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UNITED NATIONS POPULATION FUND

UNFPA Integrated Budget 2026-2029
(DP/FPA/2025/10)

Annex 3

**UNFPA responses to ACABQ recommendations
made in its report on the
midterm review of the UNFPA Integrated Budget, 2022-2025**
(DP/FPA/2024/8)

Summary

This document provides management responses and additional information addressing the recommendations of the Advisory Committee on Administrative and Budgetary Questions (ACABQ) in its report on the midterm review of the UNFPA integrated budget, 2022-2025 (DP/FPA/2024/8).

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

The proportion of UNFPA regular resources is projected to decrease to 26 per cent for the next strategic plan 2026-2029, a concerning trend that falls below the United Nations Funding Compact target of 30 per cent. This decline in regular resources poses significant challenges to UNFPA's ability to effectively plan and implement its mandate, which encompasses critical work in sexual and reproductive health, gender equality, and population and development.

In response to this projected shortfall, UNFPA is actively pursuing a range of comprehensive measures aimed at securing additional regular resources. These efforts include strengthening engagement with existing donors, cultivating relationships with potential new donors, and advocating for increased support for core funding. Furthermore, UNFPA is working to enhance its resource mobilization strategies by clearly articulating the value and impact of regular resources in achieving sustainable development outcomes.

Enhanced donor recognition of the indispensable role of regular resources is paramount to reversing this downward trend and ensuring UNFPA can meet its programmatic commitments. Regular resources provide UNFPA with the flexibility and predictability necessary to respond to emerging needs, invest in long-term development initiatives, and maintain a strong organizational infrastructure. Without a sufficient level of regular resources, UNFPA's capacity to deliver essential services and advance its mandate will be significantly constrained, potentially undermining progress towards the Sustainable Development Goals. Achieving the 30 per cent Funding Compact objective requires a collective commitment from the international community to prioritize and increase core contributions to UNFPA.

A significant platform for UNFPA's financial standing is the annual [Structured Funding Dialogue \(DP/FPA/2024/11\)](#), which provides an overview and analysis of the resource trends, the current funding situation, and funding and financing perspectives, considering both regular (core) resources and other (non-core) resources, and on the progress made on entity-specific commitments of the funding compact. This is aimed to further foster a shared understanding of UNFPA's financial landscape. The provision of timely and comprehensive funding updates underscores UNFPA's dedication to sound financial management and its commitment to effectively utilizing resources to achieve its mandate.

- 2. The Advisory Committee is of the view that financial performance should be tracked throughout each year of budget implementation and provided as supplementary information to budget submissions. The Committee reiterates its long-standing position that UNFPA's budget reports should present a clear and transparent comparison of the resources proposed under each budget component with actual expenditures, broken down into post and non-post categories and by major items of expenditure. The Committee trusts that such data should be available in real time through the enterprise resource planning solutions. The Committee is further of the view that the format of presentation and the level of granularity of financial data should, to the extent possible, be standardized across all three organizations under the Executive Board.**

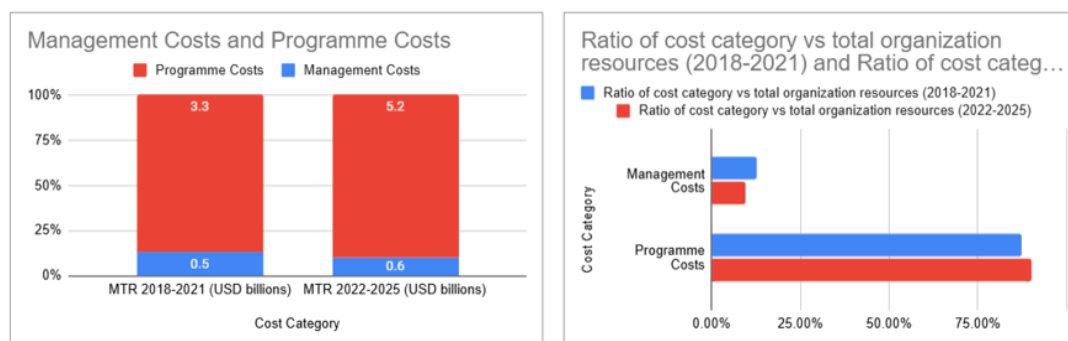
UNFPA maintains a high degree of transparency and accountability through comprehensive reporting mechanisms to the Executive Board. To ensure efficient communication and align with Executive Board requirements, the detailed information and analysis is presented within dedicated, standalone documents.

