

United Nations Children's Fund
Executive Board
12-15 September 2011
Item 8 of the provisional agenda*

For action

Institutional budget for 2012-2013

Summary

This document contains the institutional budget for 2012-2013. It is based on the results-based budgeting approach and presented in the format agreed upon by UNICEF, the United Nations Development Programme (UNDP) and the United Nations Population Fund (UNFPA), and endorsed by the Executive Board in decision 2011/6.

The strategic context for the institutional budget is provided by the UNICEF medium-term strategic plan (MTSP), 2006-2009 (E/ICEF/2005/11). In decision 2009/5, the Executive Board extended the MTSP until the end of 2013. The financial context for the institutional budget is provided by the "Medium-term strategic plan: planned financial estimates for the period 2011-2014" (E/ICEF/2011/AB/L.5).

The proposed institutional budget for 2012-2013 is \$966 million. Of this, it is estimated that \$628 million will be funded from regular resources and \$338 million from other resources and trust funds. The budget for 2012-2013 reflects a 5.3 per cent decrease over the budget for 2010-2011. Further, and continuing a trend in previous bienniums, the institutional budget as a proportion of total resources has been reduced to 10.3 per cent from 12.0 per cent in 2010-2011.

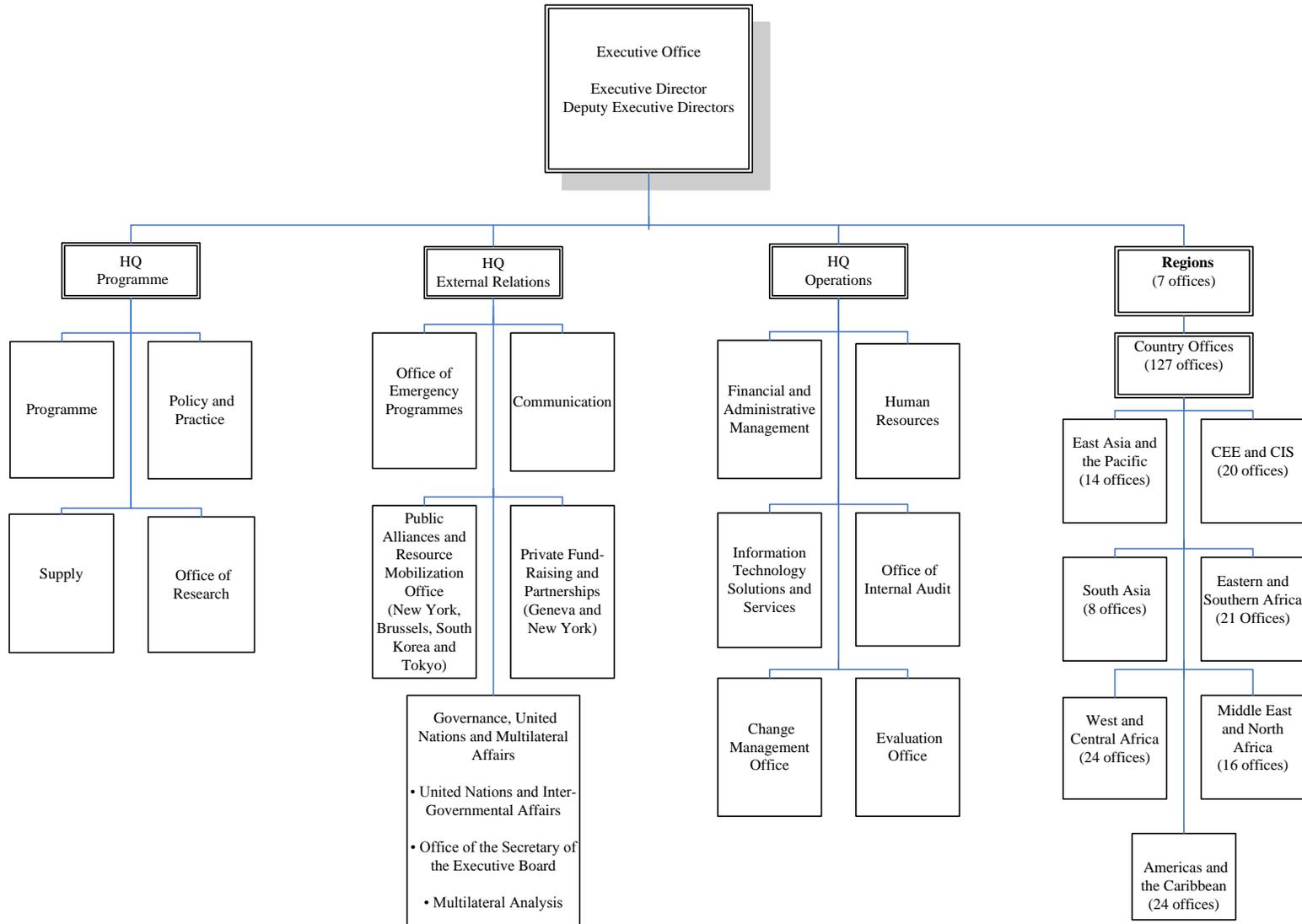
UNICEF recommends that the Executive Board approve an appropriation of \$966 million for the institutional budget for 2012-2013. A draft decision is included in chapter IV of this document.

* E/ICEF/2011/15.

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Organization of the Secretariat of UNICEF, 2012-2013



I. Executive summary

1. The strategic context for the institutional budget is provided by the UNICEF MTSP 2006-2009 (E/ICEF/2005/11), extended to 2013 in Executive Board decision 2009/5. With a renewed focus on equity, and with the deadline for achievement of the Millennium Development Goals approaching in 2015, it is crucial to achieve results at field level. This calls for strategic organizational adjustments, including a stronger orientation to managing for results.

2. The financial context for the institutional budget is provided by the “Medium-term strategic plan: planned financial estimates for the period 2011-2014” (E/ICEF/2011/AB/L.5). Total regular resources and other resources income for the 2012-2013 biennium is expected to decrease by 6 per cent to \$6.4 billion. Trust fund receipts are projected to total \$2.4 billion. Total resources available for use for the 2012-2013 biennium are projected to be \$11.7 billion. This figure comprises the opening balance of resources and resources projected to be received in the biennium.

3. Total resources of \$9.4 billion are proposed to be used in the 2012-2013 biennium. Of these, \$8.4 billion, or 90 per cent, will be used for programmes and \$966 million, or 10 per cent, for the institutional budget.

4. The budget for development effectiveness, United Nations development coordination, management and special purpose activities and their associated costs is referred to as the institutional budget. It is based on the results-based budgeting approach and presented in the format agreed upon by UNICEF, UNDP and UNFPA and endorsed by the Executive Board in its decision 2011/6.

5. This approach addresses the requests of the Executive Board to strengthen the linkages to the results framework of the MTSP and the linkages between the results and resources through functional clusters.

6. Compared with the biennial support budget submitted for 2010-2011, the institutional budget for 2012-2013 has been reduced by 5.3 per cent, from \$1,020 million to \$966 million. Total resources proposed for development activities have increased by 12.3 per cent, from \$7,727 million to \$8,698 million, and proposed resources for management activities have decreased by 4.3 per cent, from \$717 million to \$686 million.

7. Of the total proposed institutional budget, \$628 million is funded from regular resources and \$338 million through cost recovery from other resources and trust funds. In the 2012-2013 biennium, 35 per cent of the total institutional budget is projected to be funded through cost recoveries, compared with an estimated 33 per cent in 2010-2011.

8. The reduction in the institutional budget will be achieved despite increased costs through efficiency and cost-reduction measures, including maximizing the use of new technologies to reduce travel and other operating costs; sharing operations functions through establishment of multi-country service centres; eliminating redundancies and duplication of functions; rigorous attribution of direct costs resulting from activities funded by other resources; and careful

consideration of the transition and stabilization costs of investment projects approaching completion.

II. Context for the institutional budget for 2012-2013

A. Strategic framework

9. The strategic context for the institutional budget is provided by the UNICEF MTSP, 2006-13.

10. The MTSP is based on the UNICEF Mission Statement, the Convention on the Rights of the Child, the Millennium Summit Declaration of the General Assembly and the Declaration and Plan of Action of *A World Fit for Children*, adopted by the General Assembly during the Special Session on Children in 2002. The updated annexes to the MTSP, presented to the Executive Board at the 2010 annual session (E/ICEF/2010/10), define the results framework by focus area and key performance indicators. The guiding principles of the MTSP are as follows:

(a) Working with partners and within UNICEF to accelerate results and impact for children, with an equity focus for assuring achievement of the Millennium Development Goals;

(b) Ensuring that UNICEF work at all levels is informed by data, evidence, current knowledge, good practice, the lessons of evaluation and international experience;

(c) Striving for efficiencies, cost reductions, value for money and excellence in UNICEF management and operations within the framework of the organizational strategic plan, and monitoring and assessing its performance on an ongoing basis;

(d) Bringing a human rights perspective and striving to mainstream gender issues in all UNICEF work for children;

(e) Promoting, advocating for and supporting children's rights in all situations, including humanitarian action, transition and in fragile states.

11. In 2010, UNICEF introduced a renewed focus on the inequities that deny the rights of the world's poorest and most deprived children. As the countdown to 2015 intensifies, UNICEF has the potential to demonstrate that achieving the Millennium Development Goals with equity is right in principle and in practice. Concrete results must be realized in the field, through the UNICEF-assisted country programmes and in close collaboration with partners. The challenge is to ensure implementation of needed strategic adjustments at all levels and a stronger organizational orientation towards managing for results.

B. Financial framework

12. The financial context for the institutional budget is provided by the "Medium-term strategic plan: planned financial estimates for the period 2011-2014" (E/ICEF/2011/AB/L.5).

