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Advisory Committee on  
Administrative and Budgetary Questions

30 May 2024

Dear Mr. Steiner,

Enclosed herewith please find the report of the Advisory Committee on Administrative and Budgetary Questions on the midterm review of UNDP Integrated Budget for 2022-2025.

I should be grateful if you would place the Advisory Committee's report before the Executive Board at its forthcoming session.

Yours sincerely,



Abdallah Bachar Bong  
Chairman

Encl.

Mr. Achim Steiner  
Administrator  
United Nations Development Programme  
1 United Nations Plaza  
New York, NY 10017

# **United Nations Development Programme Midterm Review of the Integrated Budget 2022-2025**

## **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 United Nations Development Programme (UNDP) midterm review of the integrated budget, 2022-2025 (DP/2024/13). During its consideration of the report, the Advisory Committee met with representatives of UNDP and was provided with additional information and clarification, concluding with written responses received on 2 May 2024.

### **II. Midterm review of the integrated budget**

#### *Background and financial information*

2. The report of the Administrator indicates that the Executive Board, in its decision 2021/15 approved the UNDP integrated budget for 2022-2025 with an improved results focus and enhanced linkages with the results of the Strategic Plan. The report indicates that the midterm review of the integrated resources plan and integrated budget should be read in conjunction with the midterm review of the Strategic Plan, 2022-25 (DP/2024/12) and the integrated resources plan and integrated budget constitutes an integral complement to the Strategic Plan, 2022-2025 (DP/2024/13, part I and Figure I).

3. The report of the Administrator reviews: (a) the integrated resources plan, including resources available, expenditure (use of resources) for programmatic and institutional activities, and balances carried forward; and, (b) the integrated budget (regular resources), including regular resource contributions, expenditure levels for programmatic and institutional activities, and regular resources availability. The report notes that the integrated resources plan includes regular and other resources, and it encompasses the integrated budget estimates, which cover regular resources only and, as the integrated resources plan and integrated budget enables the implementation of the Strategic Plan, the principal discussion on organizational results takes place in the midterm review of the Strategic Plan (DP/2024/13, paras 7 and 8).

4. The report indicates that in 2022-23 actual contributions amounted to \$15.6 billion, representing 96.3 per cent of the planned level of \$16.2 billion. The report indicates furthermore that contributions to regular resources during the same period reached \$1.2 billion, or 78.9 per cent, of the planning estimate and that the decline in regular resources follows a long-term trend in the United Nations development system at large. The report indicates that of the \$15.6 billion, estimated opening balances amounted to \$4.8 billion, and a total of \$9.7 billion is from regular resources and a total of \$1.0 billion is from other resources (DP/2024/13, summary, para 10, Annex 2, table 1).

5. Upon enquiry, the Advisory Committee was provided with information on the voluntary contributions received by donor (see Annex I) and was informed that in the period of 2022-2023, UNDP managed a significant portion of its resources as earmarked funds. Specifically, contributions designated as regular resources accounted for only 11.9 per cent of total

contributions, as detailed in Annex 2, Table 1 of the report. The Committee was informed that this is substantially below the United Nations funding compact target of 30 per cent. Of the remaining 88.1 per cent of contributions, 2.5 per cent contributions were received through funding windows, which are multi-donor, flexible funding mechanisms. The Committee was also provided with information on the measures to diversify the funding base and access alternative funding sources; including engaging with new strategic partners, deepening partnerships with international financial institutions, increasing private sector engagement and partnering with philanthropies. **The Advisory Committee notes the increased levels of voluntary contributions from various sources, including a number of non-governmental donor groups and programme countries and, while commending the fundraising efforts by UNDP, trusts that further efforts will be made to expand funding options and unearmarked funds.**

6. As regards expenditures, against the initially planned level of \$11.6 billion for 2022-2023, UNDP spent \$11.3 billion or 97.6 per cent of its planned level. UNDP anticipates that the quadrennial resource estimates for the period 2022-2025 in available resources will attain \$26.8 billion (94.9 per cent) compared to the planned level of \$28.3 billion, and that expenditures will amount to \$23.0 billion (95.2 per cent), compared to the planned level of \$24.1 billion (DP/2024/13, paras 10 and 12, Figure II).