The [Annual Report of the Executive Director \(DP/FPA/2024/4\)](#) provides a detailed analysis of the organization's performance, results achieved, challenges and advancements in organizational effectiveness and efficiency during the reporting period. [The Statistical and Financial Review \(DP/FPA/2024/4 \(Part I/Add.1\)\)](#), an adjunct to the Annual Report, presents a comparative analysis of indicative resources versus expenditures by region, aligned with strategic plan outcomes and outputs, as well as expenditure items, delineating between programmatic and institutional budgets. It encapsulates UNFPA's fiscal performance for 2024 and its financial standing as of 31 December 2024, adhering to the full accrual accounting principle.

[The annex accompanying the Statistical and Financial Review](#) provides further granular detail and supplementary information as well as granular data on specific programmatic areas, financial performance, and operational aspects. This multi-document approach allows UNFPA to provide in-depth information tailored to the specific needs and interests of the Executive Board and the ACABQ while ensuring the Annual Report remains a cohesive and accessible primary source of information for all stakeholders.

In addition, in each quadrennial budget proposal, UNFPA provides the information on institutional budget major budget items/items of expenditure (Annex 1, Summary table 4 of the integrated budget). UNFPA also provides budget vs. actuals by the major cost classification categories as detailed in Annex 1, Summary table 6 of the integrated budget.

3. **The Advisory Committee notes that management costs have increased by more than 17 per cent since the previous midterm review, for the period 2018-2021, from \$503.9 million to \$594.1 million, and trusts that further clarification of the increase will be provided to the Executive Board at the time of its consideration of the present report.**



As depicted in the graphical representation above, the midterm review (MTR) for 2022-2025, officially approved in 2024, reflects an increase of 17.9 per cent in costs categorized as management compared to the previous MTR period 2018-2021. This rise can be attributed to several factors, primarily increased personnel costs resulting from adjustments in staffing levels and compensation, as well as strategic investments directed towards strengthening various management functions within the organization. These investments were deemed necessary to enhance efficiency, oversight, and overall organizational capacity

in a growing organization. However, a crucial perspective emerges when examining the corresponding growth in programme expenditure. Over the same period, programme costs experienced a substantial surge of 57.6 per cent, growing from \$3.3 billion to \$5.2 billion. This significant expansion in programmatic activities underscores the organization's commitment to delivering and scaling its mandate. Consequently, despite the increase in absolute management costs, the proportion of management costs relative to the organization's total resources actually decreased. This ratio fell from 12.6 per cent to 9.7 per cent, demonstrating a noteworthy trend of achieving significant economies of scale as the organization expands its operational reach and programmatic impact. This reduction in the management cost ratio indicates that the organization is effectively leveraging its growing resource base to maximize its investments in direct programme delivery, ensuring that a larger share of its resources is directly contributing to its intended beneficiaries and objectives. The increased efficiency in resource allocation, as evidenced by the declining management cost share, highlights the organization's commitment to financial prudence and maximizing the impact of its programmes as it continues to grow.

- 4. The Advisory Committee welcomes the efforts of UNFPA to bolster its presence in the field and trusts that details of the organizational restructuring (see also para. 12 below) as well as updated information with regard to the impact of headquarters optimization will be provided to the Executive Board and in future reports.**

UNFPA is appreciative of the ACABQ's acknowledgment of the significant strides made in bolstering its field presence. This strategic priority, which includes the relocation of select headquarters functions (specifically the integrated Programme Division and the Independent Evaluation Office) to Nairobi, Kenya, to better support field operations, is considered crucial for enhancing the Fund's overall effectiveness and reach. UNFPA remains committed to this endeavour, formally known as the "HQ Optimization initiative", and its promise to ensure transparent communication on the initiative's progress with Member States. Since the onset of the initiative, UNFPA organized six informal Executive Board briefings dedicated to the HQ Optimization. Staff relocations formally commenced in March and will conclude by 31 August 2025, with the exception of the Strategic Planning Branch which will be allowed to relocate in September, after the finalization of the new Strategic Plan and its anticipated endorsement by the Executive Board at the end of August. The team working on female genital mutilation in the Gender, Human Rights and Inclusion Branch, consisting of six Programme Division staff members who had previously been based in Addis Ababa, requested advance relocation to Nairobi and all moved during Q4 2024. Overall, the initiative remains well on track and UNFPA looks forward to witnessing the full realization of the HQ Optimization's transformative potential in the months to come. This commitment to transparency and continuous improvement underscores UNFPA dedication to maximizing its impact in delivering its mandate.

