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United Nations Population Fund

**Report of the Advisory Committee on Administrative and
Budgetary Questions on the midterm review of the UNFPA
integrated budget, 2022–2025**

Summary

The enclosed report of the Advisory Committee on Administrative and Budgetary Questions on the midterm review of the integrated budget of UNFPA for 2022-2025 is being presented before the Executive Board at its annual session 2021.

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I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered an advance version of the United Nations Population Fund (UNFPA) midterm review of the integrated budget, 2022-2025 (DP/FPA/2024/3). During its consideration of the report, the Advisory Committee met with representatives of the Fund and was provided with additional information and clarification, concluding with written responses received on 4 April 2024.

II. Midterm review of the UNFPA integrated budget

Overview

2. The report of the Executive Director indicates that the midterm review of the UNFPA integrated budget for 2022-2025 reviews the strategic and financial context within the 2030 Agenda for Sustainable Development and its implications on resource estimates, allocations and results. The report should be considered in conjunction with the midterm review of the UNFPA strategic plan for 2022-2025 (DP/FPA/2024/4 [Part 1]). The Advisory Committee notes that total available resources for 2022-2025 will amount to \$6.65 billion and that revised income estimates for the period are estimated to increase from \$1.65 billion to \$1.7 billion for regular resources while other resources are estimated to increase from \$4.1 billion to \$4.9 billion. Accordingly, proposed adjustments to the integrated budget for the period include: an increase under development activities from \$4.5 billion to \$5.4 billion, or 20 per cent, comprising 88.3 per cent of total resources, as compared to 86.8 per cent projected in the approved integrated budget, and an increased appropriation for the institutional budget of \$872.3 million, an increase of 3.9 per cent. It is noted, however, that the proportion of total resources utilized for the institutional budget would decrease from 16.2 per cent to 14.3 per cent in the revised integrated budget for the period (DP/FPA/2024/3, summary and table 1). Annexes to the report contain an organizational chart and four summary tables that provide additional information on financials and posts related to the midterm review of the integrated budget for 2022-2025.

Financial context

3. The Advisory Committee notes that UNFPA projects total available resources for 2022-2025 to increase by \$895.3 million, or 15.6 per cent, compared with the approved integrated budget for 2022-2025. This comprises projected regular resources of \$1,709.0 million and projected other resources of \$4,940.3 million (*ibid.*, para. 18 and table 1). It is, however, also indicated in the report that, against the backdrop of strong fundraising performance, the quality of UNFPA funding is deteriorating with regular resources largely stagnant and projected to drop from 28.7 per cent to 25.7 per cent of total funding (*ibid.*, para. 12). Upon enquiry, the Advisory Committee was provided with information on actuals as compared to targets for regular and other resources income for the period 2014-2025, reproduced below:

Table 1
Contributions by funding category, actuals vs. targets, 2014-2025

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023 (e)	2024 (f)	2025 (f)
Regular resources	477	398	353	350	379	373	417	408	439	382	370	330
Other resources	529	581	486	718	877	997	811	994	1,089	1,059	933	1,037
Total	998	973	833	1,062	1,256	1,370	1,228	1,401	1,527	1,441	1,303	1,367
Actual share of regular resources	47.8%	40.9%	42.4%	33.0%	30.2%	27.2%	34.0%	29.1%	28.7%	26.5%	28.4%	24.1%
Target - regular resources	476	478	482	486	350	350	350	350	377	378	370	330
Target - other resources	542	573	611	656	525	525	650	650	729	831	933	1037
Target - Total	1,018	1,051	1,093	1,142	875	875	1,000	1,000	1,106	1,209	1,303	1,367

Note: Values in top rows from 2014 through 2022 are actuals as per financial statements, 2023 are estimates (e) 2024 and 2025 are forecasts (f) underlying the integrated budgets on a modified cash basis

4. The Advisory Committee, while commending the strong fundraising efforts by UNFPA, notes with concern the steadily declining share of core resources over the period 2014-2025 and trusts that further clarifications regarding the impact of this trend on the delivery of mandates will be provided to the Executive Board at the time of its consideration of the present report.