7. Annex II, 2 table 2 provides details of the estimated integrated resources plan for 2022-2025, including a comparison of original planning figures and updated estimates, by cost classification category. The report indicates that in line with trends initiated during the 2018-2021 period, the allocation of total expenditure towards development programmes and services

has risen to 91.8 cents of every United States dollar, surpassing the projected target of 91.0 cents for the 2022-2025 period (DP/2024/13, summary, para 28 and Annex 2, table 2). A breakdown of the integrated budget by component is provided in table 5 of Annex 2, including programmatic and institutional components.

8. As regards the budgeting approach and forecasting for the Integrated budget, upon enquiry the Advisory Committee was informed that as indicated in the UNDP Integrated Resources Plan and Integrated Budget for 2022-2025 (DP/2021/29), the planned levels for the period, which were formulated in 2021, are ambitious yet grounded in realism; UNDP will continue to strive to achieve the approved level of resources for 2022-2025, and with the support of Member States and other funding partners, in line with the financial framework approved by the Executive Board; and, the estimates for the period 2022-2025 take into account actual performance in 2022-2023 and revised estimates for 2024-2025 that continue to reflect realistic optimism based on trend analysis and macro considerations. The Committee was informed that in terms of available resources, UNDP is on track to reach \$26.8 billion or 94.9 per cent of the initial plan for the period 2022-2025, while in terms of expenditures, UNDP is set to reach \$23.0 billion or 95.2 per cent of the initial plan for the quadrennial period. **The Advisory Committee notes that contributions to regular resources totaled \$1.2 billion, or 78.9 per cent of the planned level for 2022-2023, and reiterates that more realistic forecasting, particularly regarding regular core resources, is needed in future (see also para 13 below).**

### **III. Revised integrated budget for 2022-2025**

#### *Institutional budget*

9. The report provides information on the updated institutional budget of UNDP where actual expenditure in 2022-2023 reached \$1,392.3 million compared with \$1,361.7 million, the planned level for that same time period (DP/2024/13, Annex 2, table 1). The report indicates that in 2022-2023, regular resources expenditure was \$449.2 million, or 87.4 per cent compared to a planning estimate of \$513.8 million due to the shortfall in regular resource contributions compared to the planned levels, with the resulting impact on the ability of UNDP to boost investments in institutional capacity, and if continued, risks impacting its ability to scale up investments and maintain institutional stability (ibid, para 51 and Annex 2, table 1). The report indicates that actual expenditures in 2022-2023 by expenditure category totaled \$516.2 million, a decrease of \$72.5 million or 12 per cent, compared with \$588.8 million planned for that same time period (ibid, table 3).

10. It is indicated that the total revised institutional budget is proposed at \$2,797.6 million, a decrease of \$2.5 million as compared with the approved budget of \$2,800.1 million for 2022-2025 (ibid, Annex 2, table 2). The report indicates that updated expenditures by expenditure category for 2022-2025 are estimated at \$1,071.2 million, a decrease of \$122.6 million or 10 per cent, compared with \$1,193.8 million initially planned for the same period (ibid, Annex 2, table 3). Upon enquiry, the Advisory Committee was provided with the below tables providing an estimate of estimated and actual expenditures for the various 2020-2025 periods and informed that the estimated expenditure for the 2024-2025 period reflects a 7.5 per cent increase compared to the actual figures from 2022-2023. This rise is primarily attributable to a projected 6.0 per cent

increase in regular resources, with the remaining difference sourced from the opening balance in line with the UNDP regulatory framework.

**Table 1: Comparison of 2020-2021 (Actual), 2022-2023 (Actual) and 2024-2025 (Estimate)**

Category of expenditures	2020-2021 Actual	2022-2023 Actual <sup>2</sup>	2024-2025 Estimate <sup>3</sup>
Posts	388.1	394.1	421.6
Other staff costs	0.4	0.3	0.4
Consultants	15.6	15.4	16.5
Travel	3.9	13.8	14.7
Operating expenses	62.9	55.6	59.4
Furniture/equipment	8.8	6.8	7.3
Reimbursements/contributions	16.8	10.4	11.1
Provision for strategic investments	16.6	19.9	24.0
<b>Total expenditures</b>	<b>513.1</b>	<b>516.2</b>	<b>555.0</b>

