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Advisory Committee on
Administrative and Budgetary Questions

14 August 2025

Dear Mr. Xu,

Enclosed herewith please find the report of the Advisory Committee on Administrative and Budgetary Questions on the UNDP Integrated Budget for 2026-2029.

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

Sincerely yours,

Juliana Ruas
Chairperson

Encl.

Mr. Haoliang Xu
Acting Administrator and Associate Administrator
United Nations Development Programme
1 United Nations Plaza
New York, NY 10017

United Nations Development Programme: Integrated resources plan and integrated budget estimates for the period 2026–2029

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) United Nations Development Programme: Integrated resources plan and integrated budget estimates for the period 2026–2029 (DP/2025/23). 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 8 August 2025.

II. Integrated budget, 2026-2029

Integrated resources plan

2. The report of the Administrator indicates that the UNDP integrated resources plan and integrated budget constitute an integral complement to the UNDP strategic plan, 2026-2029 (DP/2025/22). Under the integrated resources plan, and as summarized in table 1 below, the totality of estimated resources at the disposal of UNDP for 2026-2029, amount to $23.8 billion, including $17.9 billion in projected donor contributions of which $1.9 billion in regular resources and $16.0 billion in other resources, representing a decrease of $3.7 billion

(17 per cent) compared to original plan estimates for 2022-2025 and $1.5 billion (7.9 per cent) compared to the latest estimates for 2022-2025 (DP/2025/23, summary).

Table 1
Integrated resources plan
(millions of US dollars)

	2022-2025 initial estimates	2022-2025 updated estimates	Variance 2022-2025 updated estimates compared with 2022-2025 initial estimates	2026-2029 initial estimates
Opening balance	4,796.7	4,869.8	73.1	3,862.5
Income and adjustments				
Contributions	21,632.0	19,489.4	(2,142.6)	17,945.0
Other, including reimbursements for services to other United Nations organizations, and cost recovery	1,836.3	2,012.8	176.5	1,996.6
Total estimates	**28,265.0**	**26,371.9**	**(1,893.0)**	**23,804.1**
Less actual or estimated expenditures	24,149.0	22,509.4	(1,639.6)	21,865.1
Balance of resources	**4,116.0**	**3,862.5**	**(253.4)**	**1,939.1**

3. Total expenditure in 2026-2029 is estimated to reach $21.9 billion, a decrease of $2.3 billion (9.5 per cent) compared to original 2022-2025 plan estimates of $24.2 billion, and $0.7 billion (2.9 per cent) from the latest 2022-2025 estimates of $22.5 billion. For the period 2026-2029, 91.4 per cent of estimated expenditure will be allocated to development activities, exceeding the targeted level of 91.0 per cent for 2022-2025 (DP/2021/29), and reaffirming the UNDP commitment to delivering on the objectives of the strategic plan in a financially constrained environment (ibid).

4. Upon enquiry, the Advisory Committee was provided with a table showing information on the 2022-2025 strategic plan, as follows:

Table 2
Four-year strategic plan 2022-2025, planned and estimates
(in millions of US dollars)

	2022-2025 (planned DP/2021/29)				**2022-2025** (estimates DP/2025/23)			
	Regular (non-earmarked)	**Other**	**Cost recovery**	**Total**	**Regular** (non-earmarked)	**Other**	**Cost recovery**	**Total**
Contribution	3,060.0	18,572.0	0.0	**21,632.0**	2,281.0	17,208.4	0.0	**19,489.4**
Institutional Expenditure	1,193.8	0.0	1,606.3	**2,800.1**	1,079.9	0.0	1,809.2	**2,889.2**
Programmatic Expenditure	2,197.6	19,151.3	0.0	**21,348.9**	1,669.6	17,950.7	0.0	**19,620.3**

5. As regards the forecasting approach, the Committee was informed that the UNDP methodology draws from historical funding trends, donor intelligence, and leverage ratios between core and non-core resources, and that despite external uncertainties, UNDP received $14.6 billion during 2022–2024 (91 per cent of the planned $16 billion). UNDP continues to refine its methods by incorporating lessons learned and best practices, as reflected also in the projections for the 2026–2029 Strategic Plan. The Committee notes that, as regards its recommendation for more realistic forecasting (see AC 2295, para 8), it was informed that all income projections in the 2026-29 Integrated Resources Plan rest on a five-factor, risk-weighted model that couples macroeconomic scenarios with granular pipeline data from every bureau. This resulted in lower core contributions of $1.9 billion within a $17.9 billion total

contribution forecast, representing a 38 per cent contraction in core contributions for 2026-2029 as compared with the 2022-2025 plan.