13. **Resources available.** Total resources available for use include the opening balance of resources and resources projected to be received in the biennium, comprising regular resources and other resources income and trust fund receipts.

14. Based on the annual review of planned financial estimates completed in May 2011:

(a) The opening balance of regular resources for the biennium is projected to be \$580 million, of which \$289 million is reserved for statutory requirements;

(b) The opening balance of other resources is projected to be \$1,788 million, and for trust funds it is projected to be \$448 million;

(c) Total regular resources and other resources income for the biennium is expected to decrease by 6 per cent to \$6,491 million (see figure I). Income to regular resources is projected to total \$2,129 million, and income to other resources is projected at \$4,362 million;

(d) Trust fund receipts are projected to total \$2,393 million;

(e) As a result, total resources available for use in the 2012-2013 biennium are projected to be \$11.7 billion.

15. **Use of resources.** Total resources of \$9.4 billion are proposed to be used in the 2012-2013 biennium. Of these, \$8.4 billion will be used for programmes and \$966 million for the institutional budget.

16. The proposed resource plan for 2012-2013, including total resources available and use of resources, is summarized in table 1 and shown graphically in figure II.

Figure I
Regular resources and other resources income: 2004-2005 to 2012-2013
 (In millions of United States dollars)

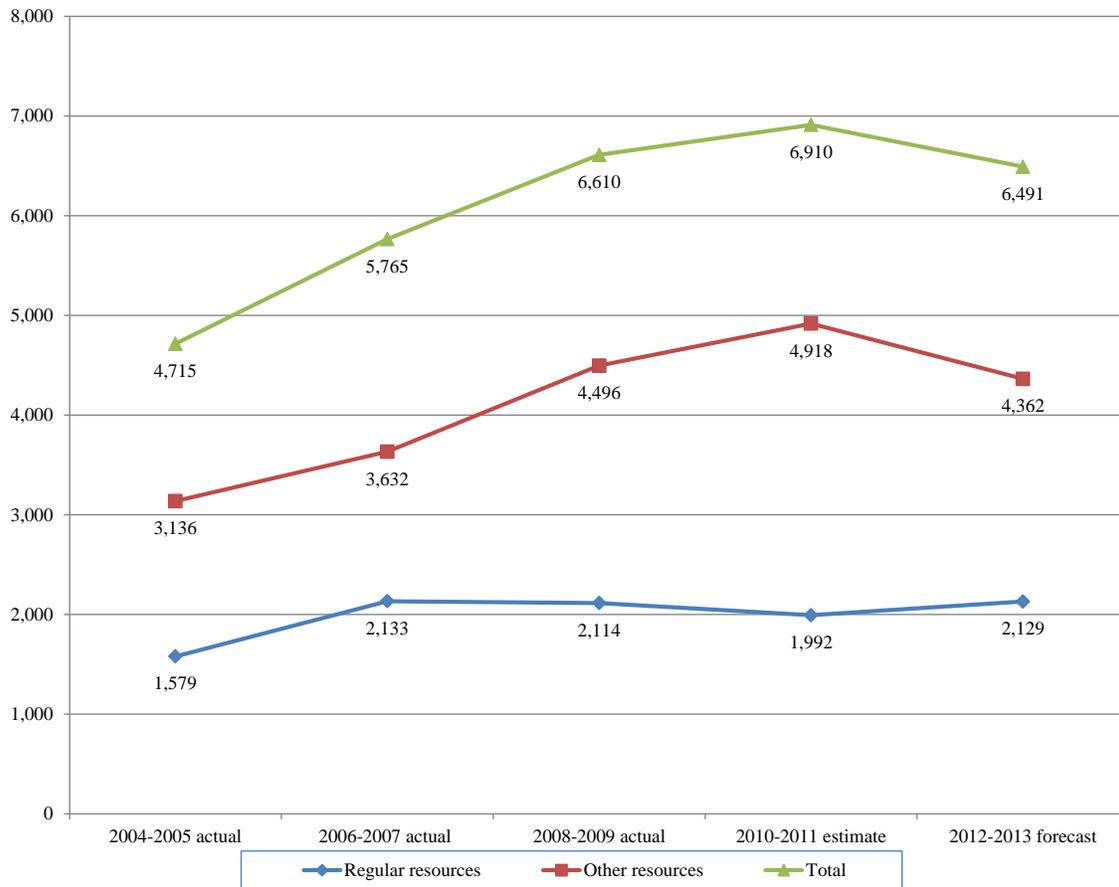
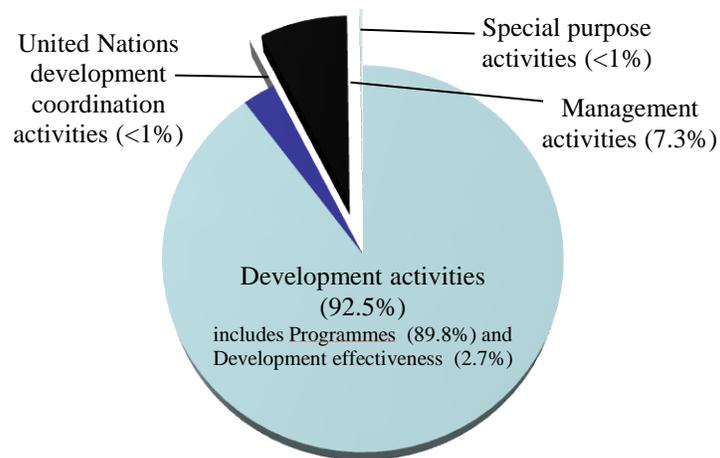


Figure II
Use of total resources, 2012-2013 (including trust funds)



C. Cost classification

17. At the 2010 second regular session of the Executive Board, UNDP, UNFPA and UNICEF presented the joint report “Road map to an integrated budget: cost classification and results-based budgeting” (E/ICEF/2010/AB/L.10). This came in response to decision 2010/2 of the UNDP/UNFPA Executive Board and decision 2010/5 of the UNICEF Executive Board. In the report, the three organizations jointly reviewed:

- (a) Existing cost definitions and classification of activities and associated costs;
- (b) Results-based budgeting models and methodologies of selected United Nations organizations and bilateral donors, in order to identify best practices.

18. The report identified some key principles to guide the development of harmonized cost classification categories and definitions, namely:

- (a) Cost classification categories should provide information that supports strategic decision-making by the Executive Boards and the organizations;
- (b) A basis is needed for a reasonable comparison of estimates among organizations and of changes over time within the same organization;
- (c) The approach to developing cost classification categories needs to be practical, transparent and simple to ensure that it will result in meaningful, consistent estimates;
- (d) The cost classification and funding frameworks should align with the business model and the strategic plan results within an integrated budget framework;
- (e) The categories and definitions should facilitate measurement of organizational efficiency.

19. The cost classification categories and definitions agreed upon by the three agencies are:

- (a) **Development activities**, comprising programmes and development effectiveness:
 - (i) *Programmes*: Activities and associated costs traced to specific programme components and related results, which contribute to delivery of the development results contained in country/regional/global programme documents;
 - (ii) *Development effectiveness*: Activities and associated costs that contribute to the effective delivery of development results. Normally these are activities of a policy-advisory, technical and implementation nature that are needed to achieve the objectives of UNICEF-assisted programmes and results pursued in each of the organization’s focus areas. These activities are essential to the delivery of development results and are not

included in specific programme components in country/regional/global programme documents;

(b) **United Nations development coordination**, comprising activities and associated costs that support coordination of development activities within the United Nations system;

(c) **Management**, comprising recurring and non-recurring activities and associated costs the primary function of which is to promote the identity, direction and well-being of the organization. These include executive direction, representation, external relations and partnerships, corporate communications, legal affairs, oversight, audit, corporate evaluation, information technology, finance, administration, security and human resources;

(d) **Special purpose**, covering activities and associated costs of a cross-cutting nature that (i) involve material capital investments or (ii) do not represent a cost related to the management activities of the organization.

20. The UNICEF Executive Board endorsed the results-based budgeting approach in its decision 2011/6. It asked UNICEF to prepare its 2012-2013 budget document based on this approach and using the format of the key budget tables and in line with accompanying explanations.

III. Proposed institutional budget for 2012-2013

A. Overview

21. The proposed resource plan for the 2012-2013 biennium is summarized in table 1.

22. The budget for development effectiveness, United Nations development coordination, management and special purpose activities and their associated costs is referred to as the institutional budget. It is based upon the results-based budgeting approach and presented in the format agreed upon by UNICEF, UNDP and UNFPA and endorsed by the Executive Board in its decision 2011/6.

23. The proposed institutional budget for the 2012-2013 biennium totals \$966 million. Included under management are the activities and costs related to security arrangements mandated by the United Nations and to business continuity. In previous bienniums these costs were budgeted separately. Compared with the combined biennial support budget and security budget submitted for 2010-2011, the institutional budget has been reduced by 5.3 per cent, from \$1,020 million to \$966 million.

24. Compared with 2010-2011, total resources proposed for development activities have increased by 12.3 per cent, from \$7,727 million to \$8,698 million, and proposed resources for management activities have decreased by 4.3 per cent, from \$717 million to \$686 million.

25. In aggregate, the institutional budget, expressed as a proportion of total resources, has decreased steadily since 2004. For 2012-2013 it has been reduced to 10.3 per cent, from 12.0 per cent in 2010-2011.

26. Of the total proposed institutional budget, \$628 million is funded from regular resources and \$338 million through cost recovery from other resources and trust funds. Cost recoveries are estimated based on the projected programme assistance funded by other resources and projected trust fund disbursements. If actual recoveries are higher (or lower) than the projected amounts, they will offset a larger (or smaller) portion of the institutional budget. While the institutional budget appropriation will remain as approved, the portion of the institutional budget that is funded from regular resources will decrease or increase depending on the cost recoveries.