Appendices I-VI to Annex I to DP/2022/28

<sup>2</sup> Annexes to DP/2024/13

<sup>3</sup> Annexes to DP/2024/13

**Table 2: Comparison of 2022-2023 Actual with 2024-2025 Estimate**

Category of expenditures	2022-2023	2024-2025	Increase (Decrease)	
	Actual	Estimate	US\$	%
Posts	394.1	421.6	27.5	7.0%
Other staff costs	0.3	0.4	0.0	7.0%
Consultants	15.4	16.5	1.1	7.0%
Travel	13.8	14.7	1.0	7.0%
Operating expenses	55.6	59.4	3.9	7.0%
Furniture/equipment	6.8	7.3	0.5	7.0%
Reimbursements/contributions	10.4	11.1	0.7	7.0%
Provision for strategic investments	19.9	24.0	4.1	20.9%
<b>Total expenditures</b>	<b>516.2</b>	<b>555.0</b>	<b>38.8</b>	<b>7.5%</b>

11. Upon enquiry, the Advisory Committee was provided with an overview of UNDP institutional budget costs under each cost classification category, and their financial and personnel-related assumptions (see annex II). The Committee notes that the related budget costs were not included in the annexed table.

12. **The Advisory Committee notes that Table 3 of Annex 2 of the report provides overall planning estimates of the Institutional component of the integrated budget by expenditure category for the 2022-2025 period but not for the 2022-2023 or 2024-2025 periods and that planning estimates compared with expenses are not clearly justified. The Committee also notes that the information provided to the Committee only contains actuals and estimates for the various 2020-2025 periods and that no previous budgetary information of planning estimates is provided thereby not enabling a more meaningful analysis of the institutional budget. The Committee is of the view that information on both regular and other resources is also required in order to have a comprehensive view of all the resources presented in the institutional component of the integrated budget, a comparison of expenditures against planning estimates, an analysis of variances and information on the projected increases in strategic investments. In this regard, the Committee reiterates its previous requests that both the text and the tables related to the proposals be expanded to also include the following detailed information: (a) a breakdown of expenditures; (b) an analysis of variances, comparing expenditures against planning estimates, with percentages; (c) detailed staffing plans and tables; and (d) explanatory information on major items of expenditure. The Committee expects that the aforementioned information will be presented in all future budget submissions.**



**Furthermore, the Committee reiterates that UNDP's budget assumptions should, in the future, be realistic in order to keep any variances at a minimum (see also para 13 below).**

*Status of the implementation of the Advisory Committee's recommendations*

13. Upon enquiry, the Advisory Committee was provided with a table showing the status of implementation of recent recommendations, showing that some matters, particularly those relating to budget presentation and methodology were not entirely implemented. **The Advisory Committee acknowledges that the structure and presentation of UNDP's Integrated Resources Plan and Integrated Budget are established pursuant to directives from the Executive Board mandating a unified presentation of budgetary information that aligns with the Strategic Plan and reflecting interagency harmonization with UNFPA, UNICEF and UN-Women. Nevertheless, the Committee reiterates its long-standing view that the inclusion of additional details and information, particularly regarding the Institutional budget would add further to the transparency and clarity of the budget. As such, the Committee trusts that greater interagency collaboration regarding the budgetary process will lead to the inclusion of more detailed information regarding the evolution of expenditures (actual and projected) by object or categories of expenditures against planning estimates and justification for projected resource requirements. The Committee also trusts that greater interagency collaboration will lead to greater standardization of information, to the extent possible, across all three organizations under the Executive Board in other areas including geographical and gender representation of staff. The Committee trusts that the status of implementation of its recommendations will be included in future budget reports**

