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United Nations Children's Fund
UNICEF institutional budget for 2012-2013

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 report of the Executive Director of the United Nations Children's Fund (UNICEF) on the proposed institutional budget for the 2012-2013 biennium (E/ICEF/2011/AB/L.2). During its consideration of the report, the Advisory Committee met with the Deputy Executive Director and other representatives, who provided additional information and clarifications.

Format and presentation

2. The Advisory Committee recalls that in 2010 the Executive Boards of UNICEF, the United Nations Development Programme (UNDP) and the United Nations Population Fund (UNFPA) approved the proposals that were presented in a joint report of the three organizations entitled, "Road map to an integrated budget: cost classification and results-based budgeting". The report was the culmination of a review of existing cost definitions and classification of activities and associated costs, as well as results-based budgeting models and methodologies of selected United Nations organizations and bilateral donors, in order to identify best practices. The three organizations agreed to work together for greater harmonization and improvement in the presentation of the biennial support budget for 2012-2013, and also work towards the presentation of a single, integrated budget for each organization beginning in 2014. The Advisory Committee notes that in accordance with decision 2011/6 of the UNICEF Executive Board, the 2012-2013 institutional

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budget has been prepared following the results-based approach and is presented in the new cost classification format agreed upon by UNICEF, UNDP and UNFPA. The budget therefore represents an important milestone on the roadmap to the implementation of the fully integrated budget in 2014.

Projected resources

3. According to the resource plan summarized in annex I of the present document, the total projected resources from regular resources, other resources and trust funds for the biennium 2012-2013, including an opening balance of $2,816 million, amount to $11,700 million, reflecting an increase of $1,281 million, or 12.3 per cent, compared with the total planned resources of $10,419 million for 2010-2011. For 2012-2013, total regular resources are projected at $2,709 million, reflecting an increase of $105 million, or 4 per cent, compared with $2,604 million in 2010-2011. Other resources are projected at $6,150 million, reflecting an increase of $381 million, or 6.6 per cent, compared with $5,769 million in 2010-2011, and total trust funds are projected at $2,841 million, reflecting an increase of $795 million, or 38.9 per cent, compared with the total of $2,046 million for 2010-2011.

4. Income from regular resources, mostly contributions, is estimated at $2,129 million for the biennium 2012-2013, reflecting an increase of $138 million, or 6.9 per cent compared with $1,991 million for the biennium 2010-2011. Income from other resources is estimated at $4,362 million, reflecting an increase of $333 million, or 8.3 per cent compared with $4,029 million in 2010-2011. Trust fund receipts are projected at $2,393 million, reflecting an increase of $594.8 million, or 34 per cent compared with 2010-2011. As regards the use of resources, the total resources proposed for the 2012-2013 biennium is $9,407 million, of which $8,441 million will be used for programmes and $966 million for the institutional budget (see also paragraphs 24-26 below).

II. Proposed institutional budget for 2012-2013

5. The Advisory Committee notes that according to the new cost classification, the budget for development effectiveness, United Nations development coordination activities, management activities, and special purpose activities is now referred to as the institutional budget. It is based on the results-based budgeting approach and is presented in the new cost classification format as indicated in paragraph 2 above. The definitions for the terminology of the above cost categories are provided in annex 8 of the institutional budget report.

6. The proposed institutional budget for the 2012-2013 biennium amounts to $966 million, which represents a decrease of $54.1 million, or 5.3 per cent, compared with the combined biennial support budget and security budget of $1,020.1 million for 2010-2011. The volume decreases amount to $43.4 million, which is partially offset by volume increases amounting to $33.1 million and an amount of $7 million due to adjustments for staff costs, exchange rates and inflation. The decrease is also due to one time costs for investment projects amounting to $36.9 million and one time security costs in the amount of $13.9 million, which were undertaken in 2010-2011 and will not be undertaken in 2012-2013.

