information with respect to the policies governing the procurement and the allocation of information technology and communications equipment and vehicles as supplementary information to the integrated budget in the context of the midterm review in 2015.**

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