5. The Advisory Committee requested, but did not receive, detailed information on actual expenditures for the period 2022-2025 to-date and was informed in this regard that UNFPA provides the comparisons of budgets to actual expenditures for multiple years during the formulation of the integrated budget, as more than one year of closed financial data is available at that point. Accordingly, the Committee was provided with information on actual expenditures for the year 2022 only, which was reproduced from the Annual Report of the Executive Director for 2022. **The Advisory Committee is of the view that financial performance should be tracked throughout each year of budget implementation and provided as supplementary information to budget submissions. The Committee reiterates its long-standing position that UNFPA's budget reports should present clear and transparent comparison of the resources proposed under each budget component with actual expenditures, broken down into post and non-post categories and by major items of expenditure. The Committee trusts that such data should be available in real time through the enterprise resource planning solutions. The Committee is further of the view that the format of presentation and the level of granularity of financial data should, to the extent possible, be standardized across all three organizations under the Executive Board.**

III. Revised integrated budget, 2022-2025

Institutional budget

6. The report provides information on the updated institutional budget of UNFPA, of which over half is allocated to UNFPA regional and country offices (*ibid.*, paras. 41-42 and table 3). It is indicated that the revised institutional budget is proposed at \$872.3 million, an increase of \$32.4 million, or 3.9 per cent, as compared with the approved budget of \$839.9 million for 2022-2025. The increase is driven by staff cost increases (\$12.8 million) and proposed investments which cut across the organizational effectiveness and efficiency outputs (\$19.6 million net). Investments in the institutional budget reflect high-level priorities, including one-time costs of UNFPA headquarters optimization (\$9.7 million), one-time costs of moving the UNFPA New York office (\$4.3 million), and investment in oversight capacity (\$4.0 million) (*ibid.*, paras. 43-44; see also paras. 10-11 below).

7. The report indicates that while the nominal appropriation for the institutional budget will increase, its relative share of the total use of resources will decrease from 16.2 per cent to 14.3 per cent. Upon enquiry, the Advisory Committee was informed that the decrease in the institutional budget ratio is due to the fact that the proposed institutional budget is projected to grow significantly less than projected contributions compared to the originally approved integrated budget. The Committee was further informed that this trend also reflects a commitment to dedicate resources to programming as much as possible, and only selective investments within the institutional budget.

8. The Advisory Committee notes that the proportionate share of the recurring management costs to the total use of resources will decrease from 11.3 per cent to 9.7 per cent compared to the approved integrated budget (*ibid.*, para. 45). Upon enquiry, the Committee was provided with a table on the evolution of cost classification categories for the integrated budget for the period 2014-2025 (see annex I). **The Advisory Committee notes that management costs have increased by more than 17 per cent since the previous midterm review, for the period 2018-2021, from \$503.9 million to \$594.1 million, and trusts that further clarification of the increase will be provided to the Executive Board at the time of its consideration of the present report.**

Increases and decreases in the institutional budget

9. It is indicated in paragraph 79 of the report that changes to the nominal amounts in the institutional budget component are a combination of cost increases (non-discretionary and fiduciary items), volume changes (including corporate initiatives and investments), and efficiencies and savings. The impact of each of these elements is summarized in paras. 81-85 and table 5 of the report.