7. The volume decreases of $43.4 million mainly comprised the operational efficiencies, cost reductions and value-for-money measures resulting from a review

of operational costs, particularly international travel, conferences and meetings, as well as the deferral of the purchase of transport equipment and a reduction in the use of consultants. Savings are also expected from the increased use of common premises and common administrative services. UNICEF expects that the above-mentioned initiatives will translate into decreases of $28.8 million at headquarters and $5 million in the field offices (ibid., paragraphs 46-47). Furthermore, the Advisory Committee was informed that UNICEF regional offices were being encouraged to look into the possibility of establishing or expanding multi-country service centres to generate economies of scale, reduce transactional costs and ensure consistent operations support to country offices (see also paragraph 20 below). **The Advisory Committee welcomes the organization-wide efforts made by UNICEF to achieve cost reductions by re-examining existing operational activities and maximizing the use of new technologies. The Committee also encourages the use of common premises and common services, which should yield efficiencies and savings.**

8. The Advisory Committee was also informed that, in the preparation of the 2012-2013 budget, particular attention had been paid to the correct attribution of costs — the identification of costs for activities funded from other sources — and that was expected to generate decreases of $5.1 million (ibid., paragraph 51); while the scaling back on recruitment activities of the New and Emerging Talent Initiative, so as to assess its effectiveness, was expected to generate savings of $4.5 million (ibid., paragraph 52).

9. The volume decreases are partially offset by increases of $33.1 million, mainly in the areas of global cluster coordination ($3 million); strengthening the presence of UNICEF in the newly independent Republic of South Sudan ($2.5 million); strengthening corporate oversight and assurance activities through the establishment of two additional posts in the Office of Internal Audit ($0.6 million); strengthening human resources management ($3.5 million); strengthening corporate and oversight assurance activities ($0.6 million); the adoption of the International Public Sector Accounting Standards (IPSAS) ($3.2 million); and supporting talent management initiatives ($1 million). Additional increases are expected from the implementation of the VISION (Virtual Integrated System of Information) enterprise resource planning (ERP) system — further explained in paragraph 11 below ($10.2 million); and the cost of development of a single organizational technology platform for the organization ($9.1 million).

10. **Overall, the Advisory Committee welcomes the progress made by UNICEF to improve its budget presentation, including the results-based budgeting framework and incorporation of the new cost classifications. Within the context of the harmonized approach with UNDP and UNFPA, the Committee encourages further efforts to improve the presentation. In particular, while the Advisory Committee appreciates that the utilization of tables and other means of presentation renders the budget more succinct, it is of the opinion that additional information is required in the narrative. The Committee requests that future budget proposals should provide such detail. While supporting the overall proposals made by the Executive Director, in the paragraphs below, the Committee provides further comments on some specific initiatives.**

III. Specific comments and observations

VISION enterprise resource planning (ERP) and performance management system

11. The Advisory Committee was informed that UNICEF was on course to implement VISION at all its locations on 1 January 2012. According to the representatives of the Executive Director, VISION, which is a global SAP-based ERP system, is expected to have a major impact in the way UNICEF operates in all of its offices. Its main components are an SAP-based central application system and a performance management platform. These systems will support and facilitate implementation of organizational improvements in four results areas: improved accountability and effective risk management; programme excellence; operations performance; and effective resource planning and implementation. The systems — which will replace the existing headquarters-based SAP ERP system and the field-based Programme Manager System (ProMS) — will also deliver a web-based performance management information system for monitoring and reporting on core financial and results-based information across the worldwide operations of UNICEF both globally and in real-time.

12. The Committee was also informed that significant investment had already gone into the preparation of the required system functionality for regional and country offices in addition to pilot phases being implemented in a small number of country offices. The preparations included design; guidance and training; communication and monitoring; as well as the improvement of bandwidth and communication capabilities. The Committee was further informed that the estimated cost from the biennium 2008-2009 to the end of 2010-2011 was $37.1 million. It was also explained that, after the implementation of the system in January 2012, significant challenges were anticipated as new users were introduced to the system and to the improved business processes. The system would therefore require technical and advisory support, hence the provision of $10.2 million for VISION implementation in the institutional budget for 2012-2013.

13. **The Advisory Committee commends UNICEF for the progress made towards the implementation of a fully integrated global resource management system with enhanced performance management capabilities. The Committee trusts that UNICEF's experience in the implementation of this system will be shared with other organizations.**

IPSAS post-implementation strategy

14. The Advisory Committee recalls that the adoption of IPSAS was approved by the General Assembly in its resolution 60/283 (2006) and by the UNICEF Executive Board in its decision 2007/10 in order to achieve the benefits of improved transparency and accountability. The Committee further recalls that, in order to achieve greater harmonization with other United Nations funds and programmes, an extensive review was undertaken in consultation with other agencies leading to the amendment of the Financial Regulations and Rules of UNICEF to accommodate full accrual based accounting as required by IPSAS. The Advisory Committee's comments and recommendations on the proposed amendments are contained in its separate report, which will be before the Executive Board at its next session.