6. The Advisory Committee notes that the total projected contributions were overestimated for 2022-2025 by 2.1 billion, or 9.9 per cent, and by 113.9 million for regular non-earmarked resources, or 9.5 per cent, in comparison to actual contributions. The Committee reiterates its previous view on the need for realistic budget assumptions and trusts that UNDP will provide detailed information to the Executive Board on how projections for 2026-2029 are reflective of UNDP's resource mobilization strategy and also of the current scenario of increased financial constraints and reduced contributions available system-wide.

Resource Mobilization

7. The Advisory Committee was provided with additional information regarding the decline in core resources and informed that it signals a troubling shift across the development system from predictable, flexible financing to more fragmented, earmarked, and short-term funding. The Committee was provided with the table below indicating the 10 year trend in revenue and informed that in 2024, programme countries invested $1.2 billion of their own resources in UNDP projects, representing one-quarter of total contributions.

Table 3
UNDP - 10 year revenue trend (income sources)
(in USD millions)

Revenue	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Grand Total
Regular Resources	**703.96**	**618.65**	**611.71**	**624.15**	**616.51**	**695.63**	**647.46**	**571.29**	**565.79**	**581.01**	**6,236**
Other Resources:	**3,681.23**	**4,162.84**	**4,208.41**	**4,467.50**	**4,097.58**	**4,748.93**	**4,773.20**	**4,270.08**	**4,335.30**	**4,258.31**	**43,003**
Cost Sharing:	**2,624.19**	**3,190.80**	**3,419.96**	**3,696.81**	**3,399.06**	**3,886.37**	**4,240.23**	**3,758.05**	**3,712.34**	**3,861.72**	**35,790**
Programme Countries Cost sharing	880.34	964.75	1,037.38	1,042.55	815.19	1,142.71	1,318.08	1,154.22	1,213.95	1,187.20	10,756
Private Sector	21.03	29.22	39.86	25.52	25.40	35.91	36.13	31.73	49.20	39.00	333
Other contributions	1,722.82	2,196.83	2,342.72	2,628.74	2,558.47	2,707.75	2,886.03	2,572.10	2,449.19	2,635.52	24,700
Trust Funds:	**1,057.05**	**972.04**	**788.45**	**770.69**	**698.52**	**862.57**	**532.97**	**512.03**	**622.96**	**396.60**	**7,214**
Programme Countries Trust funds	6.35	4.60	9.11	16.28	12.73	37.32	19.79	18.96	4.18	17.39	147
Private Sector	0.20	0.11	0.44	0.28	0.05	1.92	0.15	1.07	0.98	0.97	6
Other contributions	1,050.49	967.34	778.91	754.13	685.74	823.33	513.02	492.00	617.80	378.24	7,061
Grand Total	**4,385.19**	**4,781.50**	**4,820.11**	**5,091.64**	**4,714.09**	**5,444.56**	**5,420.65**	**4,841.36**	**4,901.09**	**4,839.32**	**49,239.52**
Income:											
Agency Services	30.94	27.06	50.16	49.69	58.15	55.26	52.37	56.25	52.67	62.89	495.45
Other Cost Recovery Revenue	250.53	231.26	290.63	318.20	295.42	288.64	296.83	307.16	324.03	321.62	2,924.33
Total Income	**281.47**	**258.33**	**340.80**	**367.89**	**353.57**	**343.90**	**349.21**	**363.41**	**376.70**	**384.51**	**3,419.78**

Note: 2022 regular resources are inclusive of $20million from the USA under COVID19.
The revenue amount is prepared on a budget basis where revenue is recorded in the period when cash is received, not when it is accrued. This is consistent with the basis of reporting for the IRP/IB.

8. In terms of unearmarked contributions, the Committee was informed that increasing core contributions remains a strategic priority, albeit difficult as most donors favor tightly earmarked funding aligned to national interests. In 2024, core contributions rose by 3 per cent to $581 million, from $566 million in 2023, with increased support from 10 partners, and recent multi-year agreements with five governments. The Committee was informed of the difficulties experienced and the strategies implemented including engagement with the Executive Board and

key donors in identifying pathways for improving flexible funding and leveraging the flexibility of inter-agency pooled funds across a number of mechanisms such as the Peacebuilding Fund and the Joint SDG Fund.

9. The Committee was informed that the corporate Resource Mobilization Strategy of UNDP, and the related Action Plan for 2025, outline areas for strengthening resource mobilization in terms of: (a) stabilizing core resources, (b) strengthening thematic offers, (c) expanding strategic partnerships, and (d) innovation. Key priority actions to stabilize core resources include enhancing the visibility of core donors at the country level, promoting high-level engagements, and fostering a coherent approach to resource mobilization across the organization. Continuing efforts include implementing agency specific and collective Funding Compact commitments for increased quality, flexibility and predictability of funding to the UN development system and partnerships with governments, investors, and businesses through the Sustainable Finance Hub. **The Advisory Committee notes the 38 per cent reduction in core contributions for the 2026-2029 period as compared with the 2022-2025 plan as well as the fundraising efforts by UNDP, and trusts that further efforts will be made to expand funding options and unearmarked funds, particularly in the context of the Resource Mobilization Strategy. The Committee also trusts that further analysis of the underlying root causes of the reduction in unearmarked funds will take place.**