27. For the 2012-2013 biennium, 35 per cent of the total institutional budget is projected to be funded through cost recoveries, compared with an estimated 33 per cent in 2010-2011 (see annex 1).

28. In its decision 2006/7, the Executive Board asked to be informed regularly on actual costs recovered and the impact on regular and other resources. In document E/ICEF/2010/AB/L.3, UNICEF presented the report on implementation of the cost recovery policy, the amounts recovered and the impact on total regular and other resources for the 2006-2007 biennium.

29. In 2008-2009, total actual cost recoveries were \$320.3 million, representing an average recovery rate of 6.7 per cent on total programme assistance funded by other resources. Cost recoveries funded 36 per cent of the total institutional budget. These cost recoveries ensured that regular resources were not used to subsidize support costs for programme assistance funded by other resources. Annex 2 illustrates the historical trend of actual cost recoveries relative to the institutional budget.

30. In response to Executive Board decision 2011/6, UNICEF notes that the joint review with UNDP and UNFPA has confirmed that the revised cost definitions and classification of activities have no impact on cost recovery. No changes have been made to the methodology or recovery rates described in document E/ICEF/2010/AB/L.3 for the 2012-2013 biennium.

31. The current cost recovery methodology and rates will be reviewed jointly with UNDP and UNFPA at the end of the current MTSP cycle in 2013 and within the context of the new integrated budget. Any major policy changes and ensuing modifications in cost structures would likely be made at that time.

Table 1
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 <i>a/</i>	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 <i>b/</i>	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
D. Special purpose activities										
D.1 Capital investments	36.9	-	-	36.9	0.4	19.3	-	-	19.3	0.2
D.2 Non-UNICEF operations administered by UNICEF	-	-	-	-	-	-	-	-	-	-
Subtotal special purpose activities	36.9	-	-	36.9	0.4	19.3	-	-	19.3	0.2
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 <i>c/</i>	200.1	1 647.0	90.0	1 937.1	-	487.0	1,348.0	458.0	2,293.0	-
4. Updated balances of resources <i>d/</i>	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.

B. Results and resources framework

32. The results-based approach to the institutional budget addresses the requests of the Executive Board to strengthen the linkages to the results framework of the MTSP and the linkages between the results and resources through functional clusters. Results are organized under four cost classification categories: development effectiveness activities; United Nations development coordination activities; management activities; and special purpose activities.

33. In its decision 2011/6, the Executive Board noted that the existing results framework for UNICEF is expressed through key performance indicators in the MTSP and requested that UNICEF translate these key performance indicators into results to be reflected in the results and resources framework included in the institutional budget. This is recognized as a transitional measure until UNICEF presents its MTSP for 2014-2017 and in order to harmonize the frameworks for UNICEF, UNDP and UNFPA.

34. The results and resources framework for the biennium 2012-2013 is presented in table 2. For each of the cost classification categories, linkages are made between results or organizational outputs; performance indicators and targets; functional clusters; and proposed resource requirements. Further information on each of the organizational outputs is provided in annex 3.

Table 2

Results and resources framework for 2012-2013

(In millions of United States dollars)

Development effectiveness (DE)

Organizational output	Key performance indicator	Latest data (year)	Target (2013, unless stated)	Functional clusters	2012-2013 Indicative resources	
					RR	OR
DE1: Effective programme policies, guidance tools, technical support and quality assurance provided to country offices in both development and humanitarian contexts	No. of country programmes of cooperation scaled up for equity focus in child-related Millennium Development Goals	Not measured	50 countries	Technical programme guidance and support	131.8	70.0
	No. of country offices supported (from headquarters and regional offices) to address key programme challenges as a part of new country programme submissions to the Executive Board	Not relevant as numbers change	Estimate 25 (2012) Estimate 12 (2013)			
	Sustain global programme partnerships for leveraging resources and equity-focused results for children	To be determined	At least 30 partnerships across sectors			
DE2: Effective organizational policies, procedures and cross-cutting strategies anchored in human rights principles of equity, accountability and participation and enhance results-based management, including performance management	Per cent of new country programme documents (CPDs) approved by the Executive Board that meet organizational standards for application of human rights-based approach to cooperation	82 (2010)	> 90%	Corporate planning, policy and guidance on cross-cutting strategies		
	Per cent of new CPDs approved by the Executive Board that meet organizational standards for application of gender equality and mainstreaming	57 (2010)	> 90%			
	Per cent of new CPDs approved by the Executive Board that meet organizational standards for application of results-based management	83 (2010)	> 90%			
	Per cent of new CPDs that include a clearly articulated strategy for communication for development, with a focus on behaviour and social change to achieve results for children	72 (2010)	> 90%			

Organizational output	Key performance indicator	Latest data (year)	Target (2013, unless stated)	Functional clusters	2012-2013 Indicative resources	
					RR	OR
	End-of-cycle review of the MTSP, annual reports and new MTSP for 2014-2017 presented to the Executive Board in 2012 and 2013	Annual report and data companion	Review in 2012 New MTSP in 2013			
DE3: Effective and high-quality data, evidence, knowledge and research inform global advocacy and programmes for children	Key flagship publications that are evidence-based to advance the mission and mandate of UNICEF	1 <i>State of the World's Children</i> /year 1 <i>Progress for Children</i> /year	1 <i>State of the World's Children</i> report/year 1 <i>Progress for Children</i> /year	Knowledge management and global advocacy		
	No. of research findings having significant policy impact at global or regional level	2-3 each year	At least 5 during the biennium			
	No. of communities of practice active in key areas as per established guidance	3 (2008)	At least 10 active communities of practice			
DE4: Timely and effective response in terms of delivery of quality essential supplies and commodities in UNICEF-assisted programmes in all situations, including in complex humanitarian situations	Use market analysis and product innovation to improve programme effectiveness and/or reduce costs.	None in 2010	At least 2 products with a savings of \$5 million (estimated)	Supply assistance	17.0	21.0
	Per cent orders delivered at port of entry at or within agreed target arrival dates	80% (2010)	95%			
	Per cent rapid response orders of supplies in Emergencies Supplies List shipped within 48 hours of sales order release	49% (2010)	95%			
DE5: Timely, effective and reliable humanitarian action support provided by headquarters and regional offices in accordance with the Core Commitments for Children in Humanitarian Action (CCCs), MTSP and inter-agency commitments	No. of UNICEF country offices that have received training, policy advice, briefs on context specific issues per year	4 country office (CO)/regional office (RO)/headquarters (HQ) divisions in 2010	At least 6 CO/RO/HQ divisions in each year and all COs experiencing new complex emergencies	Humanitarian action	10.8	5.8
	Per cent country programmes of cooperation in high natural disaster risk context with specific disaster risk reduction results, including preparedness in country programme action plans and rolling workplans	Not applicable	60% of country offices by 2013			

Organizational output	Key performance indicator	Latest data (year)	Target (2013, unless stated)	Functional clusters	2012-2013 Indicative resources	
					RR	OR
	No. of major emergencies (level II and level III) in which support to UNICEF humanitarian response (immediate and early recovery) is timely, effective and reliable	50 emergencies in 39 countries (2010)	All Level II and Level III emergencies in 2012 and 2013			
Total development effectiveness resources:					159.6	96.8

United Nations development coordination (DC)

Organizational output	Key performance indicator	Latest data (year)	Target (2013, unless stated)	Functional clusters	2012-2013 Indicative resources	
					RR	OR
DC1: Effective leadership of humanitarian clusters under UNICEF responsibility	Per cent of cluster coordinator positions at country level for nutrition, water, sanitation and hygiene (WASH), education, child protection (sub-cluster) and gender-based violence (GBV) filled within 30 days of activation of the cluster	Nutrition 33% WASH 83% Education 40% Ch. protection 60% GBV 100% (2010)	> 90%	UN coherence and cluster coordination	3.5	-
Total United Nations development coordination resources:					3.5	-

Management (M)

Organizational output	Key performance indicator	Latest data (year)	Target (2013, unless stated)	Functional clusters	2012-2013 Indicative resources	
					RR	OR
M1: Effective leadership and executive direction for implementing results outlined in the strategic documents	Degree to which the organizational targets and key performance indicators as per updated results matrices to the MTSP are achieved	As per document E/ICEF/2010/10	At least 80% of the targets in the plan achieved.	Leadership and corporate direction	12.4	6.5
M2: Independent and effective oversight and assurance on internal controls of use of UNICEF resources and on the efficiency and effectiveness internally and of	General compliance with Institute of Internal Auditors standards, based on periodic independent quality reviews of internal audit function	General compliance (2010)	General compliance	Corporate oversight and assurance	14.3	7.6

Organizational output	Key performance indicator	Latest data (year)	Target (2013, unless stated)	Functional clusters	2012-2013 Indicative resources	
					RR	OR
UNICEF contribution to programmes worldwide	Number of offices/divisions with audit recommendations outstanding for over 18 months	7 (2010)	<10 each year			
	Per cent of complaints investigated and closed within six months	86% (2010)	> 80%			
	Per cent of corporate evaluations with a formal management response	50% (2011)	> 80%			
	Per cent of programme evaluations rated unsatisfactory based on United Nations standards	13% (2009)	7%			
M3: Effective management, utilization and stewardship of financial and information and communication technology (ICT) resources, assets and administrative policies, procedures and systems	Management/administration/development effectiveness support costs as a ratio of total resources	12.1% (2010)	11.5%	Corporate financial, ICT and administrative management	Recurrent: 103.4 Non-recurrent: 0.8	Recurrent: 52.9 Non-recurrent: 2.4
	Annual financial statements compliant with International Public Sector Accounting Standards (IPSAS)	Not applicable	Unmodified audit opinion			
	Timely guidance and response to field office queries (within one day in emergencies and 48 hours otherwise)	82.5% (2010)	> 95%			
	Per cent of emergencies where information technology (IT) services requested are provided, as per standards established in the revised CCCs in humanitarian action	90% (2009)	> 95%			
	Per cent of service-level agreement targets met or exceeded	80% (2010)	> 90%			
	Per cent of applications rolled out successfully as planned	80% (2010)	> 80%			
	M4: Effective and streamlined human resources policy and procedures, quality advisory support to develop and maintain a flexible, highly skilled and motivated workforce	Per cent of recruitment actions (closing date on advertisement to date of offer letter) completed within 90 days for established international professional posts	41% (2010)			
Per cent of requests for surge capacity support met within 56 days (formal country office request to arrival of staff member in country, in accordance with CCCs in humanitarian action).		90% (2010)	> 80%			
Per cent of staff identifying themselves as satisfied with the UNICEF workplace, as per global staff survey		76% (2009)	> 80%			