10. With regard to volume changes related to corporate initiatives and investments, the Advisory Committee notes the programming of resources under organizational efficiency and effectiveness outputs for three high-level priority investments, namely:

- (a) *Headquarters optimization*: resources under organizational efficiency and effectiveness output 1, improved programming for results, would provide for \$9.7 million in funding for headquarters optimization, which includes a number of changes to the organizational structure proposed to be implemented by the end of 2025 (*ibid.*, para. 65). It is also noted that, due to its completion by year-end 2025, the related position changes will be included in the upcoming integrated budget, 2026-2029, and that accruing annual savings of approximately \$3 million under staff costs, rental and other operating costs, will be reflected starting 2026 (*ibid.*, paras. 66-67). Upon enquiry, it was confirmed to the Advisory Committee that the one-time costs related to headquarters optimization were captured in the midterm review, 2022-2025, and that the relocation of functions from New York to Nairobi had a number of benefits, including enhanced support to regional and country offices. The Committee was also informed that, in New York, a Programme Liaison Branch, comprising programme and technical expertise, will, along with the Intergovernmental, Interagency and

Policy Dialogue Branch, the Executive Board Branch, and senior management, continue to support normative, intergovernmental, and inter-agency processes. **The Advisory Committee welcomes the efforts of UNFPA to bolster its presence in the field and trusts that details of the organizational restructuring (see also para. 12 below) as well as updated information with regard to the impact of headquarters optimization will be provided to the Executive Board and in future reports.**

- (b) *New York premises relocation*: resources under organizational efficiency and effectiveness output 2, optimized management of resources, would provide for \$4.3 million in one-time funding for the relocation the UNFPA New York premises to new facilities following the conclusion of the current lease in 2025. It is indicated that the related savings will be reflected from 2026 onwards (ibid., para. 70). The Advisory Committee was informed, upon enquiry, that the expected savings due to accrue from the move to new premises in New York would amount to approximately \$1.4 million dollars annually under the rental of premises budget item.
- (c) *Oversight capacity*: resources under organizational efficiency and effectiveness outputs 1 and 2 would also provide, respectively, for \$1.3 million and \$2.7 million in funding to strengthen the Independent Evaluation Office covering humanitarian evaluations and meta-synthesis (para. 68), and provide additional temporary capacity to the Office of Audit and Investigation Service (OAIS) Investigation Branch to address case backlog in the 2022-2025 period (ibid., para. 71). The Advisory Committee was informed, upon enquiry, that UNFPA investment in oversight has more than doubled since 2016 and that the caseload at OAIS has grown from 112 in 2019 to 167 new cases in 2023, with the number of cases requiring preliminary review and triage growing by 50 per cent over the same period. It was further indicated to the Committee that 46 per cent of new cases constitute fraud/financial irregularity cases, and 22 per cent relate to sexual misconduct. Combined with its backlog from prior years, OAIS caseload in 2023 amounted to 404, representing a 40 per cent increase compared to 2021.

11. Upon enquiry, the Advisory Committee was provided with a table summarizing investments in the institutional budget, including those listed in paragraph 10 above, and their financial and personnel-related assumptions (see annex II). **The Advisory Committee considers that detailed planning and financial assumptions underpinning proposed investments in the institutional budget, including a breakdown of post and non-post resources, should be provided in future reports as a matter of course and trusts these will be included, as appropriate.**

12. With regard to cost decreases, the Advisory Committee notes that the Fund has identified reductions of \$7.0 million in the institutional budget, of which \$3.9 million relates to the reclassification of functions and activities previously included within the institutional budget (DP/FPA/2024/3, para. 83). Upon enquiry, the Advisory Committee was informed that, with each budget formulation and office restructuring, UNFPA reviews all functions to ensure alignment with the joint harmonized approach to cost classification and cost recovery as approved by the UNFPA Executive Board. This is necessary because the programmatic and operational reality evolves in different offices given changes to functions, office structure, and funding structure. The Committee was further informed that the present reclassification primarily involves activities in the innovation function, where novel technologies and approaches are brought to bear on programming challenges in order to further improve the impact of UNFPA and provide value for money. With the present midterm review, whenever innovation functions are directly related to programme outputs, they are now also considered programmatic in terms of the cost classification, whereas they were previously considered to be an indirect cost funded from the institutional budget. The Committee was also informed that, based on the midterm review, other functions were also reclassified, including programmatic functions at the regional level, as well as programmatic functions at different levels that are now funded by other resources.