Integrated budget

10. An overview of the integrated budget, which represents UNDP's regular (core) resources for funding the programmatic and institutional components, for the period 2026-

2029 is provided in section V, table 1 and annex II of the budget document. The proposed integrated budget is based on: (i) projected regular resources contributions of $1.9 billion, (ii) other income of $256.5 million (including $103.5 million from government contributions to local office costs, and $136.5 million from interest and other income), and (iii) an opening balance of $245.9 million. Projected regular resource contributions of $1.9 billion for 2026-2029 represent a decrease of $1.2 billion (38.0 per cent) compared to the original plan for 2022-2025, and $0.4 billion (16.8 per cent) compared to the latest estimates for 2022-2025 (DP/2025/23, para 46).

11. Total expenditure from regular resources is projected at $2.3 billion, a decrease of $1.1 billion (33.3 per cent) compared to the $3.4 billion approved for 2022-2025 (DP/2021/29) and $0.5 billion (17.8 per cent) compared to the latest estimates for 2022-2025. UNDP proposes to allocate $1.2 billion to the programmatic component and $1.0 billion to the institutional component of the integrated budget. Although smaller in absolute terms, the institutional component is held at a level required to safeguard UNDP universal presence, crisis surge capability and integrated expertise, coupled with robust oversight (DP/2025/23, para 47). The Committee notes that, for the updated estimates for 2022-2025, 63.4 per cent of regular resources were dedicated to programmatic activities, whereas estimates for 2026-2029 foresee only 58.3 per cent.

12. The Advisory Committee reiterates its prior requests that both the text and the tables related to the budget 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 Advisory Committee expects that the aforementioned information will be presented in future budget submissions (see also para 19 below).

13. The report of the Administrator indicates that in compliance with Financial Regulation 10.03, once statutory reserves, working capital and the institutional budget are funded, all remaining regular resources will be channelled to programmatic activities, ensuring regular-resource contributions translate into scaled delivery. It is also indicated that, consistent with the Business Model Review recommendations, and as noted in the strategic plan 2026-2029, UNDP will work with the Executive Board to refine its core resource allocation methodology to channel resources more effectively towards country priorities (DP/2025/23, paras 45 and 48).

14. Paragraphs 53 to 63 and table 2 of the report indicate the programmatic component of the integrated budget. The Committee was informed that although estimated allocations for 2026–2029 reflect the anticipated contraction in contributions to regular (core) resources compared to the levels in 2022-2025, programmatic activities at the country level account for approximately 80.5 per cent of core allocations, thereby safeguarding UNDP's programmatic presence, particularly in low-income, least developed, and vulnerable country contexts. Lower planned allocations reflect the impact of less core resources; UNDP remains committed to supporting programme countries and will conduct a review of the core resource allocation methodology to improve the alignment of allocations with key factors such as country demand, vulnerability,

performance, and strategic priorities, ensuring a more targeted and effective deployment of scarce core resources.

15. **The Advisory Committee notes the indicated intention to work on an allocation methodology for regular resources and trusts that UNDP will enhance support for programmatic activities and ensure the appropriate balance of the institutional budget between regular resources and other resources (see also paras 17 to 20 below). However, the Committee notes from the information provided that, in addition to the overall reduction in regular resources, the estimated integrated budget allocates a higher share of the regular resources to the institutional budget, further impacting the amounts of regular resources available to the programmatic component. The Advisory Committee trusts that further clarification will be provided to the Executive Board and looks forward to further details on further improving the methodology of regular resource allocation in future reports.**

16. The report also indicates that, as in previous quadrennia, should resources be less than planned, UNDP can adeptly manage with available resources as long as additional flexibilities are adopted to facilitate agility and help the organization better manage the present volatility in scenarios of reduced regular resources. An adaptive mechanism is outlined and an illustration of its application on the estimated resource levels in the 2026-2029 budget cycle is provided in Annex I, Table 3e (ibid, paras 49 to 52). Upon enquiry, the Advisory Committee was informed that the additional level of flexibility presented in the programmatic component of the integrated resources plan and integrated budget, 2026-2029, is an adaptive shielding

mechanism designed to help UNDP respond better to volatility in regular resources contributions; it addresses challenges in the past quadrennial budget cycles in a more structural fashion including where if core programmatic budget resources fall by up to one-third compared to a baseline set in 2022, all budget lines would face proportional reductions. The mid-term review in 2028 will allow UNDP to update the Executive Board on income and expenditure projections; and, throughout the cycle, UNDP will report any activation of proportional reductions, segment consolidation, or surplus reallocations through standard reporting mechanisms.