Organizational output	Key performance indicator	Latest data (year)	Target (2013, unless stated)	Functional clusters	2012-2013 Indicative resources	
					RR	OR
	Per cent of women staff at P-5 levels and above, globally	42% (2010)	50%			
M5: Strengthened partnerships with Member States, multilateral agencies (and United Nations organizations), and strategic and innovative communications and public advocacy, resulting in effective resource mobilization and leveraging for priority attention to organizational targets and results for child-related Millennium Development Goals with equity	Per cent of donor reports submitted on time	90% (2010)	At least 85%	Corporate external relations and partnerships, communication and resource mobilization	42.3	22.7
	Income (millions of US\$): regular resources (RR) / other resources-regular (OR-R) / other resources-emergency (OR-E)	2010: 576 / 1,187 / 677	2013: 637 / 1,101 / 605			
	Per cent of OR-R and OR-E that is thematic funding from all sources.	OR-R: 14% (2010) OR-E: 32% (2010)	At least OR-R of 20% and OR-E of 25%			
	Proportion of commitments fulfilled or in process in key agreements, in particular, the triennial (quadrennial) comprehensive policy review	87% (2010)	> 90%			
	Per cent of external media coverage that is favourable	88% (2010)	At least 85%			
	Per cent of media pick-up of positive brand attributes	32% (2010)	40%			
M6: Security measures for staff and premises and a safer environment for UNICEF-assisted programmes enhanced	Per cent of country offices meeting minimum operations security standards	100%	> 80%	Staff and premises security	18.1	9.6
	Per cent of country offices meeting business continuity plan requirements	Not available	100%			
M7: Improved accountability for achieving results at country and regional office levels	Number of programme countries where UNICEF provides support to national plans and/or poverty reduction strategies to strengthen equity-focused plans for children and child-related Millennium Development Goals	Not applicable	At least 40	Field/country office oversight, management and operations support	211.0	112.8
	Per cent of country offices that demonstrate efficiency gains and/or cost savings in operations functions	94.5% (2010)	> 90%			
	Per cent of allocated RR and OR for programmes expended at the end of the year	96% (2010)-RR Not available-OR	> 95% for RR > 75% for OR			
Total management recurrent resources					444.6	238.0
Total management non-recurrent resources					1.0	3.2
Total management					445.6	241.2

Special purpose (SP)

	2012-2013 Indicative resources	
	RR	OR
SP1: Implementation of virtual integrated system of information (VISION) with organizational performance management	10.2	
SP2: Office modernization	9.1	
Total special purpose	19.3	

C. Major areas of increases and decreases

35. The proposed institutional budget for 2012-2013 of \$966 million is lower by \$54.1 million, or 5.3 per cent, than the budget for 2010-2011. The main areas of increases and decreases are as detailed below and summarized in table 3.

1. Cost increase

36. Cost adjustments result from projected changes in the rates or conditions pertaining to staff costs, exchange rates and rates of inflation. Key factors contributing to the net cost increase of \$7.0 million in 2012-2013 are:

(a) Staff costs: Changes in the post adjustment multipliers for international Professionals, as well as staff entitlements, result in a decrease of \$11.6 million in the projected standard costs of international posts.

(b) Exchange rates and inflation: Fluctuations in the exchange rate for the United States dollar, compounded by inflation, result in an increase of \$18.6 million in projected local staff costs, including salary scale increases and operating expenses.

2. Volume increases

37. The following paragraphs summarize the various volume increases, which total \$33.1 million.

38. ***Strengthening the UNICEF contribution to global cluster coordination.*** Within the overall context of humanitarian reform, UNICEF has been 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; and, within the global protection cluster, the leadership role for the child protection area of responsibility, and, with UNFPA, the co-leadership role for the gender-based violence area of responsibility. Under these arrangements, UNICEF is accountable for ensuring system-wide preparedness and technical capacity to respond to humanitarian action and for securing greater predictability and more effective inter-agency responses. An allocation of \$3.0 million has been made to establish a global cluster coordination unit to ensure that UNICEF delivers on its accountability effectively.

39. ***Strengthening the UNICEF presence in South Sudan.*** With the expected recognition of South Sudan as an independent country, an allocation of \$2.5 million has been made to strengthen core capacity to support the development and management of a new UNICEF-assisted country programme.

Table 3
Summary of increases/decreases for 2012-2013

(In millions of United States dollars)

	\$
Approved biennial support budget for 2010-2011	1,020.1
Less: Investment projects	(36.9)
Additional funds for United Nations-mandated security measures for personnel and premises	(13.9)
	50.8
	969.3
Increases due to costs (staff cost adjustments, exchange rates and inflation)	7.0
Increases due to volume	
United Nations development coordination	
Strengthening contribution to global cluster coordination	3.0
Management	
<i>Recurring</i>	
Strengthening presence in South Sudan	2.5
Strengthening corporate oversight and assurance activities	0.6
Strengthening human resource management, including centralized processing of payroll	3.5
	6.6
<i>Non-recurring</i>	
IPSAS adoption	3.2
Supporting talent management initiatives	1.0
	4.2
	10.8
<i>Special purpose</i>	
Implementation of VISION with organizational performance management	10.2
Office modernization	9.1
	19.3
Total increases	33.1
Decreases due to volume	
Introducing operational efficiencies, cost reductions and value-for-money measures	
Headquarters	(28.8)
Field offices	(5.0)
Attribution of costs to activities funded by other sources of funding	(5.1)
Moderating the rate of recruitment of new staff	(4.5)
Total decreases	(43.4)
Proposed institutional budget for 2012-2013	966.0

40. ***Strengthening corporate oversight and assurance activities.*** Recognizing the need to strengthen the audit and investigation function and to ensure that approved audit charter coverage requirements are met, an additional \$0.6 million has been allocated to fund the establishment of two additional posts in the Office of Internal Audit.
41. ***Strengthening human resource management including centralized processing of payroll.*** An allocation of \$3.5 million has been made to strengthen human resource management, including the consolidation of payroll processing activities for all international and local staff members in New York. This represents one of the first steps towards realizing the potential benefits of the Enterprise Resource Planning VISION.
42. ***IPSAS adoption.*** UNICEF will adopt IPSAS as of 1 January 2012. The first IPSAS-compliant financial statements will be prepared, audited and presented to the UNICEF Executive Board in 2013. An allocation of \$3.2 million has been made to fund the IPSAS project until its completion in June 2013 and responsibilities are fully transitioned to the Division of Financial and Administrative Management (DFAM).
43. ***Supporting talent management initiatives.*** An allocation of \$1.0 million has been made to complete the transition to electronic performance management and recruitment, using the e-Pas and e-recruitment tools developed in 2010-2011, and to develop and implement a new rotation policy for international Professional staff and key talent management initiatives for 2012-2013.
44. ***Implementation of the VISION system with organizational performance management.*** The VISION system will be implemented in all UNICEF locations on 1 January 2012. Significant challenges are anticipated as the system is stabilized and users are introduced to new and improved business processes. Supported by VISION, UNICEF results will be transparently presented through a preliminary set of globally accessible online reports, dashboards and performance indicator applications. The organizational performance management project will enable staff to focus on the results presented in the reporting tools. To provide the necessary technical and advisory support for development and stabilization activities, \$10.2 million has been allocated to this organizational initiative.
45. ***Office modernization.*** An allocation of \$9.1 million has been made for the infrastructure, development and training costs associated with a single organizational technology platform to support the UNICEF mission of serving as a knowledge leader for children. The new platform comprises a set of tools providing a collaborative environment for UNICEF and its partners to easily create, manage and search for relevant information, people and places. In addition to content management, this new platform will provide solutions for workflow applications, case management and learning management.

Volume decreases

46. The following paragraphs summarize the various volume decreases, which total \$43.4 million.
47. ***Introducing operational efficiencies, cost reductions and value-for-money measures.*** Operational efficiencies, cost reductions and value-for-money measures have given rise to

volume decreases of \$28.8 million at headquarters and \$5.0 million in field offices. The institutional budget preparation process provided an opportunity for all offices to review functions, prioritize results and activities, and reduce or defer operational costs. To realize IPSAS and VISION in 2012-2013 required examination of redundant and low-value-added activities, streamlining and consolidation of business processes, and review of staff resources.

48. All offices were mandated to review operational costs, particularly for international travel, conferences and meetings, and to maximize the use of new technologies to facilitate communication and collaboration. Distance-learning opportunities, online training resources and Internet-facilitated networking within UNICEF will be encouraged to support learning and capacity-building. In addition, all offices were requested to defer purchase of transport equipment and to reduce the use of consulting services and temporary assistance where possible. Significant savings will be achieved through increased use of common premises and common services, including for security and maintenance, communications, travel administration, translation, purchase of office equipment and supplies, and banking.