13. With regard to cost increases, it is indicated in the report that the institutional budget includes increases of \$12.8 million, or 1.5 per cent, to cover cost increases related to inflation, currency and staff costs for 2024 and 2025. Post changes in the institutional budget are summarized in paragraphs 87-91 and table 6 of the report, with the following notable proposals:

- (a) The proposed upgrading to the D-1 level of three Representative positions in the Ukraine, the State of Palestine, and Bosnia and Herzegovina (DP/FPA/2024/3, para. 87). Upon enquiry, the Advisory Committee was informed that the proposed upgrades of positions in the Ukraine and the State of Palestine reflected the increased complexity of functions, while the proposal to upgrade the position in Bosnia and Herzegovina was due to the broader portfolio under management in the Western Balkans. The Advisory Committee underscores that reclassifications of posts should always be accompanied by detailed justifications showing the increased complexity of functions and recalls its recommendation (see AC/2114, para. 26) that the classification of posts should be based on classification standards promulgated by the International Civil Service Commission.
- (b) The proposed net increase of 15 posts in the “other international professional” category at UNFPA headquarters (New York and other) locations in support of investments outlined in paragraph 10 above, with 12 of the posts proposed to be located in non-New York duty stations (*ibid.*, para. 90 (a)). It is indicated in the report that the net increase of posts does not take into account the impact of headquarters optimization, including the move of units from New York to Nairobi, which will be reflected in the integrated budget for 2026-2029. Upon enquiry, the Advisory Committee was informed that, as regards the institutional budget, there is a net increase of 5 posts as indicated in table 6 of the report, with an increase of only 3 posts at the New York headquarters.
14. The Advisory Committee requested, but did not receive, detailed information on staffing at country and regional offices by level, nationality, function, incumbency status, date of vacancy and date of establishment. The Committee was instead provided with the general table below, which outlines the broad categories of staffing for UNFPA:

Table 2
Staffing information

Location	USG, ASG, D2, D1	Other IP	All others	Total
Headquarters - NYC	33	286	87	406
Headquarters - Other locations	14	150	118	282
Regional/Subregional Offices	16	207	283	506
Country Offices	44	483	3,939	4,466
Total	107	1,126	4,427	5,660

Notes:

1. “Other IP” contains international professional positions at P5 level and below. “All others” contains general service positions, national professionals as well as UNVs and service contracts.
2. “Headquarters” includes positions in locations where UNFPA does not have a programme engagement, but has offices (includes NYC, Geneva, Brussels, Copenhagen, London, Tokyo, Seoul and Washington) and positions belonging to headquarters business units, but outposted to other locations.
3. “Field” includes locations where UNFPA has programmatic engagement, includes regional/subregional offices and country offices.
4. The number of positions is not static in a voluntary funded organization, since they are linked to the programme needs and funding raised.

15. The Advisory Committee is of the view that all staffing changes should be clearly presented with details regarding the level, nationality, function, organizational placement and incumbency status of posts, so as to enhance transparency in human resources management and enable a more meaningful analysis. The Committee is also of the view that the approach

should, to the extent possible, be standardized across all three organizations under the Executive Board.

16. Annex 3 to the report provides information regarding staff gender balance at the Fund by level and category for the years 2022 and 2023, as outlined below.

Table 3
Gender ratio per staff category, 2022 and 2023

Staff level	31-Dec-22			31-Dec-23		
	Female	Male	Ratio (F/M)	Female	Male	Ratio (F/M)
Director (D)	51	44	54/46	52	46	53/47
Professional (P)	427	352	55/45	471	378	55/45
National Professional Officer (NO)	537	440	55/45	550	469	54/46
General Staff	647	740	47/53	677	777	47/53
Total staff	1662	1576	51/49	1750	1670	51/49

17. The Advisory Committee notes that balance skews towards female representation at the National Professional Officer level and above, with an average of 55 per cent female to 45 per cent representation, while staff at the General service category is predominantly male, reflecting a ratio of 47 per cent female to 53 per cent male for both years. For all staff categories, the Committee notes that overall female and male representation are near parity in both 2022 and 2023, at 51 and 49 per cent, respectively.