Institutional budget

17. Allocations within the institutional component of the integrated budget are indicated in paragraphs 64 to 72 of the report, totalling $1.02 billion, and follow the harmonized cost classifications approved by the Executive Board in its decision 2024/24:

(a) $271.6 million for development/humanitarian activities:

(i) $109.4 million for operational support to programmes, the institutional elements of operational and administrative services to projects, reclassified from ‘management’ under the cost-recovery policy approved by the Executive Board (decisions 2020/12 and 2024/24);

(ii) $162.2 million for ‘development effectiveness activities’ that finance the policy, technical and results-management functions; and,

(b) $749.9 million for enabling activities:

(i) $590.8 million for recurring management activities;

(ii) $48 million for non-recurring management activities;

(iii) $74.3 million for independent oversight and assurance activities;

(iv) $36.8 million for special purpose activities of which $7.7 million for the functioning of UNCDF and $29.2 million for UNV.

Furthermore, consistent with prior practice, UNDP requests exceptional authority to disburse up to $30 million in regular resources for security measures during 2026-2029, limited to new and emerging security mandates as defined by the United Nations Department of Safety and Security.

18. Upon enquiry, the Advisory Committee was provided with the below table of estimates by category of expenditures for 2020-2025 and 2026-2029 periods.

Table 4
Institutional component by category of expenditure

Category of expenditures	2022-2025 budget estimates	2022-2025 updated estimates	2026-2029 budget estimates
Posts	928.6	829.4	791.5
Other staff costs	1.4	1.0	1.2
Consultants	25.5	35.2	21.7
Travel	18.2	24.8	12.5
Operating expenses	136.0	113.7	115.9
Furniture/equipment	17.0	16.5	14.4
Reimbursements/contributions	19.1	16.9	16.2
Provision for strategic investments	48.0	42.2	48.0
Grand total institutional component (gross)	**1,193.8**	**1,079.9**	**1,021.5**

19. **The Advisory Committee recalls that in its previous report it expressed the view that information on both regular and other resources is 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. The Committee trusts that this information will be presented in all future budget submissions.

20. The report of the Administrator indicates that the allocation of $48 million is for the purpose of propelling the future-smart-operations agenda set out in the strategic plan to advance the business model review reforms and complementary cost containment measures outlined; it also serves to secure lasting effectiveness and efficiency gains while preserving flexibility for the incoming Administrator to shape and position UNDP to deliver on the strategic plan for 2026-2029 (DP/2025/23, para 69). Upon enquiry, the Advisory Committee was informed that the investments are aimed at accelerating programme delivery and modernizing operations in alignment with the Strategic Plan, 2026–2029 and that during the 2022–2025 period, the original estimate for non-recurring management costs was $83.7 million which was adjusted to $43.1 million due to a decline in available resources. This revised figure includes actual expenditures for the 2022–2024 period and a projection for 2025. The proposed non-recurring budget for 2026–2029 amounts to $68.2 million, representing an 18.5 per cent reduction compared to the original estimate for the previous cycle; of this amount, $48.0 million will be funded from regular resources and $20.2 million from cost recovery. **The Advisory Committee notes the increase from $31.9 million in the 2022-2025 updated estimates to $48 million in the 2026-2029 period for non-recurring management activities, as well as the $20.2 million from cost recovery, and that the report does not provide information as to the planned time frame or implementation requirements of the management activities. The Advisory Committee is of the view that greater details are required regarding the increased allocations under the institutional**

budget and trusts that this information will be provided to the Executive Board at the time of its consideration of the present report.

Staffing

21. The report of the Administrator indicates that as was the case in the 2014-2017, 2018-2021, and 2022-2025 quadrennia, the integrated budget for 2026-2029 incorporates a strategy for financing personnel costs at grade P-5 and below in a manner that more accurately reflects the results framework. To contain costs, UNDP proposes to reduce the overall ceiling for the D-1 and higher-graded positions in the approved integrated budget by 10 percent from the limit that has been in place since 2014-2017, from 258 positions to 232 (DP/2025/23, para 73). Annex 1, table 4d, of the report provides information on regular resources senior posts, for country offices, regional centers and headquarters as of May 2025 (see also AC 2295, para 14). Upon enquiry, the Advisory Committee was informed that as of May 2025, only 231 of 258 authorized posts were filled and that the new ceiling formalizes this lower operating level. The Committee was provided with the list of 30 unencumbered positions at the D1/D2 level approved for 2022-2025, and informed that although all ASG positions are encumbered, the Administrator position (USG) is vacant and under recruitment.