49. Regional offices were encouraged to review the possibilities for consolidating operations through the establishment or expansion of multi-country service centres. The objective is to generate economies of scale, reduce transactional costs and ensure high-quality and consistent operations support to country offices. Additional countries will be added to existing shared service centres: Paraguay will be serviced by the Southern Cone shared service centre in Argentina, and Belize and the Bolivarian Republic of Venezuela will be serviced by the Latin America and the Caribbean regional office. A new service centre will be established in Gabon serving Equatorial Guinea and Sao Tome and Principe. UNICEF will conduct further studies to determine where multi-country operations service centres might be established in order to further realize the benefits resulting from full implementation of VISION, and subsequent options would be developed for review as part of the 2014-2015 biennium budget proposal.

50. Annex 5 provides a summary of the changes in the proposed institutional budget by expense category.

51. ***Attribution of costs to activities funded by other sources of funding.*** Rigorous attention to submissions made in the budget preparation process resulted in identification of costs for activities funded by other sources of funding. The correct attribution of these costs, principally in the alignment of costs of private sector fundraising functions, will result in a volume decrease of \$5.1 million.

52. ***Moderating the rate of recruitment of new staff.*** Recruitment activities in the New and Emerging Talent initiative will be moderated to provide an opportunity to assess its effectiveness and capitalize on the investment made to date, resulting in a volume decrease of \$4.5 million.

4. Overview of post changes

53. The total number of posts in the institutional budget will decrease by 38, from 2,957 in 2010-2011 to 2,919 in 2012-2013. This total decrease comprises a net decrease of 4 senior international Professional (D1) posts, net increases of 14 other international Professional posts and 3 National Officer posts, and a net decrease of 51 General Service posts. Annex 6 provides

the distribution of posts by category in all offices and summarizes the changes between the two budget periods and annex 7 the changes in senior posts.

IV. Draft decision

54. It is recommended that the Executive Board adopt the following draft decision:

The Executive Board

1. *Takes note* of the results-based budgeting approach used to formulate the institutional budget for 2012-2013 and the revised presentation of the institutional budget, which incorporates the key budget tables in this document, in line with Executive Board decisions 2010/20 and 2011/6;
2. *Approves* an appropriation of \$966 million for the institutional budget for 2012-2013 and notes that funding from regular resources is projected at \$628 million and from other resources and trust funds at \$338 million;
3. *Resolves* that the appropriated amount be used to achieve the strategic outputs reflected in this document.

Annex 1

Resource plan, 2010-2011: plan and actual/estimated

(In millions of United States dollars)

	2010-2011 Plan					2010 Actual/estimated 2011				
	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	-	834.0	1,696.0	438.0	2,968.0	-
Income										
Contributions	1,833.8	4,008.8	-	5,842.6	-	1,881.0	4,897.8	-	6,778.8	-
Other income and reimbursements ^{a/}	157.2	20.2	-	177.4	-	111.0	20.2	-	131.2	-
Total Income	1,991.0	4,029.0	-	6,020.0	-	1,992.0	4,918.0	-	6,910.0	-
Trust funds	-	-	1 743.0	1 743.0	-	-	-	2,004.0	2 004.0	-
Total available	2,604.0	5,769.0	2,046.0	10,419.0	-	2,826.0	6,614.0	2,442.0	11,882.0	-
2. Use of resources										
A. Programmes										
(i) Regular and other resources	1,630.4	3,875.4	-	5,505.8	-	1,595.0	4,490.2	-	6,085.2	-
(ii) Trust funds	-	-	1,956.0	1,956.0	-	-	-	1,993.0	1,993.0	-
Subtotal	1,630.4	3,875.4	1,956.0	7,461.8	88.0	1,595.0	4,490.2	1,993.0	8,078.2	89.1
B. Institutional budget	728.4	246.6	-	975.0	11.5	610.8	328.8	-	939.6	10.4
C. United Nations-mandated security costs ^{b/}	45.1	-	-	45.1	0.5	44.0	-	-	44.0	0.5
Total use of resources (A + B + C + D)	2,403.9	4,122.0	1,956.0	8,481.9	100.0	2,249.8	4,819.0	1,993.0	9,061.8	100.0
3. Projected balance of resources ^{c/}	200.1	1,647.0	90.0	1,937.1	-	580.0	1,788.0	448.0	2,816.0	-

^{a/} Includes interest, miscellaneous income and offset to the biennial support budget.

^{b/} Includes \$21.4 million additional 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).

Annex 2

Institutional budget ratios: 2000-2001 to 2008-2009

(In millions of United States dollars)

	2000-2001		2002-2003		2004-2005		2006-2007		2008-2009	
	\$	%	\$	%	\$	%	\$	%	\$	%
Actual institutional budget	521.9		568.9		682.2		739.0		892.5	
Funded from regular resources	437.6	84%	466.1	82%	481.3	71%	468.3	62%	572.2	64%
Funded from other resources and other recoveries	84.3	16%	102.7	18%	200.9	29%	270.7	38%	320.3	36%
Total regular resources	1,178.0		1,206.0		1,365.0		1,745.0		2,087.8	
Used for programmes	740.4	63%	739.9	61%	883.7	65%	1,276.7	73%	1,515.6	73%
Used for institutional budget	437.6	37%	466.1	39%	481.3	35%	468.3	27%	572.2	27%

Annex 3

Description of results and resource requirements

1. This annex provides details on the results and resources proposed for each cost classification category and by each organizational output. A summary of the changes in the proposed resources by functional cluster between 2012-2013 and 2010-2011 is provided in annex 4.

Development effectiveness

Organizational output DE1: Effective programme policies, guidance, tools, technical support and quality assurance are provided to country offices in both development and humanitarian contexts.

Cluster: Technical programme guidance and support

2. This output addresses leadership for programme policies, guidance, tools, technical support and quality assurance for the MTSP focus areas and organizational targets noted in the updated annex 1 of the results matrix contained in document E/ICEF/2010/10. For this output the relevant units are Programme Division, parts of the Division of Policy and Practice and technical advisors in regional offices. The objective is to facilitate implementation of the MTSP support strategies approved by the Executive Board and to support countries to scale up proven interventions to accelerate achievement of the Millennium Development Goals with an equity focus.

3. This cluster covers global leadership for advocacy and sector-wide action, guiding country programmes, influencing global technical and policy dialogue, and leveraging programme partnerships and resources to achieve results for children. It also contributes to generating and using context-specific knowledge for evidence-based advocacy. In the 2012-2013 biennium, units contributing to this output will help drive efforts to strengthen the equity focus of UNICEF supported programmes at country level. Units will work collaboratively, such as through ‘compacts’ between regional offices and headquarters divisions, to provide technical and management support for interventions that have the potential to generate immediate and multiple benefits for the most deprived children and families. In particular they will work to improve the quality of data collection, use of data for strategic adjustments and reporting on progress of the organization’s programme objectives.

Organizational output DE2: Effective organizational policies, procedures and cross-cutting strategies are anchored in human rights principles of equity, accountability and participation and enhance results-based management, including performance management.

Cluster: Corporate planning, policy and guidance on cross-cutting strategies

4. This output addresses the shifts envisaged in the MTSP in organizational policy and practice to raise the effectiveness of programmes of cooperation, advocacy and partnerships. Through technical leadership and support to senior leaders and field offices, the cluster will work to advance the strategic shifts to ensure that UNICEF policies, standards, programmes and

processes, and its administration and management, are anchored in the human rights principles of non-discrimination, participation and accountability, and that they reflect an inclusive and holistic approach to child development with an emphasis on the most disadvantaged children and families.

5. During the 2010-2011 biennium, country offices have introduced results-based plans in the legacy systems in preparation for implementation of VISION in 2012. In 2012-2013, the main focus will be on further simplifying programming processes; defining UNICEF engagement in middle-income and high-income countries; developing more effective programme partnerships based on the United Nations Development Assistance Framework; promoting Strategic Moments of Reflection and collaboration in programme performance assessments; promoting country programme evaluations; increasing the evaluability of UNICEF support to programmes, enhancing the learning content of UNICEF cooperation; and providing quality assurance for application of the MTSP foundation and cross-cutting strategies.

Organizational output DE3: Effective and high-quality data, evidence, knowledge and research inform global advocacy and programmes for children.

Cluster: Knowledge management and global advocacy

6. UNICEF will continue its global advocacy through use of major publications including the *State of the World's Children* report and *Progress for Children* report. These reports on key themes further enhance the evidence base and knowledge through up-to-date, reliable and validated data. The Executive Board (decision 2011/3) noted the importance of linking the research agenda to the core organizational priorities, as well as of capturing, packaging and sharing knowledge across the organization. During the 2012-2013 biennium, the Office of Research will set out a road map for establishing the structure of the linkage among research, knowledge and organizational priorities, contributing strategic research in key areas of child rights and in support of achieving the Millennium Development Goals with equity. Communities of practice on key issues will be further strengthened and expanded to encourage use of knowledge and evidence and to document good practices and lessons learned.

Estimated resources for DE1-DE3: \$201.8 million

7. Technical advisory support capacity in regional offices has been strengthened with the establishment of five posts. Research and knowledge management capacity in the Office of Research has been strengthened with realignment of existing posts and the transfer of two posts from the Division of Policy and Practice. Post reductions in other areas of the clusters together with operating cost reductions result in a net decrease of \$9.3 million of estimated resources proposed for these clusters.

Organizational output DE4: Timely and effective response in terms of delivery of quality essential supplies and commodities in UNICEF-assisted programmes in all situations, including in complex humanitarian situations.