18. With regard to geographical representation, it is indicated in annex 3 that by year-end 2022 and 2023 staff regional group representation in the Professional and higher category was, respectively: 28 and 31.4 per cent from African States, 19.0 and 20.7 per cent from Asia-Pacific States, 3.3 and 3.5 per cent from Eastern European States, 5.3 and 6.3 per cent from Latin American and Caribbean States, and 40.0 and 37.8 per cent from Western European and other States. Upon enquiry, the Advisory Committee was informed that while UNFPA does not have specific targets for achieving geographical representation, the Fund recruits staff on as wide a geographical basis as possible, in line with article 101, paragraph 3, of the UN Charter.

19. The Advisory Committee notes the progress made by UNFPA in the regional diversification of its staff population in the Professional and higher categories, in particular with regard to the increased proportion of staff from states in the African, Asia-Pacific and Latin American and the Caribbean regions, and trusts that updated statistics on geographical representation and gender balance will continue to be provided in future budget reports.

Cost recovery

20. The report indicates that the joint comprehensive cost recovery policy, approved by the Executive Board in its decisions 2019/21 and 2020/12, results in a notional cost recovery rate of 8.1 per cent. It is also indicated that the Executive Board will decide on the review of the joint comprehensive policy at its second regular session in 2024 and that UNFPA, UNDP, UNICEF, and UN-Women have engaged their executive boards and provided information for the review (ibid., paras. 92 and 94). Upon enquiry, the Advisory Committee was provided with an overview of notional and effective rates over the period 2018-2025, reproduced below.

Table 4
Effective and notional cost recovery rates, 2018-2025

	2018	2019	2020	2021	2022	2023	2024-2025
Effective rate	7.26	7.25	7.22	7.25	7.32	N/A	N/A
Notional rate	11.7	10.6	10.3	10.3	9.5	9.5	8.1
Source of notional rate	IB 18-21	IB 18-21 Rev.	MTR 18-21	MTR 18-21	IB 22-25	IB 22-25	MTR 22-25

21. The Advisory Committee was informed, upon enquiry, that UNFPA distinguishes between three cost recovery rates:

- (a) *The approved rate*, currently 8.0 per cent, with some differentiated rates, which is set by the Executive Board for UNFPA and the three other agencies (UN-Women, UNDP and UNICEF), which is the rate UNFPA can apply on the respective agreements signed with the donors;
- (b) *The effective rate*, which is calculated retroactively and relates to the actual cost recovery charged to the other resources implemented (excluding cost recovery) over a given timeframe. UNFPA reports on its effective cost recovery rate with the Executive Director's Annual Report. For 2022, UNFPA's net effective rate was 7.3 per cent; and,
- (c) *The notional rate*, which is calculated prospectively at the time of budget preparation and is based on the Board-approved methodology to reconcile the rate UNFPA would be required to charge other resources agreements in order to recover exactly the fair share of the institutional budget. As indicated above, this rate is 8.1 per cent with the proposed midterm review of the integrated budget.

22. The Advisory Committee was also informed, upon enquiry, that, in the cost recovery methodology approved by the UNFPA Executive Board, jointly with UN-Women, UNDP and UNICEF, the notional rate is driven by the recoverable institutional budget and the planned use of resources and the notional rate decreased to 8.1 per cent in the midterm review as total resources (specifically non-core resources) grew substantially compared to the initial budget, whereas the institutional budget grew only by 3.9 per cent. Annex 2 of the budget report provides further details of the policy, cost classifications and the notional rate methodology. **The Advisory Committee acknowledges the detailed information provided regarding cost recovery in the budget report, including in response to its earlier recommendation (see annex 3 of the budget report), trusts that the Fund will strive to minimize divergence between the three cost recovery rates, and looks forward to receiving an update on the review of the cost recovery policy in future budget reports.**