22. The Committee was also informed that reductions will be informed by workforce optimization measures including shifting country-facing support functions closer to the field, and that although the final decision on moving location-independent functions to strategically determined duty station(s) will be taken by the incoming Administrator, country-office

leadership (currently 155 senior posts) is expected to be largely preserved to protect front-line delivery. **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. It also notes that 30 posts were unencumbered while the reduction in the overall ceiling for the D-1 and higher-graded positions is 26 positions and that approximately 50 per cent of the unencumbered senior level posts were in the field. The Committee is therefore of the view that 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 vacancies. The Committee therefore trusts that further clarification will be provided to the Executive Board at the time of its consideration of the present report.**

23. Upon enquiry, the Advisory Committee was provided with the staffing complement as of 30 July 2025 in the annexed organizational chart. The Advisory Committee notes the number of headquarters-based staff in various offices, including the Bureau for Management Services and the Bureau for Policy and Programme Support, as well as the absence of staffing detail for the regional hubs, country offices and some centres. **The Advisory Committee reiterates its previous requests regarding the need for detailed information regarding staffing. The Committee expects that the aforementioned information will be presented in all future budget submissions.**

24. Upon enquiry, the Advisory Committee was provided with the table below on the composition of the workforce and informed that the Partner Personnel Service Agreement

(PPSA) is a non-staff contractual modality developed by UNDP to support UN partner agencies in engaging non-staff personnel efficiently and consistently. It replaces the Service Contract (SC) modality that UNDP has administered on behalf of UN partners at the country level since 1998.

Table 5
Evolution of the composition of the workforce, 2020-2025 (as of 30 June 2025)

Personnel Type/ Year	Staff	Service Contractor	Personnel Services Agreement (PSA)	Volunteer	Individual Contractor (IC)	Total
2020	7,630	10,135	-	2,284	8,034	**28,083**
2021	7,786	6,972	4,223	2,194	5,435	**26,610**
2022	7,587	665	10,852	2,231	7,229	**28,564**
2023	7,673	622	11,117	2,368	3,433	**25,213**
2024	7,649	136	12,722	2,410	6,123	**29,040**
2025	7,594	45	13,018	2,667	4,624	**27,948**

25. The Committee was informed that the PPSA holders are not staff members and are not subject to the UN Staff Regulations or Rules, and as with all types of affiliate personnel, their remuneration is not governed by the ICSC framework although some elements of their remuneration structure mirror the ICSC principles. The Committee recalls that the PPSA 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 supports country offices in running programmes and projects; and offers benefits and entitlements to non-staff personnel previously not available under the service contract or individual contractor (see AC2295, para 15). The Committee notes that the 2023 Joint Inspection Unit (JIU) report on non-staff contractual modalities (JIU/REP/2023/8) highlighted the PPSA as a best-practice framework for harmonizing conditions, entitlements, and administrative mechanisms. **The Committee notes**

the increasing number of PPSA holders, as well as the numbers of staff and non-staff, and trusts that staffing modalities will be considered in the context of the business model review (see para 38 below).

Equitable geographical representation and gender balance

26. The report does not include information on the geographical representation and gender balance of UNDP staff. **The Advisory Committee trusts that statistics on geographical representation and gender balance will be provided in future budget reports. While acknowledging that UNDP posts are not subject to geographical distribution, the Advisory Committee encourages UNDP to recruit all categories of its personnel on as wide a geographical basis as possible. The Committee trusts that UNDP will report thereon as a matter of routine in future budget reports.**

III. Other matters

Cost recovery

27. Section VI of the report of the Administrator indicates cost recovery in UNDP. The report also indicates that through decision 2024/14, the Executive Board adopted the revised Comprehensive Review of the Joint Cost Recovery Policy for UNDP, UNFPA, UNICEF, and UN-Women, effective 1 January 2026 (DP/2025/23, para. 16). For 2026-2029, UNDP proposes resources in the amount of $1,7 billion to fund the portion of the institutional budget financed through cost recovery compared with $1,8 billion for the 2022-2025 updated estimates. For

UNDP, the notional cost-recovery rate amounts to 6.4 per cent, and corresponding calculations are included in Table 5b in Annex I. Upon enquiry, the Committee was informed that under this policy, agencies apply differentiated indirect cost recovery rates to broaden their funding bases and strengthen resource mobilization for their strategic plans, in order to maximize programme resources; any major alterations to the baseline rates (8 per cent standard; minimum 3 per cent government cost-sharing) require an Executive Board decision and harmonization with UNFPA, UNICEF, and UN-Women.

28. The Committee was informed that all services provided by UNDP to other UN entities are based on the principle of full cost recovery formalized through service level agreements or memoranda of understanding; cost recovery income is primarily used to fund the institutional budget, specifically within the non-core integrated budget, and is managed in a separate fund, and it contributes to funding UNDP's corporate support and oversight functions; and, cost recovery performance is monitored to ensure the recovery of all direct and indirect costs. The Committee was also informed that given resource constraints, and in line with efforts to ensure efficient use of funds, a portion of cost recovery was allocated during the 2022–2025 period and is similarly budgeted for 2026–2029 to support programme operations through the institutional budget. Compared to 2022–2025, the provision remains consistent where regular (core) resources cover only about half the cost of operational support to programmes, and UNDP continues to improve efficiency, with 91.4 cents of every dollar allocated directly to development activities; furthermore, of the total non-recurring management budget, $48 million is allocated from regular resources, with the remainder financed through cost recovery (see para 20 above).