- 5. The Advisory Committee considers that detailed planning and financial assumptions underpinning proposed investments in the institutional budget, including a breakdown of post and non-post resources, should be provided in future reports as a matter of course and trusts these will be included, as appropriate.**

UNFPA presents its budget document in a results-based format, based on the Executive Board decisions, and in alignment with UNDP, UNICEF and UN-Women, focusing on the results/outputs of the strategic plan. Additionally, UNFPA provides detailed information on the Institutional Budget, including the breakdown by the UNSDG-agreed major expenditure groupings (including post and non-post resources) as well as the proposed major

investments, in the UNFPA Integrated Budget, 2022-2025, as well as the midterm review. Given the four-year cycle of the Integrated Budget, and the timing of the presentation of the midterm review, only one of four years of expenditure is available, thus rendering the comparison of budget vs. expenditure less meaningful. Rather, as in previous cycles, UNFPA extensively reports on its actual expenditure in the Executive Director's Annual Report, the Statistical and Financial Review, and its annexes (as described in more details in question 2 above). UNFPA also reports on budget vs. expenditure at the time of preparing the quadrennial budget, meaning this comparison was part of the Integrated Budget, 2022-2025, and is also a part of the Integrated Budget, 2026-2029 (Annex 1 refers).

- 6. The Advisory Committee is of the view that all staffing changes should be clearly presented with details regarding the level, nationality, function, organizational placement and incumbency status of posts, so as to enhance transparency in human resources management and enable a more meaningful analysis. The Committee is also of the view that the approach should, to the extent possible, be standardized across all three organizations under the Executive Board.**

UNFPA budget proposal continues to include information on senior level positions in the Institutional budget (based on their functions) as well as the overview of total positions at the time of preparing the Integrated Budget. Owing to the voluntary nature of UNFPA funding and its business model, programme positions change frequently in response to the programme needs and funding agreements that are being signed or that are expiring.

UNFPA provided to the Executive Board a comprehensive [Information Note on UNFPA culture](#), which includes updates on a wide range of approaches, interventions and frameworks, which each serve to catalyse progress on equity, inclusion, anti-racism, gender parity and non-discrimination at critical inflection points within the organization. Among many topics, it includes information on the UNFPA approach to promoting geographical representation, as well as to maintaining gender balance.

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

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- 8. The Advisory Committee acknowledges the detailed information provided regarding cost recovery in the budget report, including in response to its earlier recommendation (see annex 3 of the budget report), trusts that the Fund will strive to minimize divergence between the three cost recovery rates, and looks forward to receiving an update on the review of the cost recovery policy in future budget reports.**

UNFPA appreciates the Committee's recognition of its efforts to provide transparent and meaningful information on cost recovery. The organization remains committed to transparency and accountability and continues to incorporate detailed information on cost classification and cost recovery as part of the integrated budget proposal (Section E of the main document and the accompanying Annex 2).

In its decision 2024/24, the Executive Board adopted the revised [Comprehensive Review of the Joint Cost Recovery Policy](#) for UNDP, UNFPA, UNICEF and UN-Women. The revised cost recovery policy comes into effect on 1 January 2026. UNFPA has prepared the Integrated budget proposal for 2026-2029 based on the application of new cost recovery policy and cost classification.

As part of the regular quadrennial review, the Executive Board has requested UNFPA and UNDP, in collaboration with UNICEF and UN-Women, to present a comprehensive review of the cost-recovery policy and its implementation for decision at the second regular session of 2028 and to conduct a joint briefing in 2027. This briefing will serve to present a consolidated timeline for the aforementioned review, along with preliminary observations and findings concerning the implementation of the cost-recovery policy.

UNFPA has maintained adherence to waiver reporting requirements as outlined in the Executive Director's Annual Report's Statistical and Financial Review annex, which includes a specific section dedicated to cost recovery reporting, encompassing waivers. In accordance with the 2024/24 Joint Comprehensive Cost Recovery Policy, UNFPA will henceforth present this information in the form of a separate, harmonized report, developed in collaboration with UNDP, UNICEF, and UN-Women, rather than integrating it within the Statistical and Financial Review.