IV. Other matters

Integrated resource plan and budget components

23. Section III.A of the report indicates that UNFPA continues to channel the majority of resources to development activities, which are projected to increase to 88.3 per cent of the total share of resources in the revised integrated budget. Development coordination activities are proposed to remain stable at 0.3 per cent of total resources, while management activities would decrease from 11.3 per cent of total resources to 9.7 per cent. Special purpose resources are proposed to increase from 0.4 per cent to 0.6 per cent due primarily to one-time costs associated with (a) UNFPA HQ optimization and (b) relocation to new premises in New York (see paras. 10-11 above). It is further indicated that procurement activities are excluded from the integrated budget

presentation and that the total available resources have been adjusted by \$22.6 million for projected tax reimbursements (DP/FPA/2024/3, paras. 21-26).

24. Section III.B of the report provides an overview of allocation mechanisms of funding. The report indicates that the integrated budget comprises all planned resources for development outcomes and organizational effectiveness and efficiency outputs for 2022-2025. It is noted that while for all funding sources, programme design is aligned with the strategic plan, the allocation mechanisms differ: for other resources, allocation is usually done in close cooperation with the respective donors and stakeholders; for regular resources, allocation mechanisms include the country, global and regional levels. Programme components, comprising national, global and regional interventions, and the emergency fund, will increase by a total of \$903.3 million, or 20.9 per cent (ibid., paras. 28-29 and table 2).

25. The report indicates that the largest share of UNFPA resources will continue to be channelled to country programmes for the attainment of the three UNFPA transformative results under the strategic plan (ibid., para. 5), with an envisaged increase of \$827 million, or 21.5 per cent, to strengthen country programmes. Upon enquiry, the Advisory Committee was informed that UNFPA country programmes are developed under national ownership and their timelines follow national planning cycles which do not align with the integrated budget preparation cycle. Programming of UNFPA resources is therefore indicative only and can change over time, although it is linked to the UNFPA strategic plan, thereby assuring alignment of decentralized country programmes with the corporate strategy. Once expenditures are retrospectively confirmed, their linkage to outcomes and outputs is included in the Executive Director's Statistical and Financial Review to the Executive Board. **The Advisory Committee underscores the importance of close alignment between the different planning cycles and levels and trusts the Fund will explore ways to enhance cohesion between all budget components in order to strengthen the link between resources and results and enable a holistic real-time overview of resource utilization.**

System-wide shared services and efficiency agenda

26. Upon enquiry, the Advisory Committee was informed that UNFPA is involved in several aspects of the UN efficiency agenda, including Business Operations Strategy (BOS), Local Shared Services Centres (LSSC), also known as Common Back Offices (CBO), Common Premises (CP), and Global Shared Services (GSS). The Fund participated as a co-chair in the Business Innovations Group (BIG), facilitating discussions on these matters; by the end of 2023, UNFPA reported to UNDCO \$7.7 million in efficiency gains from its initiatives, contributing to a cumulative savings of \$43.1 million since the agenda's inception in 2019. UNFPA extensively utilizes services from other UN entities, outsourcing four essential global services, with the exception of vehicle procurement to prevent redundancy. Despite its long history of service outsourcing, the financial efficiencies related to GSS have been limited. UNFPA is involved in 127 BOS initiatives worldwide and has a significant engagement in CP, with a 78 per cent participation rate. In terms of LSSC, a UNDCO-led initiative aimed to activate six LSSCs in high-volume locations in 2023, but only the Kenyan LSSC has become operational to-date in 2024. The Committee was also informed, upon enquiry, that UNFPA is a service recipient within the Secretary-General's efficiency agenda, aiming to avoid duplication of efforts by not offering services to sister entities. Instead, the Fund focuses on purchasing services and acts as an anchor or pilot client for initiatives like UNDP HR and UN Fleet. Locally, UNFPA seeks to outsource services to sister entities, as evidenced by its collaboration with UNDP.