29. The Committee was furthermore informed that oversight functions are funded through institutional resources drawing from both core (regular) resources and cost-recovery mechanisms to ensure their functional independence and sustainability. Regular budget allocations cover staffing, operations, training, and the implementation and follow-up of oversight actions and audit recommendations and previous Executive Board decisions have emphasized the importance of maintaining dedicated and predictable funding for oversight functions. The financing is shared between regular (core) resources and cost-recovery mechanisms, as independent oversight and assurance activities serve both management and programme functions across the organization; and given ongoing pressure on core resources, UNDP continues to prioritize the efficient use of cost-recovery income to sustain accountability mechanisms. **The Advisory Committee notes the reduction in the proposed resources to fund the portion of the institutional budget financed through cost recovery and that regular (core) resources cover about half the cost of operational support to programmes. The Committee trusts that further information will be provided to the Executive board at the time of its consideration of the present report.**

30. The Committee notes from information it received that UNFPA, UNDP, UNICEF, and UN-Women will jointly present initial findings on the cost-recovery policy in 2027 and a timeline for full policy review to their Executive Boards, with decisions on the revised joint policy expected during the Boards’ second regular session in 2028. **The Advisory Committee looks forward to receiving an update on the review of the cost recovery policy in future budget reports.**

UN80 Initiative

31. The Advisory Committee was informed, upon enquiry, of the role of UNDP as one of the co-coordinators of the UN System Development Cluster of the UN80 process which is tasked with developing proposals across the three workstreams of the UN80 initiative. The Committee was informed that the 2026–2029 strategic plan has been framed to accommodate potential outcomes of the UN80 process and that reference to UN80 in the integrated resources plan and budget acknowledges the possibility of adjustments to the financial framework. Should the reforms result in material changes, such as increased system-wide mandates or structural realignments, UNDP may return to the Executive Board in 2028, or earlier, for guidance on upward revisions to the integrated resources plan and budget, while safeguarding financial sustainability. **The Advisory Committee trusts that the implications of the UN80 Initiative with respect to the integrated resources plan and integrated budget, and any changes to the budget estimates and to UNDP operations as a whole, will be further highlighted to the Executive Board at the time of its consideration of the present report. The Committee also trusts that, in the context of the UN80 Initiative, UNDP will propose measures to further enhance cooperation and avoid duplication in the development pillar and across entities.**

United Nations system-wide collaboration

32. Upon enquiry, the Advisory Committee was informed that Peace and Development Advisors (PDAs) are a key component of UNDP's system-wide engagement and, in terms of

integrated cross-pillar collaboration, are deployed through the Joint UNDP–DPPA Programme on Building National Capacities for Conflict Prevention. PDAs support Resident Coordinators and Resident Representatives in conflict-sensitive contexts by assisting national stakeholders and UN Country Teams (UNCTs) in preventing violent conflict and fostering inclusive, peaceful societies. The Committee was also informed that, as regards collaborative programming within the UN system, UNDP is the largest recipient from the Joint SDG Fund, receiving approximately $98.2 million for the 2004-2024 period and that in 2024, UNDP remained the largest participating UN organisation in pooled funds and joint programmes with transfers estimated at $225 million, representing a 17 per cent increase compared to 2023.

33. The Committee was furthermore informed of the relationship between UNDP and the Resident Coordinator (RC) system at the country level, and within the reconfigured RC system, and notes that the recommendation by the Board of Auditors for a comprehensive analysis on both the human resources and the financial consequences of the "delinking" reform at UNDP of the United Nations Development System (A/78/5/Add.1, para 118) is considered as implemented (see also AC 2295, paras 22 to 25). 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 2026.

34. In terms of inter-agency cooperation and common services, the Committee notes from information it received that UNDP leads 136 common premises worldwide serving approximately 19,700 UN personnel (including UNDP); within these premises, UNDP provides services to 46 UN entities across 118 UNCTs; and as of 31 December 2024, UNDP had signed 76 premises agreements on behalf of 13 entities without a UNDP presence at those locations.

Furthermore, through its Quantum-powered Global Shared Services Centre (GSSC), UNDP processes transactions, including payroll services, for more than 70 UN entities; and the implementation and monitoring of the Business Operations Strategies (BOS) at the regional and country levels, indicates productivity gains through BOS 2.0 without additional institutional-budget costs. The Committee was furthermore informed that UNDP continues to advance the implementation of the Secretary-General's Efficiency Roadmap and has contributed to achieving roadmap targets through its leadership in BOS at regional and country levels, operationalization of two of the four active Common Back Offices (CBOs) globally, management of Common Premises (CPs), and strengthened client engagement to support the uptake of Global Shared Services (GSS); UNDP participates in BOS implementation and reporting and serves as the Operations Management Team (OMT) Chair in over 50 countries. In 2024, UNDP generated $20 million in cost avoidance, and through common service provision, enabled 45 UN entities across 115 UNCTs to achieve an additional $26.2 million in cost avoidance.