Cluster: Supply assistance

Estimated resources: \$38.0 million

8. This output is the responsibility of the Supply Division, whose central function is to provide supplies in support of programmes, humanitarian action and logistics needs. The emphasis in the 2012-2013 biennium will be on supplies for immunization, essential medicines, nutrition, HIV/AIDS, malaria, maternal health, education and water and sanitation. The output of division efforts will be provision of strategically essential supplies, improving delivery performance, ensuring end-to-end supply chain expertise on high-impact supplies, promoting innovation, conducting market analyses and ensuring emergency response.

9. Significant changes are proposed for posts in this cluster as a result of United Nations contractual reform. The additional cost resulting from the net increase of 16 General Service posts is offset by savings resulting from a net decrease of 3 international Professional posts and other operating costs. The net effect of these changes is an increase in the total estimated resources for this cluster of \$0.4 million.

Organizational output DE5: Timely, effective and reliable humanitarian action support is provided by headquarters and regional offices in accordance with the Core Commitments for Children in Humanitarian Action, MTSP and inter-agency commitments.

Cluster: Humanitarian action

Estimated resources: \$16.6 million

10. With increasing numbers of emergencies and humanitarian situations resulting from armed conflicts and disasters, UNICEF faces considerable expectations to respond effectively and consistently. Adding to the complexity of the situation are the prevalence of lengthy and complex emergencies; increasing difficulties in delivering assistance according to humanitarian principles; and the importance of maintaining a balance between staff security and delivery of humanitarian support. In most emergencies and humanitarian situations, 60 to 80 per cent of those affected are children and women. This makes the humanitarian actions of UNICEF critical to the effectiveness and reputation of the entire organization.

11. This output will focus on providing support to ensure the timeliness and the effectiveness of UNICEF support to humanitarian action, encompassing preparedness, response and early recovery through application of humanitarian policies, strengthening of partnerships, risk reduction and risk management. Particular emphasis will be given to mobilizing resources to fund critical such as performance management, national capacity-building, gender mainstreaming and peacebuilding.

12. Estimated resources for this cluster have decreased by \$0.4 million, largely due to establishment of the global cluster coordination unit in Geneva, the results and estimated resources for which are now classified under United Nations development coordination.

United Nations development coordination

Organizational output DC1: Effective leadership of humanitarian clusters under UNICEF responsibility.

Cluster: UN coherence and cluster coordination

Estimated resources: \$3.5 million

13. Within the context of humanitarian reform, UNICEF has been assigned the global leadership role for the WASH and nutrition clusters; the global co-leadership role for the education cluster, with the Save the Children Alliance; and, within the global protection cluster, the leadership role for the child protection area of responsibility, and, with UNFPA, the co-leadership role for the gender-based violence area of responsibility. Under these arrangements, UNICEF is accountable for ensuring system-wide preparedness and technical capacity to respond to humanitarian emergencies and for securing greater predictability and more effective inter-agency responses. The cluster-lead agencies are responsible for establishing broad partnership bases (i.e., clusters) that engage in activities in three areas: setting standards and policies, building response capacity and supporting operations.

14. In 2010-2011, funding, management and oversight of these responsibilities were dispersed within UNICEF. UNICEF has demonstrated its commitment to fulfilling cluster leadership accountabilities and to humanitarian reform by allocating resources from the institutional budget and establishing a global cluster coordination unit (overseen by the Office of Emergency Programmes) in Geneva, close to other humanitarian partners and the Inter-Agency Standing Committee Secretariat. Efforts in support of this output will include reinforcing partnerships and coordination among cluster partners and strengthening linkages with the broader humanitarian work within UNICEF and with other inter-agency partners.

15. The allocation for this cluster is to fund the establishment of five posts: four senior coordinator posts and one information management post.

16. Also included in this cluster is the cost of the UNICEF contribution to the Development Operations Coordination Office. In 2010-2011, UNICEF contributed to the functioning of this office through the transfer of a D1 associate director post. In 2012-2013, following the restructuring of the Development Operations Coordination Office, the UNICEF contribution will comprise funding of a P5 international Professional post.

Management

Organizational output M1: Effective leadership and executive direction for implementing results outlined in the strategic documents.¹

Cluster: Leadership and corporate direction

Estimated resources: \$18.9 million

17. In an effort to accelerate progress towards the Millennium Development Goals, and backed by the analysis and evidence outlined in the study, “Narrowing the Gaps to Achieve the

¹ MTSP 2006-2013 and its updated results matrices; institutional budget 2012-2013; advocacy, programme development and inter-country programmes; and other Executive Board-approved policies and strategies.

Goals”, UNICEF made an explicit commitment (at the 2010 annual session of the Executive Board) to sharpen and implement an equity-focused approach in all its work.

18. The Office of the Executive Director provides leadership and direction to senior management in the achievement of results, as outlined in the strategic documents in a transparent and accountable manner.

19. The capacity of the Office of the Executive Director will be enhanced in order to strengthen and improve coordination among the three pillars of programme, operations and external relations and connectivity with the field. Through the Field Support unit, the office will strengthen and guide coordinated support to the field through the Regional Directors. Proposed post changes include the abolishment of the D2 Director, Field Coordination, and the D1 Principal Adviser, Strategic Planning, and the establishment of a D1, Associate Director, Field Support and a P5 Senior Executive Manager, Field Support. The net effect of these post changes and reduction of other operating costs is a decrease of \$1.7 million in total estimated resources for this cluster.

Organizational output M2: Independent and effective oversight and assurance on internal controls of use of UNICEF resources and on the efficiency and effectiveness internally and of UNICEF contribution to programmes worldwide.

Cluster: Corporate oversight and assurance

Estimated resources: \$21.9 million

20. Within the organization’s highly decentralized structure, accountabilities for evaluation are distributed throughout levels and units. This decentralization of evaluation responsibilities is positive insofar as it helps to ensure that evaluations are relevant to the needs of the country offices and national stakeholders, that lessons are fed back quickly and directly, and that national evaluation capacities are strengthened. However, it also brings substantial risks of weak leadership, bias, conflicts of interest, weak capacity and underuse of results. The Evaluation Office works to contain these risks and elevate good practice throughout the organization while delivering its independent assessment of relevance, efficiency, effectiveness and impact. The updated Integrated Monitoring and Evaluation Framework in the MTSP sets the corporate evaluation agenda for UNICEF, emphasizing thematic evaluations around key focus areas and management/operational strategies. Outputs for 2012-2013 will emphasize strategic evaluations of organizational performance and programme effectiveness. More widely, the Evaluation Office also supports efforts to strengthen the evaluation function across the United Nations system through the United Nations Evaluation Group, and contributes to building the capacity of national evaluation systems.

21. The Office of Internal Audit will focus its outputs on evaluating and improving governance, risk management and control processes by ensuring that (a) it has a clear mandate linked to organizational objectives and is supported by an independent, objective and well-functioning management structure with approved annual work plans; (b) it secures and retains the right quantity and quality of human resources in a timely manner to execute its annual work plans and fulfil its mandate; and (c) it is effective and efficient in applying (i) audit and

investigation methodologies, including the use of supporting tools, technology and knowledge management approaches; (ii) operational management practices, including divisional and engagement management and performance monitoring; and (iii) quality assurance and continuous improvement.

22. Two additional posts are proposed for this cluster to strengthen audit and investigation functions to meet the approved audit charter coverage requirements and ensure that all critical allegations are investigated and closed in a timely fashion. Evaluation capacity was strengthened in the 2010-2011 biennium. While more institutional evaluations will be conducted in 2012-2013, efficiencies and cost reductions will be achieved through more rigorous attribution of costs for activities funded by other resources, more assertive co-financing arrangements and close review of evaluation requests to identify those that can be met with less costly alternatives, such as reviews. The net effect is an increase of \$0.4 million in total estimated resources for this cluster.

23. Included in the estimated resources for this cluster are central costs amounting to \$5.0 million for United Nations Board of Auditors activities, contributions to jointly financed arrangements for the Chief Executives Board and the Joint Inspection Unit, and other reimbursements to the United Nations for audit, investigations and legal services.

Organizational output M3: Effective management, utilization and stewardship of financial and ICT resources, assets and administrative policies, procedures and systems.

Cluster: Corporate financial, information communication and technology and administrative management

Estimated resources: \$159.5 million

24. The 2012-2013 output priorities for the Division of Financial and Administrative Management are to obtain an unmodified audit opinion on the first IPSAS-compliant financial statements, develop a strategy for integrating the UNICEF budget, improve financial resource management, minimize delivery costs and strengthen field support.

25. In 2012-2013, ITSS will concentrate on functionality and cost wise optimizing the operation of the new organizational ERP system, expending the use of organizational performance and project portfolio management tools and progressing with collaboration solutions that contribute to efficiency and effectiveness gains.

26. IPSAS will improve the quality of UNICEF financial reporting by requiring new information across a range of areas, increasing transparency. The IPSAS project will support UNICEF managers to change business practices to ensure compliance with international accounting standards. An allocation of \$3.2 million has been made to fund these activities until the project is completed in June 2013 and responsibilities are fully transitioned to DFAM.

27. The adoption of IPSAS ‘raises the bar’ for organizational financial management and reporting, and capacity development is imperative both for DFAM and UNICEF to ensure a successful transition in 2012. VISION implementation is critical to the success of the transition to IPSAS, but it will also require a significant investment of resources from DFAM and ITSS to

stabilize the system, develop the baseline infrastructure and support new users in regional and country offices. Careful management of the transition will be essential to ensure maximum simplification of business processes, stabilization of new technologies and cost efficiencies.

28. A net decrease of \$8.7 million in estimated resources is proposed for this cluster. VISION implementation and IPSAS adoption necessitate restructuring and raising skill levels in DFAM, but the result will be a decrease in total posts. Significant cost reductions are anticipated in the ITSS, specifically in consulting costs as the one time efforts for migrating to a new ERP system will reach their completion stage. The organization is fully committed to using intelligent exploitation of automation in order to continue cost rationalization across all of its operational areas in future years.