Collaboration with the resident coordinator system

27. The Advisory Committee was informed, upon enquiry, that the United Nations Development System reform has strengthened the UNFPA as a strategic partner in the areas of gender, youth and data, and that UNFPA continues to actively engage at the global level in inter-agency mechanisms and to participate in the five Regional Collaborative Platforms, including issue-based coalitions on gender equality, human rights, youth and data. At the country level, UNFPA continues to engage with the UN Country Team and supports coordination on system-wide priorities such as prevention of sexual exploitation, abuse and harassment. Furthermore, UN Sustainable Development Cooperation Frameworks have provided opportunities to the UNFPA for the expansion of partnerships, leading to increased engagement in joint programmes and improved coherence in achievement of the three transformative results. The Committee was informed that UNFPA received a total of \$217 million from UN-to-UN transfers in 2022, reflecting its commitment to joint programming. **The Advisory Committee emphasizes the importance of inter-agency cooperation and coordination in leveraging synergies and avoiding duplications of effort.**

Oversight and accountability

28. Upon enquiry, the Advisory Committee was informed that UNFPA is embedded in extensive governance and accountability frameworks, including: its Executive Board; the Board of Auditors; the Joint Inspection Unit; a five-member Oversight Advisory Committee to assist the Executive Director; donor assessment programmes, including MOPAN, EU pillar assessments, and individual donor assessments; and, internally, the OAIS and the Evaluation Office, which report directly to the Executive Board. The Committee was also informed that the Executive Boards for UNFPA, UNICEF and UN-Women have included an agenda item for consideration of the JIU management and administration review of UNFPA (see JIU/REP/2023/1) at their respective sessions in June 2024, with a path forward on implementation of recommendations expected at that time.

29. In this regard, the Advisory Committee notes the key findings of the Board of Auditors (see A/77/5/Add.8), which dealt primarily with monitoring of outputs, vacancy rates management, management of implementing partner agreements, and distribution plan information irregularities. The Committee also notes the main findings of the Joint Inspection Unit report, including on the limitation of the terms of office of the Executive Director, and on adjustment to the governance, recruitment, information technology risk management, and oversight functions at the Fund. **The Advisory Committee trusts that the recommendations made by the Board of Auditors will be implemented in a timely manner. The Committee also looks forward to the outcome of the deliberations of the Executive Board on the recommendations made by the Joint Inspection Unit.**

Annex I

Evolution of cost classification categories

(millions USD)

Cost classification categories over time	2014-2017 MTR	2018-2021 IB	2018-2021 IB Rev.	2018-2021 MTR	2022-2025 IB	2022-2025 MTR
Programme	3,294.10	2,878.00	3,061.00	3,272.80	4,331.30	5,234.60
Development Effectiveness	127.30	141.00	139.40	148.90	157.90	159.00
Total development activities	3,421.40	3,019.00	3,200.40	3,421.70	4,489.20	5,393.60
UN Development Coordination	8.50	9.40	16.60	16.30	17.10	17.10
Management	468.20	492.10	485.10	503.90	584.50	594.10
Independent oversight & assurance	32.10	45.90	47.20	49.60	60.50	66.20
Special purpose	0.00	20.00	20.00	20.00	19.80	35.90
Grand Total	3,930.20	3,586.40	3,769.30	4,011.50	5,171.10	6,106.90

Annex II

Investments in the institutional budget, 2022-2025

(millions USD)