35. The Committee was informed that the implementation of GSS remains a core pillar of UNDP's contribution to the Secretary-General's Efficiency Agenda. In 2025, the GSSC is supporting the transition of 2,000 Service Contract holders across four UN agencies to Partner Personnel Services Agreements (PPSAs); UNDP is also engaging with partners to establish new global service agreements reflecting updated pricing and cost structures; to date, 14 entities have reported efficiency gains by utilizing UNDP's GSSC services, as evidenced in the 2024 Secretary-General's report on the implementation of General Assembly resolution 75/233 on the Quality Control and Performance Review of the UN development system's operational

activities. **The Advisory Committee notes the information provided on system-wide collaboration and common service provision. The Committee trusts that inter-agency cooperation and coordination will be further leveraged for enhanced efficiencies and synergies, and in avoiding duplication of effort (see also AC/2295, para. 27).**

Business model review

36. The report of the Administrator indicates the allocation of $48 million within the institutional component of the integrated budget serves, inter alia, to advance Business Model Review reforms and complementary cost containment measures (DP/2025/23, para 69). Upon enquiry, the Committee was informed that in the second quarter of 2024, UNDP initiated an independent business model review, as part of its efforts to strengthen its capacities and capabilities to deliver, including in a core resource constrained environment. As part of this comprehensive exercise, the opportunity was identified that some roles could be moved to other location(s) to further enhance UNDP's response to country programmes, operational efficiency, and UNDP's overall ability to respond effectively to emerging challenges. In May 2025, the UNDP Management approved relocating selected country facing functions to the remaining four of the five regional hubs thereby reflecting the model already in place for the Asia Pacific hub, in order to strengthen integrated support to country offices, while realizing cost efficiencies that arise from the lower operating costs of those duty stations compared with New York. These functions are related to those of the Deputy Regional Directors and their country support teams.

37. The Committee was also informed that UNDP is exploring options for moving location independent functions currently located in headquarters locations to strategically chosen duty

stations as a key budget management measure and broader organizational capacity enhancement. The initiative would preserve the corporate leadership centre in New York while positioning thematic, operational and regional support teams across a limited number of cost effective global and regional hubs in order to: (i) unlock budgetary savings that can be redirected to programme delivery; (ii) place decision makers and specialists closer to country offices, partners and crisis settings; and (iii) diversify UNDP's talent pipeline without fragmenting the One UNDP governance framework.

38. The Committee was also informed that the priority areas for operational efficiency and institutional reform are anchored in the business model review and cost-recovery reforms endorsed in 2024 and include: expanding shared-services to generate economies of scale, introducing differentiated general management service fees, developing new private-sector offerings, and piloting resource generation incentives for high-performing country offices. In addition, the parallel cost-recovery improvements, endorsed by the joint Boards in 2024, create an "Enabling Functions" category that makes indirect costs more transparent and better aligned across agencies, paving the way for dynamic service-fee rates. The Advisory Committee was informed that the targeted "future-smart operations" investments in AI-enabled analytics, ERP upgrades and workforce skilling are retained despite austerity as they are expected to unlock sustained efficiencies and new income streams. **The Advisory Committee notes that the independent business model review was initiated prior to the launch of the UN80 initiative and trusts that updated information on the implications of the review and the future relocation of functions in the context of the proposed integrated plan, including additional**

efficiencies will be presented to the Executive Board during its consideration of the present report and in the next report.

Procurement

39. Upon enquiry, the Advisory Committee was provided with information regarding the UNDP procurement principles and the table below indicating procurement volume in 2022 and 2024 with increases from low income, lower and upper middle-income countries and a decrease under high income countries, while the unclassified category pertains to countries with no World Bank Income Classification.