29. Included in the estimated resources for this cluster are central costs amounting to \$84.6 million to cover rent for headquarters premises, global software licences, business continuity and telecommunications in addition to tax and other reimbursements to the United Nations for central support services.

Organizational Output M4: Effective and streamlined human resources policy and procedures, quality advisory support to develop and maintain a flexible, highly skilled and motivated workforce.

Cluster: Corporate human resources management

Estimated resources: \$70.0 million

30. Demographic shifts – including those resulting from an increase in the retirement rate and the changed demands of a younger workforce – pose significant challenges for human resource policy and practice. In addition, new organizational initiatives require new skills, competencies and structures. Improvements introduced through the United Nations system-wide coherence process also pose challenges for human resource management, in areas such as staff security, administration of justice, contract modalities and staffing in non-family duty stations.

31. During the 2012-2013 biennium, the Division of Human Resources will be guided by Executive Board decision 2010/21, which called for a focus on value-adding activities such as career development, succession planning, increasing staff mobility and rotation, and strengthening management capacity. The division's outputs will emphasize further professionalization of the human resources function. The approach includes (a) defining current and future skill requirements to identify gaps and the actions required to address them; (b) enhancing the skills of managers and staff to improve performance and meet the needs of a more complex and demanding work environment; (c) streamlining basic human resources processes through the use of technology, thereby releasing time for staff to focus on the value-adding activities noted above; (d) providing quality guidance to internal customers at all levels; and (e) exploring opportunities to devolve activities and reap the benefits of economies of scale.

32. Investments to enhance capacity for emergency response, recruitment, human resource policy, staff mobility and rotation initiatives, and consolidation of global payroll activities, result in an additional 19 posts in the cluster. The allocation for the New and Emerging Talent Initiative will be reduced and the activities to identify and nurture new talent scaled back

temporarily to facilitate these investments. The net effect of these decisions is a reduction of \$2.7 million in estimated resources.

33. Included in the estimated resources for this cluster are central costs amounting to \$35.1 million for contributions to the International Civil Service Commission, United Nations System Staff College, UN Cares, administration of justice, dual career and staff mobility, and the United Nations salary survey. The resources also cover other reimbursements to the United Nations for human resources management and pension fund and payroll services, as well as annual costs associated with after-service health insurance for staff.

Organizational output M5: Strengthened partnerships with Member States, multilateral agencies (and United Nations organizations), and strategic and innovative communications and public advocacy, resulting in effective resource mobilization and leveraging for priority attention to organizational targets and results for child-related Millennium Development Goals with equity.

Cluster: Corporate external relations and partnerships, communication and resource mobilization

Estimated resources: \$65.0 million

34. The renewed focus on equity as a programming strategy provides an opportunity for the Public Sector Alliances and Resource Mobilization Office to articulate to donors the need for additional core resources and regional thematic funds. However, more collaboration will be needed between headquarters and regional and country offices to develop an evidence-based advocacy strategy for the equity agenda, with clear results and concrete cases for investment. The 2012-2013 target for public-sector income will be \$4.4 billion in support of the medium-term financial plan. Efforts will be made to maximize regular resources and thematic funding, strengthen donor relations and broaden the donor base.

35. The Private Fundraising and Partnerships Division will coordinate the implementation of the strategic framework for partnerships and collaborative relationships (document E/ICEF/2009/10) and its recommendations across the organization in close cooperation with other headquarters divisions and with the regional offices. This will include leadership of key cross-cutting initiatives, including an organizational approach to partnerships training, monitoring and evaluation, communication and partner surveys, and reporting to the Executive Board on the framework implementation.

36. Recent digital and mobile innovations have increased the volume of information available to the public and transformed how enterprises and individuals receive and use information. These changes profoundly affect the communication landscape in which UNICEF works, presenting both challenges and opportunities. The Division of Communication will reposition its work in 2012-2013 to ensure that UNICEF engages more proactively and strategically in this new environment ensuring that UNICEF knowledge leadership on children's issues is strategically and tactically profiled and positioned as part of a global communication and public advocacy agenda, and that the organization's brand and reputation are promoted and protected globally. The division will also enhance organizational capacity for global

communication and public advocacy through effective leadership of the Global Communication and Public Advocacy Strategy and through normative guidance for communication and public advocacy themes and processes.

37. The needs and rights of children and the operational needs of UNICEF are fully reflected in coordination and intergovernmental policy debates, and their related forums, including through the strategic engagement of Member States; and country and regional offices and senior staff receive timely and useful support and strategic advice to facilitate strengthening of bilateral relations with programme countries and development partners. UNICEF leads and is a proactive participant in United Nations coherence through evidence-based action, knowledge sharing and the addressing of bottlenecks, to make United Nations coherence work for children and other stakeholders. The multilateral system in which UNICEF operates evolves continuously. Recent examples include reform of the Security Council, the creation of the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women), the formation of the Human Rights Council, the creation of 'G20 at the leaders level' (a grouping that UNICEF would aim to influence), the governance reforms of the International Monetary Fund and World Bank, and the strengthening of the strategic focus and streamlining of the United Nations Development Group. Reflecting the need to respond to this dynamic and ever-changing environment, the UNICEF Division of Governance, United Nations and Multilateral Affairs will engage in the forthcoming quadrennial comprehensive policy review of operational activities for development of the United Nations system, and strengthen the relationships of UNICEF with various multilateral institutions, including with system-wide senior management committees, to assure a coherent, harmonized development agenda.

38. Rigorous review of the operating costs of the Private Fundraising and Partnerships Division and alignment of the costs of the Corporate Social Responsibility and Child Rights Advocacy sections with the private fundraising budget has resulted in a decrease of \$5.1 million in estimated resources for this cluster. Further decreases result from streamlining office procedures, reducing reliance on consultants for core functions, reducing travel costs and prioritizing resources to activities with higher added value. The effect of these activities and decisions is a net reduction of \$7.0 million in total estimated resources.

Organizational output M6: Security measures for staff and premises and a safer environment for UNICEF-assisted programmes enhanced.

Cluster: Staff and premises security

Estimated resources: \$27.7 million

39. The Office of Emergency Programmes coordinates UNICEF global security activities in close consultation with the United Nations Department for Safety and Security and other United Nations security management organizations. Key activities include monitoring and assessing global threats and risks; providing guidance on security risk management; and developing other policies and practices aimed at creating an enabling environment for successful programme delivery, while maintaining the safety and security of UNICEF staff and assets. The Operations Centre supports this function for staff at all locations.

40. Given the continued unrest in several countries (especially in the Middle East), offices may find it challenging to ensure compliance with minimum operational security standards. UNICEF will monitor carefully events in high-risk countries to ascertain whether additional resources are required.

41. An additional allocation of \$13.9 million was approved exceptionally by the Executive Board for this cluster in 2010-2011 for United Nations-mandated security measures for personnel and premises in 2010-2011. Other than for this allocation, which will not be requested for 2012-2013, the estimated resources for this cluster remain unchanged.

Organizational Output M7: Improved accountability for achieving results at country and regional office levels.

Cluster: Field/country office oversight, management and operations support

Estimated resources: \$323.8 million

42. This organizational output is achieved through country-level activities in pursuit of the core UNICEF mandate. These take place principally in country offices but also involve regional activities, such as regional directors' participation in inter-governmental bodies that contribute to determining the agenda for children.

43. Senior leaders in each country and region advance the organization's mandate through representation and cooperation with national and local leaders, partner organizations in the country, experts from other agencies and regional inter-governmental groups. Advocacy efforts emphasize respect for and protection of children's rights, especially for the most vulnerable, poor and marginalized, focusing on equity.

44. Other activities in this cluster support programme delivery, to ensure that resources are used effectively and efficiently. Major activities in 2012-2013 include support for implementation of IPSAS, VISON, performance management and enterprise risk management; and assessment of how to maximize the benefits of these initiatives in terms of operational efficiencies and cost reductions.

45. Implementing two major initiatives (IPSAS and VISION) in the same period while maintaining focus on programme delivery will be a major challenge for all offices. A considerable investment of time and resources will be required during the first year of the biennium, as staff familiarize themselves with these changes to management practices and systems. While the initial learning curve will be steep, these initiatives are expected to improve operational efficiency, thereby contributing to achievement of programme results.

46. Estimated resources for this cluster have increased by \$3.5 million. The strengthening of the oversight and support capacity of regional offices has facilitated simplification of business processes and achievement of operational efficiencies in country offices. This strategic shift results in a net decrease of 36 posts in this cluster. Significant changes in the cluster include establishment and expansion of multi-country operations service centres in the West and Central Africa region and the Latin America and the Caribbean region, strengthening of the UNICEF presence in South Sudan and a transformed presence in the Russian Federation from a country

office to a partnership presence under the regional office for Central and Eastern Europe and the Commonwealth of Independent States.

Special purpose activities

Capital investments

Organizational output SP1: Implementation of the VISION ERP system with organizational performance management

Estimated resources: \$10.2 million

47. Significant challenges are expected as the VISION system is rolled out in early 2012. However, once the system is operating in a robust and sustainable manner, it will offer opportunities to further rationalize and streamline business processes; consolidate processes where economies of scale can be generated; offshore and outsource activities and functions to minimize costs without compromising effectiveness; achieve efficiencies; and contain costs. UNICEF will undertake studies of potential strategies for increasing efficiencies and will develop options for further organizational streamlining as part of the 2014-2015 budget proposals.

48. With the launch of organizational performance management, UNICEF results will be transparently presented through a preliminary set of globally accessible online reports, dashboards and performance indicator applications. The performance management tools will provide timely quantitative and qualitative information from multiple data sources, such as the VISION system, the performance management portal, DevInfo, Office of Internal Audit and Office of Emergency Programmes. These tools will support transparency, accountability and strategic decision-making, encouraging a focus on results rather than reports.

