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Advisory Committee on
Administrative and Budgetary Questions

29 May 2020

Dear Mr. Steiner,

Enclosed herewith please find the report of the Advisory Committee on Administrative and Budgetary Questions on the Midterm review of the integrated resources plan and integrated budget, 2018-2021.

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 (UNDP)

Midterm review of the integrated resources plan and integrated budget, 2018-2021

Report of the Administrator

Report of the Advisory Committee on Administrative and Budgetary Questions

I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Administrator of the United Nations Development Programme (UNDP) on the midterm review of the integrated resources plan and integrated budget for 2018-2021 (DP/2020/09). During its consideration of the report, the Committee was provided with additional information and clarifications, concluding with written responses dated 29 May 2020. The Committee's report on the mid-term review is in accordance with Regulations 13.04 and 13.05 of the UNDP Financial Regulations and Rules according to which the institutional budget estimates shall be submitted to the Advisory Committee for comment prior to presentation to the Executive Board.

2. The report of the Administrator indicates that the Executive Board, in its decision 2017/31 approved the UNDP integrated budget for 2018-2021 which is an integral complement to the Strategic Plan for 2018-2021. The Board's approval covered the regular resources portion of the UNDP integrated resource plan, including programmatic and institutional activities, and took note of the other resources portion of the integrated resources plan. In paragraph 6 of decision 2017/31, the Board, inter alia, approved an appropriation in the amount of \$1,093.9 million from regular resources for the institutional component of the integrated budget 2018-2021. In the same decision, the Board called for a midterm review of the 2018-2021 integrated budget to take place in conjunction with the midterm review of the Strategic Plan (DP/2020/9).

3. The report of the Administrator indicates that the resource estimates would nearly reach the planned level of \$27.03 billion in available resources (\$26.65 billion or 98.5 per cent) and that expenditures, originally projected at \$24.02 billion, would amount to \$22.56 billion, or 94.4 per cent of the original quadrennial planning estimate.

4. The Advisory Committee notes that the Administrator has not requested a change to the approved 2018-2021 institutional budget.

II. Comments and recommendations of the Advisory Committee

Strategic plan and impact of the coronavirus disease (COVID-19)

5. As indicated in paragraph 7 of the report of the Administrator, the original strategic objectives of a single and integrated resources plan and budget, which were presented in the first UNDP integrated budget (DP/2013/41), continue to be relevant for the 2018-2021 midterm review. Upon enquiry, the Advisory Committee was informed that 103 per cent¹ of the strategic plan's development milestones have been met in 2018-2019 but in view of the impact of the COVID-19 pandemic on the global economy, UNDP is currently not in a position to quantify the number of low-income countries to graduate to middle-income status by the end of the fiscal year 2021. The Committee was also informed that UNDP has initiated a separate funding window to address the response to COVID-19², with initial assessments showing that support to at least 100 countries would need to be provided in the next six months. UNDP expects to produce a more detailed needs assessment and an updated funding target by July 2020. The Committee was furthermore informed that, as at 21 April 2020, 35 UNDP Country Offices³ have received seed funding to kick-start initial support of activities for a COVID-19 response from the UNDP Rapid Response Facility and that additional proposals are being reviewed and processed. With respect to exceptions to the cost recovery rates in connection with COVID-19 response measures, the Committee was informed, upon enquiry, that a proposal of a general management support (GMS) rate of five per cent (instead of eight per cent) has been proposed by the World Bank and that UNDP intends to align its percentage with the other development system entities (see also para. 9 below). The Committee was also informed that all GMS waivers have been reported to the Executive Board, in compliance with Board decision 2013/9.

6. The Advisory Committee notes from paragraph 2 of the report of the Administrator that UNDP will inform the Executive Board on the latest impact of, and UNDP's response to, the COVID-19 pandemic, and trusts that this will include information on inter-agency wide efforts and needs assessments, and on the role of the UNDP Rapid Response Facility, as well as information on the anticipated impact on the operations and revenue of UNDP. The Committee trusts that UNDP will also provide information in future budget reports on UNDP's revenue stream and the utilization of resources as a result of the COVID-19 pandemic.