**and that more complete written responses addressing the Committee’s questions will also be provided in future.**

### *Staffing*

14. Annex 2, table 6 of the report provides information on regular resources senior posts, for country offices, regional centers and headquarters as of February 2024. The Advisory Committee notes that of the 258 posts approved by the Executive Board at the D-1 and above levels, 51 posts were not filled, of which 36 were at the D-1 and 15 at the D-2 levels. Upon enquiry, the Committee was informed that rather than a detailed staffing table, the Executive Board provides a limit of Regular Resources Institutional Budget-funded D-1 and higher graded positions from which UNDP is to manage; UNDP reports regularly to the Executive Board on the utilization against this limit, most recently in the context of the midterm review of the integrated resources plan and integrated budget (MTR-IRP/IB), 2022-2025. The set limit of 258 posts for D-1 and higher grades was established when UNDP's core institutional budget was significantly larger: for the period 2014-2017, the quadrennial institutional budget against which the planning for these 258 positions was set was \$1,510.4 million; in contrast, the updated quadrennial institutional budget estimate for the period 2022-2025 presented in the MTR-IRP/IB stands at \$1,071.2 million. **The Advisory Committee notes the significant difference between the approved number and level of senior posts at the D-1 and D-2 levels and the number of posts encumbered; that although UNDP field presence is an indispensable enabler for the implementation of UNDP’s Strategic Plan, greater clarification is needed as to the continued requirement for the senior level posts and the impact on UNDP’s ability to deliver in the field due to these senior level vacant posts. The**

**Committee therefore trusts that further clarification will be provided to the Executive Board at the time of its consideration of the present report.**

15. Upon enquiry, the Advisory Committee was provided with the table below regarding the evolution of the composition of the workforce from 2020 to 2024 and informed that, in 2021, UNDP introduced the new non-staff contractual Personnel Services Agreements (PSA) modality in line with one of the key focus areas of the People for 2030 Strategy. The new modality engages the services of individuals to provide a “time-limited” service to UNDP under a service-based contract. The Committee was informed that: the national personnel services agreements constitute the main non-staff contractual modality in use by UNDP; the service contract modality has been fully phased out and the use of individual contractor modality reduced to delivery-based consultants only; the new non-staff contractual modality is competitive, nimble and effectively supports country offices in running smooth programmes and projects; and offers benefits and entitlements to non-staff personnel previously not available under the service contract or individual contractor. The Advisory Committee notes the changes in the non-staff contractual modality.

**Table 3: Evolution of the composition of the workforce, 2020-2024**

<b>Personnel Type/ Year</b>	<b>Staff</b>	<b>Service Contractor</b>	<b>Personnel Services Agreement (PSA)</b>	<b>Volunteer</b>	<b>Individual Contractor (IC)</b>	<b>Total</b>
2020	7,630	10,135	0	2,284	8034	<b>28,083</b>
2021	7,786	6,972	4,223	2,194	5435	<b>26,610</b>
2022	7,587	665	10,852	2,231	7229	<b>28,564</b>
2023	7,673	622	11,117	2,368	3433	<b>25,213</b>
2024*	7,670	606	10,905	2,277	147	<b>21,605</b>

\*For the year 2024, the number of 147 Individual Contractors represents a snapshot and is not representative of the full year total.

### *Country offices*

16. The report provides information on the 2022-2023 distribution of regular (core) and other (non-core) resources by region, country typology and development status (Annex 2, Parts 2 to 4). Upon enquiry, the Advisory Committee was provided with information regarding the creation of country offices, the demand from host countries, and the role of country offices in enabling UNDP field presence; in 2023, UNDP operated in 135 Country Offices, offering broad coverage in support to entire UN system; its field presence harbours 89 percent of UNDP workforce to support countries in the achievements of the SDGs. The Committee was also informed of the various factors and criteria determining the definition of the structure, staff composition, size of country offices and seniority of leadership and that UNDP adopted a directive in November 2022, with guidelines to adjust the size of the country office to its activity level and to adapt the seniority of its representatives to the size and complexity of the country portfolios and connected management seniority requirements to ensure compliance and programme delivery.

17. The Committee was further informed that the chain of responsibility and accountability for the management of country offices is clearly defined, and they involve the 5 UNDP regional bureaus, each having regional hubs to carry out their oversight role; the delegation of authorities for resident representatives is described in a delegation of authorities' standard (dated 07 April 2017), with detailed responsibilities in a revised UNDP resident representative job description (effective October 2021). Within this system, the role of the resident representative is clearly defined and they are assessed annually in accordance with the Policy on Individual Performance and Management Development. Furthermore, the Committee was further informed that the process of delinking the UN Resident Coordinators and UNDP functions has been carefully managed at

the country office level according to clear guidelines. **The Advisory Committee notes the approval of guidelines and criteria for determining the size and responsibilities of country offices and the adjustment based on activity level, and looks forward to further details on the size of the country offices and the level of the representatives being provided in future reports (see also paras 22 to 25 below).**

#### *Consultants and travel*

18. As regards the consultants and travel expenditure categories, expenditure on consultants and travel exceeded planning estimates by \$2.9 million and \$4.8 million respectively, to source external expertise and due to the steep increase in post-pandemic travel costs. These were offset by an \$11.5 million decrease in operating expenses from planned levels (DP/2024/13, para 52 and table 3). Upon enquiry, the Advisory Committee was informed of UNDP's commitment to environmental sustainability despite the travel increases and that the cost of non-staff personnel (consultants) is linked to the number of programs/projects at any given time. The Committee was further informed that UNDP will maintain vigilant oversight of travel and consultancy expenditures through periodic dialogues with relevant business units.