15. During its consideration of the 2012-2013 budget, the Advisory Committee was informed that UNICEF was on track for the implementation of IPSAS in

January 2012. The Committee was further informed that, as part of its post-implementation strategy, UNICEF planned to maintain a small unit in the Division of Financial Management and Administration (DFAM) to provide advice and assistance, particularly in the areas of training and capacity-building. The representatives of the Executive Director explained that UNICEF did not consider it necessary to set up additional support structures because there was sufficient operational capacity to handle the implementation in the majority of its country offices, and that the implementation in the smaller offices would be supported from the regional offices. It was further explained that the existing capacity would be further strengthened through training, hence the allocation of $3.2 million in the 2012-2013 institutional budget to cover the cost of staff and consultants dedicated to IPSAS capacity-building activities. The Committee was also informed that the benefits of IPSAS would be more discernible after the initial period of implementation, as well as following the external auditors' review and opinion on UNICEF's 2012 financial statements to be provided in mid-2013. In addition, the lessons learned from the implementation exercise would inform the post-implementation strategy to be reflected in the 2014-2015 budget. **The Advisory Committee reiterates its opinion that the implementation of IPSAS should, to the extent possible, be harmonized with that of the other United Nations organizations and that the lessons learned by UNICEF should be documented and similarly shared. In this regard, the Committee draws attention to the IPSAS global shared service centre approach being considered by UNDP, which UNICEF should bear in mind if it considers changing its present strategy.**

Global cluster coordination

16. During its consideration of the proposed budget, the Advisory Committee was informed that, a global cluster approach had been put in place to ensure predictable leadership and accountability in all the main sectors or areas of humanitarian response and to strengthen system-wide preparedness and technical capacity to respond to humanitarian emergencies. In that regard, cluster lead agencies had been designated for all key humanitarian response sectors, with UNICEF being assigned the global leadership role for the water, sanitation and hygiene (WASH) and nutrition clusters; the global co-leadership role for the education cluster, with the International Save the Children Alliance; within the global protection cluster, the leadership role for the child protection area of responsibility, and, jointly with UNFPA, the co-leadership role for the gender-based violence area of responsibility.

17. The Advisory Committee notes that, in 2010-2011, the funding and management of the cluster responsibilities of UNICEF was dispersed within UNICEF. In order to ensure better coordination and leadership, resources amounting to $3.5 million have now been allocated in the 2012-2013 institutional budget for the establishment of a global cluster coordination unit in Geneva, which is in close proximity to other humanitarian partners and the Inter-Agency Standing Committee secretariat. The allocation will cover the establishment of five posts (four Senior Coordinators and one Information Management post), in addition to other cluster coordination activities.

18. **The Advisory Committee welcomes the demonstrated commitment of UNICEF by allocating resources to cluster coordination, including the establishment of a cluster coordination unit. The Committee is of the view that,**

where feasible, the financial responsibilities should be shared equitably among the participating organizations.

Proposed staffing changes

19. The Advisory Committee notes that resources amounting to an estimated $729.7 million in the 2012-2013 institutional budget have been allocated to posts (ibid., annex 5). A total of 2,919 posts are proposed for the biennium, reflecting a net decrease of 38 posts compared with 2,957 in the 2010-2011 biennium (ibid., annex 6). The changes comprise a net decrease of 4 posts at D-1 level; net increases of 14 international Professional posts and 3 National Officer posts; and a net decrease of 51 General Service posts. **The Advisory Committee welcomes the clarity provided by the detailed organigramme, which facilitates a better understanding of the organizational structure and the proposed staffing changes. The Committee requests that it be included in future budget submissions.**