Financial situation and outlook

7. The report of the Administrator indicates that in 2018-2019, actual contributions amounted to \$9.8 billion, representing 97 per cent of the planned level of \$10.1 billion, with \$140 million of the shortfall attributed to a net loss resulting from exchange rate fluctuations. The report indicates furthermore that contributions to regular resources during the same period reached \$1.3 billion, or 96 per cent, of the planning estimate, with \$23 million of the shortfall attributed to exchange rate fluctuations. UNDP anticipates that the quadrennial resource estimates for the period 2018-2021 in available resources will attain \$26.6 billion (98.5 per cent), compared to the planned level of \$27.0 billion, and that expenditures will

¹ Upon enquiry, the Advisory Committee was informed that 103 per cent is the average achievement rate of 27 Strategic Plan development outputs against 2019 milestones as articulated in the Integrated Results and Resources Framework (IRRF).

² The Committee was informed, upon enquiry, that information on the separate funding window, "COVID-19 Integrated Response", is available online at https://www.undp.org/content/undp/en/home/librarypage/hiv-aids/covid-19-undp_s-integrated-response.html

³ These country offices are: Albania, Algeria, Armenia, Azerbaijan, Barbados, Bhutan, Botswana, Burkina Faso, Cameroon, China, Colombia, Djibouti, Ecuador, Egypt, El Salvador, Georgia, Haiti, Iran, Iraq, Kyrgyzstan, Maldives, Mali, Moldova, Nigeria, Pakistan, Panama, Programme of Assistance to the Palestinian People, South Africa, Sri Lanka, Sudan, Syria, Thailand, Tunisia, Uzbekistan, and Yemen.

amount to \$22.6 billion (94.4 per cent), compared to the planned level of \$24 billion. Expenditures pertaining to the institutional component of the integrated resource plan amounted to \$1.2 billion in 2018-2019, compared to the planned level of \$1.4 billion reflecting, inter alia, operating efficiencies as a result of the clustering of functions and the consolidation of space at the headquarters and field levels which is also expected to contribute to further efficiencies in 2020-2021 and thereafter. **The Advisory Committee welcomes that the decreased expenditures in the institutional component of the integrated resource plan have resulted in the availability of greater resources for programmes and services for development activities and looks forward to further operational efficiencies during the remaining two years of the strategic plan period 2018-2021.**

8. A break-down of the planned use of total resources compared to updated estimates for period 2018-2021 is provided in various tables under annex 2 of the report of the Administrator. **The Committee reiterates that UNDP's budget reports could be analyzed more thoroughly if the information therein was presented in a more transparent manner with the proposed resources justified by comparing them with actual expenditures, shown by programmes and by items of expenditure (see also DP/2017/40, paras. 7 and 8). The Committee is of the view that such information should be included in future budget reports.**

Cost recovery

9. The report of the Administrator indicates that the discussion on critical cross-cutting management functions, which is proposed as a part of the new cost-recovery policy, may require further elaboration and will be addressed in the final cost-recovery policy framework to be presented to the Executive Board at its second regular session of 2020. The Advisory Committee recalls that, in paragraphs 15 and 17 of its previous report (DP/2017/40), it noted the lack of a consistent GMS cost recovery rate in programme countries and funding partners and recommended that UNDP set clear criteria in determining those countries to which the eight per cent cost recovery rate does not apply and that exemptions should be limited. The Committee also recalls that, in accordance with General Assembly resolution 67/226, the financing of all non-programme costs will be based on full cost recovery, proportionally, from core and non-core funding sources. Upon enquiry, the Committee was informed that, during 2018-19, UNDP continued to be compliant with the Executive Board's decisions on cost recovery and that the number of waivers granted has declined from 24 in 2014 to 3 in 2019, and that waivers are limited to exceptional cases. The Committee was also informed that the Board, in its decision 2017/11, concurred with the aforementioned comments of the Committee and requested that UNDP will continue its consultations on cost recovery with the Board. The Committee was also informed that UNDP intends to present a joint comprehensive harmonized policy on cost recovery, in coordination with the United Nations Population Fund (UNFPA), the United Nations Children's Fund (UNICEF) and UN-Women, in the second regular session 2020. **The Advisory Committee welcomes this development and trusts that detailed information on the cost recovery policy, including related resource implications, will be presented in future budget submissions.**