#### *Cost recovery*

19. Paragraph 37 of the report indicates that UNDP will maintain the same resource allocation framework as the previous quadrennial budget, premised on the three integrated budget pillars, namely: integrating programmatic and institutional budget components; leveraging the harmonized cost classification framework as agreed upon with the United Nations Population Fund, United Nations Children's Fund and the United Nations Entity for Gender Equality and the

Empowerment of Women (UN-Women); and improving cost alignment through more rigorous and targeted implementation of a harmonized cost-recovery policy. Upon enquiry, the Advisory Committee was informed that the current harmonized cost recovery policy review being discussed by the Executive Boards has consisted of two informal meetings on cost recovery and cost classification; fewer General Management Support (GMS) waivers were issued lately; the importance of full recovery of direct costs; and, ongoing discussion regarding ways to improve transparency in the cost classifications.

20. The Committee was informed that UNDP has not made any recent changes of activities between different cost classifications and that the Executive Board will further deliberate on the matter in the upcoming meeting. In this regard, the Committee notes that the information on cost recovery presented in the report includes cost recovery in a generic “other” category (see Annex 2, tables 1 and 2) with no information regarding the cost recovery components under the Institutional budget. The report also indicates that to complement the actual contributions received during the 2022-23 period, UNDP also generated income from other sources, for example reimbursement for services to other United Nations organizations and cost recovery (footnote 2, page 6). **The Advisory Committee looks forward to receiving an update on the review of the cost-recovery policy in future budget reports.**

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

##### *Oversight and accountability*

21. Upon enquiry, the Advisory Committee was informed that the Joint Inspection Unit (JIU) report on board governance made available early in 2024 has not yet been discussed as part of the

formal agenda of the Executive Board (EB) although the report was commissioned by, and submitted to, the Board; and UNDP remains available to provide inputs, comments and observations but has not yet been requested to by the Board. The Committee was also informed that the 72 per cent of Board of Auditors (BOA) recommendations were implemented as reported during the January 2024 First Regular Board session and pending the next BOA assessment scheduled for May 2024. In this regard, the Advisory Committee notes the key findings of the Board of Auditors (see A/78/5/Add.1), which dealt primarily with finance and budget matters, implementation at UNDP of the reform delinking the United Nations resident coordinator and the UNDP resident representative functions, risk management and the management of programmes and projects related to Sustainable Development Goal 16 (governance). **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.**

*Collaboration with the resident coordinator system*

22. Upon enquiry, the Advisory Committee was provided with information regarding UNDP's implementation of the United Nations Development System (UNDS) de-linking reform and that UNDP proactively anticipated and ramped-up the complex transition as requested by the General Assembly and its Executive Board. The Committee was informed that all audits since 2019 highlighted the successful implementation of the reform in that it allowed the new Resident Coordinator (RC) offices to start working from the beginning of 2019 and did not bring excessive perturbation to the UNDP functioning and program implementation. The Committee was further informed that UNDP is on track to clear the UNBOA recommendations

related to last year's report on reform of the RC system, including the summary human resource and financial analysis which will draw from previous UNBOA and OAI audit reports as well as the eight UNDP Executive Board reports on delinking the RC system. The Committee was also informed that UNDP country offices have successfully adapted to the delinking of the functions of the Resident Coordinator and UNDP Resident Representative, and that the clustering of support functions and the roles of both are now stabilized with clear roles and responsibilities, together with a recognised leadership role in UN country offices coordination.