20. The Advisory Committee notes that the above staffing changes will entail an overall reduction of 65 posts (1 D-1, 2 international Professional, and 62 other levels) at country office level. In addition, the Committee notes that 42 of the proposed post reductions in the other levels category are in the country offices of the Eastern and Southern Africa region. The significant decrease in posts in the support category is due in part to the strategic shift to strengthen the oversight and capacity of the regional offices, which has facilitated the simplification of business processes and the achievement of operational efficiencies in the country offices. As earlier explained in paragraph 11 above, the planned roll-out of VISION, as well as the enhancement of staff capacity through training, are key factors in the implementation of this strategy. The strategy will also include the establishment and expansion of multi-country operations service centres in the West and Central Africa region; and in the Latin America and the Caribbean region in order to achieve further efficiencies through the consolidation of operations. **The Advisory Committee welcomes the efforts made by UNICEF to harness the benefits of available information technology to achieve greater efficiencies in the management of its resources and strengthen the support to its field offices. While the Committee does not object to the proposed post changes, it trusts that care has been taken to ensure that the reduction in posts will not adversely impact programme delivery at country office level.**

21. The Advisory Committee notes the proposed establishment of 2 additional posts in the Office of Internal Audit to strengthen the audit and investigation function and to ensure that the requirements of the approved audit charter are met (see paragraph 9, above). **It is the Committee's view that the establishment of the posts should contribute to greater accountability and transparency.**

22. Upon enquiry, the Advisory Committee was informed about the plans of UNICEF to allocate $1 million in the 2012-2013 institutional budget to support talent management initiatives, such as completing the transition to electronic performance management and recruitment through the use of e-PAS and e-recruitment tools that were developed in 2010-2011. The Committee was informed that e-PAS, which currently serves only international staff, would be expanded to cover all staff. The Committee was further informed that UNICEF, rather than building its own system, has been using a system built by UNFPA for which it is contributing to the maintenance costs. It was indicated that the expansion of the

system to cover all staff would entail an additional one-time cost for UNICEF to be met from within the above-mentioned allocation.

23. The Committee was also informed that the talent management initiatives included the development of a new rotation policy for international Professional staff, according to which certain functional groups such as deputy representatives and health officers would be subject to a managed rotation. The Committee was informed that presently, managed rotation was being applied only to heads of office. The Committee was further informed that a pilot rotation exercise, which had been launched in 2010, was currently under review and would inform the new rotation policy. The resources proposed in the budget would cover its final design and implementation, along with the career development and talent management system of UNICEF, as part of a coherent human resources management system. **The Advisory Committee notes the initiative taken by UNICEF to expand the scope of its existing staff rotation policy as an element in the development of a more coherent human resources management system. The Committee trusts that the experience of UNICEF in this regard will be shared with other agencies.**

Cost Recovery

24. The Advisory Committee notes that actual cost recoveries in the 2008-2009 period amounted to $320.3 million, representing an average recovery rate of 6.7 per cent on total programme assistance funded by other resources. For the same period, the Committee notes that 36 per cent of the total institutional budget was funded from cost recoveries, which ensured that regular resources were not used to subsidize support costs for programme assistance funded by other resources. As indicated in annex II of the present report, $338 million, or 35 per cent of the total institutional budget for the 2012-2013 biennium, is projected to be funded through cost recoveries, an increase from the 24 per cent budgeted for 2010-2011.

25. The Committee further notes that a review undertaken jointly by UNICEF, UNDP and UNFPA in response to the UNICEF Executive Board decision 2011/6 has confirmed that the revised cost definitions and classification of activities have no impact on cost recovery and thus necessitated no changes in the cost recovery methodology to be applied for the 2012-2013 biennium. It is indicated that the current rates and methodology will again be reviewed jointly with UNDP and UNFPA in 2013, within the context of the new integrated budget for 2014, at which time any changes, if necessary, would likely be made.

26. **The Advisory Committee welcomes the positive trend by which an increasing percentage of the institutional budget is being funded from cost recovery. The Committee encourages the joint efforts by UNICEF, UNDP and UNFPA to determine future cost recovery methodology and rates. It looks forward to receiving further information in this regard.**

Annex I

Resource plan

(In millions of United States dollars)