9. The Advisory Committee underscores the importance of close alignment between the different planning cycles and levels and trusts the Fund will explore ways to enhance cohesion between all budget components in order to strengthen the link between resources and results and enable a holistic real-time overview of resource utilization.

UNFPA Strategic plan, integrated budget and global and regional programmes (GRP) are aligned in timing with the strategic plan cycle. That enables the Executive Board to approve the Institutional Budget appropriation and the GRP regular resources ceilings for the same time horizon. However, country programmes follow their own cycle, aligned with the national planning timelines and the UN Sustainable Development Cooperation Frameworks. This is the case for the whole UN development system, not UNFPA specific. As a result, UNFPA cannot unilaterally change the nationally owned planning cycle. However, on an annual basis, UNFPA country offices plan for the results and resources in an integrated manner, using the UNFPA corporate planning and ERP tools. These are aligned and support the implementation of the respective country programme.

10. The Advisory Committee emphasizes the importance of inter-agency cooperation and coordination in leveraging synergies and avoiding duplications of effort.

UNFPA acknowledges the recommendation of the ACABQ and recognizes the importance of interagency co-ordination.

Compared to its size UNFPA plays a rather prominent role in the UNSDG. UNFPA is the co-chair of the BIG as well as the chair of the BOS Task Team and further participates actively in the Task Team on Common Premises and the CBO Task Team. Furthermore, UNFPA has outsourced certain operational functions like payroll, treasury, etc for a very long time and is considered an anchor client for most services by service providing entities (mainly UNDP). This initial outsourcing strategy yielded valuable lessons and established UNFPA as an experienced actor in this area. This experience is now used to outsource newly developed services more easily, as demonstrated by UNFPA's prompt adoption of newly offered services (e.g., UN Fleet). This experience also allowed UNFPA to adopt mutual recognition without difficulties.

UNFPA demonstrates a strong commitment to enhancing organizational efficiency and effectiveness through its active engagement across all components of the efficiency agenda. This commitment is evidenced by UNFPA's consistent early adoption of new global shared services, UNFPA's participation in all BoS wherever it is present, as well as UNFPA's dedication to leveraging common back offices (CBOs) to streamline administrative processes and optimize resource utilization locally.

Furthermore, UNFPA holds a prominent position as a leader and strong advocate for joint programming initiatives within the broader UN system. Recognizing the power of collaboration, UNFPA actively participates in and champions joint programs with other UN agencies to achieve greater coherence, synergy, and impact in addressing complex development challenges. This collaborative approach leverages the diverse expertise and resources of different UN entities, leading to more comprehensive and sustainable outcomes.

In addition to its internal efficiency efforts and collaborative programming, UNFPA is a committed and active supporter, as well as a significant beneficiary, of the ongoing repositioning of the UN Development System (UNDS Reform). UNFPA recognizes the critical importance of a strengthened and more integrated UNDS, with the Resident Coordinator (RC) system and the UN Country Teams (UNCTs) playing a central and catalytic role in delivering the 2030 Agenda for Sustainable Development. UNFPA actively contributes to and benefits from this reform process, ensuring a more coordinated and effective UN response at the country level to meet the needs of the populations it serves.

11. 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.

As reflected in the [report on the recommendations of the United Nations Board of Auditors for 2023 \(DP/FPA/2025/2\)](#), at the time of its issuance, UNFPA had fully implemented 29 (63 per cent) of the 46 recommendations that were outstanding at the beginning of the 2023 financial year. Seventeen recommendations remained in the process of being implemented. As of July 2024, the Board of Auditors (BOA) issued 32 new recommendations to UNFPA, bringing the total outstanding recommendations to 49, including those from previous reporting periods. Of these, as of April 2025 the organization has implemented nine recommendations, 12 are under implementation and 28 are outstanding. UNFPA is dedicated to prioritizing the implementation of outstanding BOA recommendations and has as of May 2025 submitted additional 21 recommendations for closure. BOA is reviewing the submissions.

UNFPA reaffirms its commitment towards complying with the recommendations from the Joint Inspection unit (JIU). Significant progress has been made towards the implementation of the recommendations. [The Report on the recommendations of the Joint Inspection Unit in 2024 \(DP/FPA/2025/4 \(Part II\)\)](#), together with its Annexes provide granular details on the implementation by UNFPA on the reports issued by the JIU. The report provides information on management responses to the relevant recommendations in the JIU reports and mechanisms for tracking and implementing them.