23. The Committee was informed that the estimated cost of the RC system when administered by UNDP was approximately \$175 million and that the cumulative costs to UNDP between 2019 and 2021 arising from the UNDS reform were estimated to be in excess of \$61 million. As regards the efficiencies generated by the reform of the RC system on UNDP activities, the Committee was informed that in its 2023 Progress Update on Repositioning of the United Nations Development System, UNDP reported estimated efficiency gains of \$24.4 million for 2022, mainly comprising \$7.1 million of entity-specific efficiency gains and \$17.1 million of efficiencies achieved through the Business Operations Strategies implementation with all efficiency gains are redirected to the programmatic activities.

24. The Committee was informed of UNDP support to the RC system as follows:

(a) UNDP has administered services to 129 resident coordinators covering 131 countries and three Development Coordination Operations regional offices since 1 January 2019;



(b) UNDP is administering the Special Purpose Trust Fund (SPTF) resources for the RC system; the SPTF receives voluntary contributions, cost sharing and coordination levy with total revenues of \$210 million in 2023 as per the UNSDG website;

(c) UNDP annual contributions to support the RC system were \$10.6 million for 2023, while the levies transferred to the UN Secretariat in 2023 amounted to \$8.9 million; and,

(d) UNDP staff seconded to serve as Resident Coordinators within the UN Secretariat were 39 as of 31 December 2013.

25. **As regards the implementation at UNDP of the reform delinking the United Nations Resident Coordinator and UNDP Resident Representative functions, the Committee recalls that the BOA recommended that UNDP conduct a comprehensive analysis on both the human resources and the financial consequences of the “delinking” reform at UNDP (A/78/5/Add.1 , para 118) and as such, the Committee looks forward to an update regarding the results of the review. The Advisory Committee notes the reported efficiency gains and their use for programmatic activities. The Committee also notes that of the 129 resident coordinators, 39 are UNDP staff on secondment.** The Committee discusses further the Resident Coordinator System in the context of its consideration of Section 1, Overall policymaking, direction and coordination, of the United Nations proposed programme budget for 2025.

*Inter-agency common business/service initiatives*

26. The Advisory Committee was informed, upon enquiry, that advancing interagency common service initiatives remains one of UNDP’s priorities in the context of the UNDS

reform and the delivery of sustainable business operations including through ongoing engagement in the implementation of the Efficiency Agenda roadmap, the implementation and monitoring of the Business Operations Strategies (BOS) at the regional and country levels, the roll-out of Common Back Offices (CBOs), advancement of the Global Shared Services (GSS), and investment of human and financial capital in business operations platforms and optimization efforts. The Committee was further informed that UNDP continues to ensure the full implementation and periodic review of BOS by leading the development of BOS 2.0 and engaging as the Chair of the Operations Management Teams (OMTs) in 59 countries; and, since the RC System delinking until the end of 2023, UNDP developed and maintained the BOS 2.0 online platform prior to its migration to the new BOS platform hosted in UNInfo by the Development Coordination Office (DCO).

27. The Committee was also informed that UNDP manages 186 common premises, including country office premises, liaison offices, sub-offices and Regional Hubs; in 2023, UNDP also chaired the UNSDG Common Premises Task Team, coordinating UNSDG efforts to increase colocation of local offices in a common premises, create new common premises, and monitor 25 ongoing projects. The Committee was also provided information regarding contributions to the advancement of the CBOs and the implementation of global shared services following the 2019-2023 expansion of UNDP's Global Shared Service Centre (GSSC), providing centralized Human Resources services to UN entities, and future finance payment offerings, by utilizing UNDP's extensive network of Country Offices. The Committee was further informed of UNDP's new collaboration with WFP through the UN Mobility, a UN Booking Hub platform which yielded carbon savings exceeding 1500kg CO2 throughout 2023

and fosters the implementation of mutual recognition among the organizations. **The Advisory Committee notes UNDP's engagement in interagency common service initiatives and emphasizes the importance of inter-agency cooperation and coordination in leveraging synergies and avoiding duplications of effort.**

*Oversight of the Funding Facility for Stabilization in Iraq*

28. On 22 January 2024 a newspaper report indicated a number of claims of corruption and mismanagement in the Funding Facility for Stabilization (FFS) in Iraq, a facility which had been launched by UNDP in 2015 to carry out stabilization activities in the country, and through which UNDP has mobilized over US\$1.55 billion from 30 international partners. Upon enquiry, the Advisory Committee was provided with information regarding FFS risk management by UNDP whereby, in the wake of the article, the Administrator held a briefing with the Bureau of the Board and immediately appointed a Management Assessment and Review Mission to review UNDP's management and oversight systems and processes in relation to the allegations raised. The Committee was informed that the report and recommendations of the Review Mission were shared with the EB followed by three briefings: one with the EB Bureau (closed), one with the EB members and observers (in-person) and one with the donor group based in Baghdad and their capital representatives. The Country Office was asked to provide an implementation plan in response to the 12 recommendations around strengthening the FFS systems and processes which is now under review by the Mission team.