49. An allocation of \$10.2 million has been made to this capital investment to fund the necessary technical and advisory support structures and capacity.

Organizational output SP2: Office modernization

Estimated resources: \$9.1 million

50. Office modernization comprises the development of a single technology platform for content management and collaboration, and construction of the technical foundation for this platform. The platform will support the UNICEF mission of serving as a knowledge leader for children. It comprises a set of tools providing a collaborative environment where UNICEF and its partners can easily create, manage and search for relevant information, people and places. This new platform will also improve workflow, case management and learning management.

51. This initiative has been identified as a critical priority for UNICEF. Lack of standard tools has led to proliferation of local information management and collaboration systems. This has resulted in different approaches to information management, inconsistent and unreliable information, duplication of work and cost inefficiencies. Critical to the success of this endeavour

is migration of the existing Intranet. This migration will require participation by content owners throughout the organization in determining what content to archive or migrate.

52. The platform will be fully implemented over a period of three to five years, as it requires changes to organizational culture and some business practices. However, quantitative and qualitative benefits for UNICEF will start to accrue with the retirement of the current Intranet.

53. An allocation of \$9.1 million has been made for the infrastructure, training and maintenance costs to support office modernization.

Annex 4**Comparison of resource requirements by functional cluster**

	restated 2010-11	2012-13	Variance
	\$	\$	\$
Development effectiveness			
DE1	-	-	-
DE2	-	-	-
DE3	-	-	-
<i>Sub-total</i>	211.1	201.8	(9.3)
DE4	37.6	38.0	0.4
DE5	17.0	16.6	(0.4)
<i>Total</i>	265.7	256.4	(9.3)
United Nations development coordination			
DC1	0.6	3.5	2.9
<i>Total</i>	0.6	3.5	2.9
Management			
M1	20.6	18.9	(1.7)
M2	21.5	21.9	0.4
M3	168.2	159.5	(8.7)
M4	72.7	70.0	(2.7)
M5	72.0	65.0	(7.0)
M6	41.6	27.7	(13.9)
M7	320.3	323.8	3.5
<i>Total</i>	716.9	686.8	(30.1)
Special purpose			
SP1	-	10.2	10.2
SP2	-	9.1	9.1
<i>Total</i>	36.9	19.3	(17.6)
Total	1,020.1	966.0	(54.1)

Annex 5

Budget estimates by expense category

(In millions of United States dollars)

<i>Expense category</i>	<i>Institutional budget</i>		
	<i>2010-2011 Approved</i>	<i>2012-2013 Estimates</i>	<i>% change</i>
Post costs	732.7	729.7	(0%)
Other staff costs	11.6	8.1	(30%)
Consultants	13.3	11.2	(16%)
Travel	27.0	21.3	(21%)
Operating expenses	109.3	104.9	(4%)
Furniture and equipment	21.0	18.6	(12%)
Reimbursements (UN: Common and shared services)	54.3	53.0	(2%)
Subtotal	969.3	946.7	(2%)
Investment projects	36.9	19.3	-
Additional security allocation	13.9	-	-
Total budget estimates	1,020.1	966.0	-

Other staff costs: Includes short-term temporary assistance and overtime costs.

Operating expenses: Includes rental and maintenance of premises, utilities, communications costs, contractual services, rental and maintenance office furniture and equipment, and supplies and materials.

Reimbursements (United Nations: Common and shared services): Includes contributions to shared activities with the United Nations, e.g, Joint Inspection Unit, United Nations Department for Safety and Security, International Civil Service Commission, contributions to joint service arrangements with other agencies in regional and country offices and headquarters, e.g., United Nations reimbursement account and common services.

Annex 6

Institutional budget posts by location

Location	2010-2011 Approved posts							Changes (increase/decrease)						2012-2013 Posts						
	USG/ ASG	D2	D1	Other IP	All other	Total	% of total	USG/ ASG	D2	D1	Other IP	All other	Total	USG/ ASG	D2	D1	Other IP	All other	Total	% of total
Country offices	-	10	29	387	1,302	1,728	58%	-	-	(1)	(2)	(62)	(65)	0	10	28	385	1,240	1,663	57%
Regional offices	-	7	8	126	168	309	10%	-	-	-	6	13	19	0	7	8	132	181	328	12%
Headquarters	4	14	44	476	382	920	31%	-	-	(3)	10	1	8	4	14	41	486	383	928	32%
Total	4	31	81	989	1,852	2,957	100%	0	0	(4)	14	(48)	(38)	4	31	77	1,003	1,804	2,919	100%

USG: Under-Secretary-General

ASG: Assistant Secretary-General

IP: International Professional

Annex 7**Changes in senior posts**

<i>Organizational unit</i>	<i>Post title</i>	<i>ASG</i>	<i>D2</i>	<i>D1</i>	<i>Total</i>
2010-2011 APPROVED SENIOR POSTS		4	31	81	116
2012-2013 PROPOSED CHANGES					
<i>A. Establishment/(Abolishment)</i>					
Office of the Executive Director	Associate Director, Field Support	-	-	1	1
Office of the Executive Director	Principal Adviser, Strategic Planning	-	-	(1)	(1)
Change Management Office	Director, Field Coordination	-	(1)	-	(1)
Governance, UN and Multilateral Affairs	Associate Director, UNDG	-	(1)	-	(1)
Division of Policy and Practice	Principal Adviser, Strategic Resources Investment	-	-	(1)	(1)
East Asia and Pacific regional office – Asia-Pacific Shared Services Centre	Deputy Regional Director	-	-	(1)	(1)
Russian Federation	Representative	-	-	(1)	(1)
Central and Eastern Europe and the Commonwealth of Independent States regional office	Deputy Director, Partnerships	-	-	1	1
Subtotal		-	(1)	(3)	(4)
<i>B. Reclassifications</i>					
Evaluation Office	Director, Evaluation	-	1	(1)	-
Subtotal		-	1	(1)	-
Total changes (net)		-	-	(4)	(4)
2012-2013 TOTAL SENIOR POSTS		4	31	77	112

Annex 8

Terminology

Common agreement has been reached on the following terms that are used in the institutional budget document.

Results-based budgeting: Based on the High-Level Committee on Management concept paper, for the institutional budgets of UNDP, UNFPA and UNICEF. Results-based budgeting is defined as a results-driven budgeting process wherein resource justification is made for a set of expected results with indicators, including the baseline and targets to be achieved, presented by cost classification categories.

Institutional budget: The estimates of costs as approved by the Executive Board of the following cost classification categories: development effectiveness, United Nations development coordination, management, and special purpose.

Development activities: Development activities comprise costs associated with programmes and development effectiveness activities that contribute to the effective delivery of development results, as follows:

(a) **Programmes:** Activities and associated costs traced to specific programme components and their results, and that contribute to delivery of development results contained in country, regional or global programme documents or other programming arrangements;

(b) **Development effectiveness:** Activities of a policy-advisory, technical and implementation nature that are needed to achieve the objectives of programmes and results pursued in each of the focus areas of UNICEF and associated costs. These inputs are essential to the delivery of development results, and they are not included in specific programme components or related results in country, regional or global programme documents.

United Nations development coordination: Activities and associated costs supporting the coordination of development activities of the United Nations system.

Management: Activities and associated costs for which the primary function is to promote the identity, direction and well-being of UNICEF. These include executive direction, representation, external relations and partnerships, corporate communications, legal, oversight, audit, corporate evaluation, information technology, finance, administration, security and human resources. This includes activities and associated costs of a recurring and non-recurring nature.

Special purpose: Activities and associated costs of a cross-cutting nature that involve either (a) capital investments or (b) services for other United Nations system organizations, and do not represent a cost related to the management activities of UNICEF. Capital investment in the context of the classification of special purpose activities refers to significant projects involving purchases or improvements of UNICEF assets of a tangible or intangible nature.

Appropriation: An authorization by the Executive Board to the head of the agency to commit institutional budget financial resources during the budget period up to the amounts

so approved.

Cost (increase/decrease): Any increase or decrease in the cost of a resource input in the budget period compared with that in the previous budget period, arising from changes in costs, prices and exchange rates.

Other resources: Resources of a voluntarily funded organization, other than regular resources, that are received for a specific programme purpose (other resources relating to programmes) and for the provision of specific services to third parties (other resources relating to reimbursements).

Additional resources: This term is used in the context of a simplified presentation of the institutional budget tables. It is defined as resources, other than regular resources, including other resources and trust funds.

Regular resources: Resources of a voluntarily funded organization that are co-mingled and untied. These include pledges of voluntary contributions, other governmental or intergovernmental payments, donations from non-governmental sources and related interest earnings and miscellaneous revenue.

Trust funds: Funds entrusted to UNICEF for specific purposes, mainly to cover costs of procurement of supplies and services undertaken by UNICEF on behalf of others.

Volume (increase/decrease): Any increase or decrease in resource requirements attributable to changes in the level or nature of activities carried out by an organization during the current budget period and those proposed for the forthcoming budget period. Volume is expressed using the same cost factors applicable for the approved appropriations to permit direct comparison of these changes relative to the level of activities approved for the current budget period.

Discontinued terminology

Biennial support budget: The budget of an organization covering a set of functions that support the operational activities of the organization, in support of its mission and mandate at all levels, within the framework of the strategic plan, over a two-year period.

Function: Group of activities carried out and funded with institutional budget resources, to operate and improve the agencies in order to assure the effective delivery of development results and implementation of the respective mandates of the agencies.

Programmes: Direct inputs needed to achieve the objectives of a specific result or programme for development cooperation. This may typically include experts, support personnel, supplies and equipment, subcontracts, cash assistance and individual or group training.