Non-staff personnel

10. The Advisory Committee recalls that the report of the Joint Inspection Unit on the Use of non-staff personnel and related contractual modalities in the United Nations system organizations states that non-staff personnel at UNDP are defined as individuals who have a binding contractual arrangement with the Organization for the provision of functions directly related to the execution of development projects and non-core services for a determined period and whose conditions of service are governed by the terms of their contracts only (JIU/REP/2014/8, para. 15). The Committee recalls its comments with respect to the high percentage of non-staff personnel working for UNDP (see DP/2017/40, para. 11) and was informed, upon enquiry, that the number of such service contracts at UNDP has steadily increased from 9,360 in 2017; to 9,464 in 2018; and to 9,658 in 2019. The Committee also recalls its observations regarding UNICEF (see E/ICEF/2017/AB/L.5, para. 12) and notes that the entity has continued to make significant progress in reducing the number of non-staff personnel by regularizing temporary appointment posts⁴ (see E/ICEF/2017/AB/L.5, para. 19). **The Advisory Committee recommends to the Executive Board that UNDP considers using the experience and lessons learned from UNICEF and other United Nations entities, to reduce the number of non-staff personnel and, on a case-by-case basis, regularize those posts which are of a continuous nature. The Committee trusts that an update thereon will be provided in the report of the Administrator on the integrated resources plan and integrated budget, 2022-2025**

United Nations resident coordinator system

11. Upon enquiry, the Advisory Committee was informed that since 1 January 2019, following the delinking of the resident coordinator system, UNDP has been serving as the principal operational service provider, administering services to 129 resident coordinators covering 131 countries and three Development Coordination Operations regional offices. The Committee recalls that the General Assembly decided to provide sufficient funding to the resident coordinator system on an annual basis starting from 1 January 2019, through: (a) a one per cent coordination levy on tightly earmarked third-party non-core contributions to United Nations development-related activities, to be paid at source; (b) doubling the current United Nations Development Group cost-sharing arrangement among United Nations development system entities; and (c) voluntary, predictable, multi-year contributions to a dedicated trust fund to support the inception period (resolution 72/279, section II, para. 10). Furthermore, the Assembly has requested the Secretary-General to submit for the consideration of the General Assembly, before the end of its seventy-fifth session, a review with recommendations on the functioning of the reinvigorated resident coordinator system, including its funding arrangement (ibid., para. 16). The Committee intends to provide its comments and recommendations on overall issues, including on the operational service provisions to the resident coordinator system by UNDP and by other development system entities, in the context of its consideration of the aforementioned report. **The Advisory Committee trusts that any operational and/ or financial support provided by UNDP to the resident coordinator system be presented in a transparent manner in UNDP's next budget report.**

12. Upon enquiry, the Advisory Committee was informed that of a total of 216 senior posts, 66 posts (31 per cent) were located at Headquarters and 150 posts (69 per cent) at field locations. **The Committee recalls that the General Assembly, in paragraph 9 of**

⁴ The Advisory Committee will provide comments thereon in its report on the midterm review of the UNICEF integrated budget, 2018–2021.

resolution 72/279, requested the Secretary-General to strengthen the authority and leadership of resident coordinators, as the highest-ranking representatives of the United Nations development system, over United Nations country teams, and system-wide accountability on the ground for implementing the United Nations Development Assistance Framework and supporting countries in their implementation of the 2030 Agenda. The Committee trusts that the levels of country representatives of UNDP will be closely monitored and an update thereon be provided in the next budget report. Furthermore, the Committee considers that the level of any particular post should not be used as a justification to exclude the incumbent from participating in meetings that are relevant to the functions of that post. The Committee trusts that the level of any particular post will be based on the classification standards promulgated by the International Civil Service Commission.

Status of the implementation of the 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, including those pertaining to cost recovery (see para. 9 above) and the reduction of the number of non-staff personnel (see para. 10 above) remain pending. **The Advisory Committee trusts that the status of implementation of its recommendations will be included in future budget reports.**