29. The Committee was further informed that feedback from the EB was positive about the speed and transparency of the response to the allegations and that the Administration will keep the EB updated on progress against the implementation plan in response to the recommendations. The Committee was also informed that the Review Mission did not have an investigations or audit mandate and was not made aware of any loss from misuse of funds. Furthermore, following the Review Mission, the Office of Audit and Investigations is undertaking a mission from 11-31 May to Iraq on the FFS and subject to their findings, are hoping to provide feedback to the EB by the end of June.

30. The Committee notes that UNDP initiated an investigation upon the issuance of the newspaper report. The Committee also notes the previous BOA recommendations regarding the updating of the accountability framework as well as to the Executive Board on strengthening the Board's role on risk management. In this regard, the Committee was informed that changes to the accountability policy were made in 2023 with further incorporation of Enterprise Risk Management (ERM) in 2024, and that the EB decided in January 2024 to include a recurring item at the first regular joint session on risk management to start in January 2025. **The Advisory Committee notes the governance issues regarding the management of the Funding Facility for Stabilization in Iraq and the actions taken to date. The Committee trusts that the Office of Audit and Investigations will investigate the internal control and communication failures and the reasons leading to the Administration not being made aware of the evolving situation. The Committee also trusts that strengthened controls will be implemented expeditiously, including lessons learned at the organisational level in related accountability and risk management frameworks.**

## Annex I

### Voluntary Contributions

<b>VOLUNTARY CONTRIBUTIONS*</b>						
<b>Donor type</b>	<b>Donor description</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Non Programme						
Country	OECD-DAC countries	2,147,054,905	1,929,636,617	1,866,190,013	2,189,213,963	1,771,359,696
	Non-DAC and non-programme countries	14,597,438	44,469,223	24,767,784	8,053,488	11,114,712
Non Government	Vertical funds	343,382,232	1,641,852,817	1,234,060,301	670,338,800	1,345,100,966
	Multi-Partner Trust Funds and Joint Programmes	566,833,124	482,321,475	304,554,686	219,842,332	290,914,713
	Multilateral - European Union	248,248,227	692,572,467	304,928,168	290,020,955	313,319,228
	United Nations System	97,144,613	148,855,720	46,057,804	65,645,413	120,437,769
	Multilateral - International Financial Institutions	124,912,796	72,411,731	29,359,897	211,637,788	109,627,969
	Private Sector	24,728,474	28,084,168	43,645,955	23,355,671	46,345,630
	Foundations	24,608,229	18,971,999	5,404,338	44,302,803	34,180,833
	Non-governmental and Non-Profit organizations	5,745,878	17,010,660	5,355,250	5,086,712	11,415,203
	Multilateral funds and agencies	5,898,385	11,093,268	1,351,745	(1,667,755)	8,681,473
	Academic, Training and Research	286,154	345,732	587,616	1,103,161	(519,545)
Programme Country	Programme countries	880,881,347	1,207,581,445	1,387,102,067	1,222,337,009	1,303,965,662
Other	Adjustments/Other	(11,764,482)	(22,725,508)	50,659,810	48,347,018	(10,618,658)
<b>Grand Total</b>		<b>4,472,557,321</b>	<b>6,272,481,813</b>	<b>5,304,025,433</b>	<b>4,997,617,357</b>	<b>5,355,325,651</b>

(\*) Amounts for the years 2013 through 2022 relate to revenue amounts on an IPSAS basis as drawn from UNDP's detailed annual review of the financial situation. 2023 is a provisional amount.