Table 6
Procurement volume by income country group, 2022 and 2024

	2020		2024	
WorldBank Income Group	**Volume**	**Percentage**	**Volume**	**Percentage**
High income	993,957,008.63	39%	972,786,700.05	34%
Upper middle income	709,386,680.22	28%	772,314,239.28	27%
Lower middle income	517,608,973.42	20%	743,821,178.20	26%
Low income	309,394,896.35	12%	350,595,130.15	12%
Unclassified	34,912,871.08	1%	50,526,729.64	2%
Total Volume	**2,565,262,449.70**	**100%**	**2,890,046,001.31**	**100%**

40. The Committee was informed of UNDP’s commitment to strengthen global supply chains and foster sustainable development and inclusivity; supporting the emerging needs of low and lower- middle income countries while adhering to the procurement principles of best value for money, effective competition, fairness and transparency; supporting local economies through the procurement policy provision which allows local or national procurement for all transactions

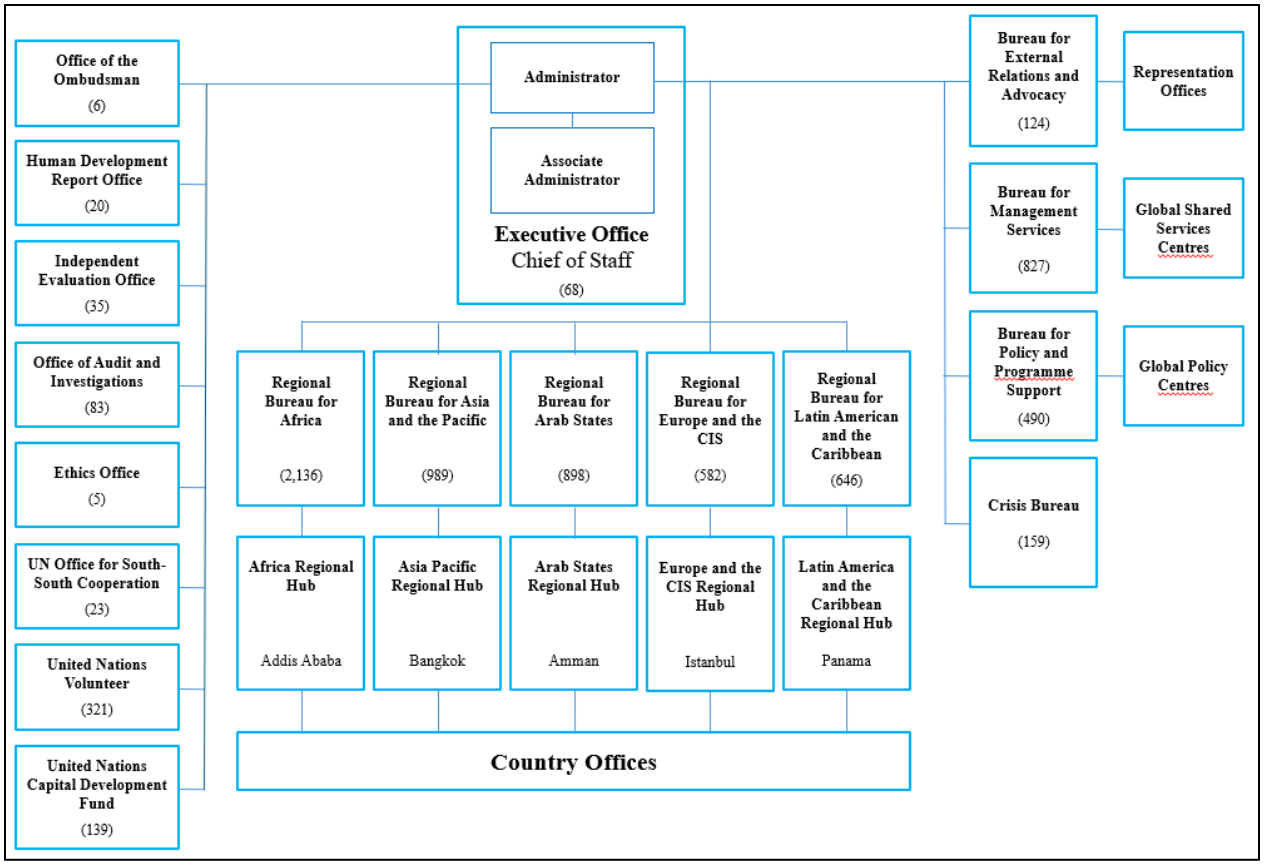
below $200,000. The Advisory Committee notes the gains in the lower middle income category while also noting that the percentage of procurement volume of the low income category remained static from 2022 to 2024.

Oversight and accountability

41. Upon enquiry, the Advisory Committee was informed that, with regard to the recommendations contained in the report of the Joint Inspection Unit on the review of budgeting in organizations of the UN system (JIU/REP/2024/3), of the four main recommendations, one was considered to be not applicable to UNDP. The recommendation concerning the update of the glossary of financial and budgetary terms is envisaged for completion towards the end of 2027, while the two remaining recommendations, one concerning the update of the standard classification of objects of expenditure and the other regarding adequate level of detail in budget reporting, are considered to be implemented through the inter-agency Joint Cost Recovery Policy. **The Committee trusts that the recommendations of the Joint Inspection Unit will be fully implemented in a timely manner.**

Annex

Organizational chart with staffing complement as of 30 July 2025



Note: Active Headcount (Staff only) Distribution by Category Across Bureaus Includes Agencies UNDP, UNCDF and UNV.