Investment	Investment breakdown	Additional details	Amount	OEE outputs:		
				OEE1	OEE2	OEE3
HQ optimization						
	Staff cost (termination & relocation)	This line contains the cost of termination (separation packages) as well as relocation of IP staff as per ICSC entitlements	6.9	6.9		
	Premises cost		2.5	2.5		
	Other support cost incl. HR	This line includes costs for premises including the following costs of common services in Nairobi: 1. Common Services Unit 2. Joint Medical Services 3. Host Country Services 4. Diplomatic Pouch Service 5. Transportation Services 6. Information Technology Service 7. Diplomatic Police Unit 8. Security Operations Centre. It also includes the cost for furniture and ICT equipment in Nairobi premises at UNON. Given the large-scale effort involved with HR changes resulting from the Headquarters optimization, the budget contains an additional estimate of costs to support the relocation process including with on-the-ground relocation support	0.3	0.3		
HQ optimization - Total			9.7	9.7	0.0	0.0
HQ move						
	IT infrastructure	This line includes the cost of IT infrastructure to connect meeting rooms, wireless services, and other connectivity equipment	2.3	2.3		
	Fixtures & furnishings	This line includes the one-time cost of setting up fixtures and furnishings in the new smaller NY premises upon expiration of the current lease in 2025 after a 15-year lease period	2.0	2.0		
HQ move - Total			4.3	0.0	4.3	0.0

Independent assurance functions					
	Internal audit & investigations function	This line includes temporary personnel support to the audit and investigations function, as well as overall coordination of audit and oversight activities. It includes the cost of eleven temporary assignments.	2.7	2.7	
	Independent evaluation function		1.3	1.3	
		This line includes the operating budget for evaluation of UNFPA's policy support (to implement centralized evaluations); interagency collaboration and UN reform, meta-synthesis, and data in humanitarian settings; national evaluation capacity development; internal evaluation capacity development (to enhance decentralized evaluation capacities); and evaluation quality assurance and assessment. It also includes one additional position focused on humanitarian evaluations following a recent peer review exercise that found this area in need of strengthening			
	Independent assurance functions - Total		4.0	1.3	2.7 0.0

Investment in innovation, partnership, fiduciary support & financing					
	Innovation, partnerships & financing	2.3		2.3	
					This line contains funds to strengthen the corporate innovation function, leveraging innovative technology to help position UNFPA in the development/humanitarian landscape. Given the increasing importance of financing for development and innovative legal constructions like development impact bonds, it also contains funds to strengthen legal support and advice for financing for development to enable UNFPA to engage with new legal constructions in a risk-responsive manner. Finally, some funds support further bolstering audiovisual content for partnerships, as well as UNFPA's liaison work with key funding partners. Overall, this includes 6 new positions, and one existing position being abolished.
	Fiduciary support	0.9		0.9	
					This line contains funds to provide additional fiduciary support to offices in the area of financial management and oversight, as well as revenue recognition and monitoring. It includes funds for four positions that were previously funded from other sources, offset by one position moving to other sources.
Investment in innovation, partnership, fiduciary support & financing - Total		3.2	0.0	0.9	2.3
	Field leadership & management capacity	2		2	
					This line contains funds to strengthen UNFPA's field leadership and management capacity, ensuring the organization has the proper skillsets in place to deliver on our mandate despite mounting complexity while maintaining full compliance with all policies. This line contains seven new positions and four upgrades to existing positions, of which three are upgrades to Representative positions in the State of Palestine, Bosnia-Herzegovina, and Ukraine described in the budget document.
Field strengthening - Total		2.0	0.0	2.0	0.0

ICT initiatives					
	Strategic knowledge management priorities	This includes funds for more powerful search features, AI enabled knowledge management, and building online communities of practice that span UNFPA's offices in the field and in various HQ locations	1.0	1.0	
	Technology for accelerating programmes	This line includes funds for establishing a global centre of excellence for using innovative technologies in support of programmes	0.5	0.5	
	Artificial intelligence and data analytics	This includes funds for data architecture, data marts and ETL technology, as well as support to population data activities around census-taking	0.5	0.5	
ICT initiatives - Total			2.0	0.0	2.0
	Investments in central and field functions	This line includes funds to bring UNFPA's dedicated security function into a position to effectively respond to the rising security risks and challenges facing UNFPA's work around the globe. This cost includes funds for two new positions and three upgrades to existing positions.	1.4	1.4	
Security strengthening					
Security strengthening - Total			1.4	0.0	1.4
Total			26.6	11.0	13.3
				2.3	