## Annex II

### Overview of UNDP institutional budget costs under each cost classification category

<b>Development activities</b>	
Programme activities	<p><b>At the country level:</b>            Programme/project policy and advocacy, technical expertise and support; programme/project monitoring and evaluation; programme/project procurement and logistics; direct programme/project planning; programme/project communications; direct programme/project administrative and operations support; formulation/management of programme pipeline/new business development; programme policy advisory services; in-country development effectiveness support for programming; operational/administrative support services dedicated to projects: financial services, procurement services, hr, logistics support, field security, equipment and asset management, including ICT equipment</p> <p><b>At the regional level:</b>            Programme/project policy, advocacy, technical expertise, coordination and support for regional projects and regional intergovernmental processes; audit, evaluation and quality assurance services for regional projects; direct regional programme/project administrative and operations support; direct programmatic support and oversight of country offices and programmes; cross-country capacity-building and knowledge-sharing</p> <p><b>At the global/interregional levels:</b>            Human Development Report, including support to preparation of national human development reports; Programme/project policy and advocacy, technical expertise and support to global projects; Programme/project monitoring and evaluation of global projects; Audit and quality assurance services for global projects; Direct global programme/project administrative and operations support</p>
Development effectiveness activities	<p><b>At the regional level:</b>            Deputy Regional Directors performing overall programme development and guidance; Overall programme development, oversight and guidance role; Technical advisers; Regional development effectiveness support for South-South cooperation programme</p> <p><b>At the global/interregional levels:</b>            bureaux and offices responsible for programme and technical policy formulation and guidance: Bureau for Policy and</p>

	Programme Support; Crisis Bureau; United Nations Office for South-South Cooperation, and the Procurement Support Office; Corporate harmonized approach to cash transfers (HACT)-related activities
<b>United Nations development coordination</b>	
	Contribution to the resident coordinator system
<b>Management activities</b>	
Leadership and corporate direction	Executive Office; Ethics Office; Office of the Secretary of the Executive Board, excluding fully reimbursable Executive Board secretariat services provided to other United Nations agencies
Corporate financial, information and communications technology (ICT) and administrative management	Bureau of Management Services (BMS), including Office of Financial Resources Management, Global Shared Services Unit, Procurement Oversight Office; Office of Operations; Centrally managed costs relating to finance, ICT and administration; Office of Information Management Technology; Legal Support Office; Excludes costs relating to provision of fully reimbursable services provided to other United Nations agencies, which fall under the special-purpose activities classification human resources management function, excluding the fully reimbursable human resources support provided to other United Nations agencies (covered under special-purpose activities); Centrally managed human resources costs related to staff, learning costs; contribution from UNDP to International Civil Service Commission
Corporate external relations and partnerships, communications and resources mobilization	Bureau for External Relations and Advocacy
Staff and premises security	Security Office
Field/country office oversight, management and operations support	<p><b>At the country level:</b> Country office leadership, representation and management functions to UNDP. This includes the full-time Resident Representative function, following the delinking of the resident coordinator role; The costs of country offices' support functions to UNDP referred above exclude costs relating to provision of fully reimbursable services provided to the United Nations agencies, which fall under the special-purpose activities classification</p> <p><b>At the regional and headquarters levels:</b> Regional bureaux and regional hub leadership, including representation and management functions including regional operations support functions not directly linked to programme support</p>

<b>Independent oversight and assurance activities</b>	
Corporate oversight and assurance	Office of Audit and Investigations; Independent Evaluation Office; Ombudsman; Board of Auditors, Joint Inspection Unit
<b>Special-purpose activities</b>	
Capital investments	MOSS compliance
Non -agency -specific operations	<p><b>Support to other United Nations agencies:</b> institutional budget support to United Nations Volunteers, United Nations Capital Development Fund; Direct services for United Nations partner agencies under universal price list, local price list, service level agreement arrangements: Ad hoc, payroll, security, payments, Junior Professional Officer - related, procurement, training, benefits management, travel</p> <p><b>At the country level:</b> Fully reimbursable country office support to other United Nations agencies; excludes country offices' leadership, representation and management functions to UNDP, which covers the full -time resident representative function, following the delinking of the resident coordinator role</p> <p><b>At the headquarters level:</b> Fully reimbursable headquarters-level support to other United Nations agencies; excludes cost of the BMS to UNDP relating to the BMS Directorate, Office of Financial Resources Management, Global Shared Services Unit, Office of Information Management Technology, Legal Support Office, Procurement Oversight Office; Office of Operations; Centrally managed costs relating to finance, ICT and administration. Excludes corporate HACT-related activities.</p>