	2010-2011					2012-2013				
	Regular resources	*Other resources*	*Trust funds*	*Total resources*	*%*	*Regular resources*	*Other resources*	*Trust funds*	*Total resources*	*%*
1. Resources available										
Opening balance	613.0	1 740.0	303.0	2 656.0	—	580.0	1 788.0	448.0	2 816.0	—
Income										
Contributions	1 833.8	4 008.8	—	5 842.6	—	2 011.0	4 343.0	—	6 354.0	—
Other income and reimbursements[a]	157.2	20.2	—	177.4	—	118.0	19.0	55.2	192.2	—
Total Income	1 991.0	4 029.0		6 020.0	—	2 129.0	4 362.0	55.2	6 546.2	—
Trust funds	—	—	1 743.0	1 743.0	—			2 337.8	2 337.8	—
Total available	**2 604.0**	**5 769.0**	**2 046.0**	**10 419.0**	**—**	**2 709.0**	**6 150.0**	**2 841.0**	**11 700.0**	**—**
2. Use of resources										
A. Development activities										
A.1 Programmes	1 630.4	3 875.4	1 956.0	7 461.8	88.0	1 594.0	4 469.0	2 378.0	8 441.0	89.8
A.2 Development effectiveness	188.5	77.2	—	265.7	3.1	159.6	91.8	5.0	256.4	2.7
Subtotal development activities	**1 818.9**	**3 952.6**	**1 956.0**	**7 727.5**	**91.1**	**1 753.6**	**4 560.8**	**2 383.0**	**8 697.4**	**92.5**
B. United Nations development coordination activities	0.6	—	—	0.6	0.0	3.5	—	—	3.5	0.0
C. Management activities										
C.1 Recurring costs	533.6	169.4	—	703.0	8.3	444.6	238.0	—	682.6	7.3
C.2 Non-recurring costs b/	13.9	—	—	13.9	0.2	1.0	3.2	—	4.2	0.0
Subtotal management activities	**547.5**	**169.4**	**—**	**716.9**	**8.5**	**445.6**	**241.2**	**—**	**686.8**	**7.3**
Total institutional budget (A.2 + B + C + D)	**773.5**	**246.6**	**-**	**1 020.1**	**12.0**	**628.0**	**333.0**	**5.0**	**966.0**	**10.3**
Total use of resources (A + B + C + D)	**2 403.9**	**4 122.0**	**1 956.0**	**8 481.9**	**100.0**	**2 222.0**	**4 802.0**	**2 383.0**	**9 407.0**	**100.0**
3. Projected balance of resources[c]	200.1	1647.0	90.0	1937.1	-	487.0	1 348.0	458.0	2 293.0	-
4. Updated balances of resources[d]	580.0	1 788.0	448.0	2 816.0	—					

[a] Includes interest, miscellaneous income and offset to the institutional budget.
[b] 2010-2011: Security allocation approved by the Executive Board in 2008.
[c] Projected balance of resources represents revised medium-term financial plan total cash balance before the funded reserves (for after-service health insurance, capital assets, separation fund and procurement services).
[d] Balance of resources for 2010-2011 has been updated to include actual and projected changes in income and expenditure.

Annex II

Analysis of Trends and Ratios of Support budget — 1998 to 2011

(In millions of United States dollars)

PLANNED	98-99	00-01	02-03	04-05	06-07	08-09	10-11 1/	12-13
Biennial Support Budget (BSB)	527.5	545.5	574.2	701.9	757.4	912.8	1,020.1	966.0
BSB From Regular resources	493.6	477.7	485.9	545.5	567.4	689.8	773.5	628.0
	94%	88%	85%	78%	75%	76%	76%	65%
BSB From OR and other Recoveries	33.9	67.8	88.3	156.4	190.0	223.0	246.6	338.0
	6%	12%	15%	22%	25%	24%	24%	35%

Total Regular Resources	1122.5	1247.7	1147.9	1424.5	1658.6	2355.4	2403.9	2222.0
% of total RR used for Programmes	56%	62%	58%	62%	66%	71%	68%	72%
% of total RR used for BSB	44%	38%	42%	38%	34%	29%	32%	28%

1/ Revised to include 2010-2011 Security allocation approved by the Executive Board approved in 2008.

ACTUAL	98-99	00-01	02-03	04-05	06-07	08-09
Actual BSB Expenditures	507.5	521.9	568.9	682.2	739.0	892.5
Actual BSB From Regular resources	465.0	437.6	466.1	481.3	468.3	572.2
	92%	84%	82%	71%	62%	64%
BSB From OR and other Recoveries	42.5	84.3	102.7	200.9	270.7	320.3
	8%	16%	18%	29%	38%	36%

Total Regular Resources	1065.1	1178.0	1206.0	1365.0	1745.0	2087.8
% of total RR used for Programmes	56%	63%	61%	65%	73%	73%
% of total RR used for BSB	44%	37%	39%	35%	27%	27%