UNICEF Presentation to Executive Board
Informal Session on Management Efficiencies
4 April 2018
UNICEF has demonstrated efficiency by progressively controlling the growth of Institutional Expenditure, delivering more in programme expenditure while keeping management costs in control.

- **2021 Programme assistance; growth since 2012: 59%**
- **2021 Institutional Budget; growth since 2012: 34%**
Efficiency Commitments for 2018 – 2021

1. Management costs as a proportion of Total Integrated Budget (IB) are projected to decline from 7.2% (2014-2017 MTR of IB) to 6.7% (2018-2021 Approved IB).

2. Management costs as a proportion of total Institutional Budgeted are projected to decline from 69% to 65%.

3. Management costs are anticipated to increase at a slower rate of 12% over the course of the 2018-2021 quadrennium, compared to an anticipated 19% increase in programme expenditures.

4. A greater proportion of management costs will be funded by Cost Recovery, increasing from 63% to 71%, freeing up Regular Resources for programmes.

5. A lower proportion of management costs will be funded by Regular Resources, declining from 37% to 29%, thereby freeing up funds to support programmes and other non-management related costs.
Examples of how commitments will be achieved:

1. Travel costs unrelated to direct programme implementation for the period of 2018-2021 will be subject to a 15% reduction

2. Centrally processing of UNICEF financial and administrative transactions through the Global Shared Services Centre will generate projected savings of $25M

3. UNICEF country offices worldwide will increase collaborating with other UN agencies on the ground to deliver local business solutions in IT, procurement, and cash transfers to implementing partners allowing the organization to save about $4M annually.

4. Simplification and modernization of UNICEF operational processes are growing with estimated savings of $20M

5. Minimized fraud risk and strengthened follow-up to substantiated investigations of fraud through an enhanced Anti-Fraud Strategy
Overview of the UNICEF Anti-Fraud Strategy

- An anti-fraud strategy for implementing partners is a key component

**Committee Oversight**
Executive and Line Management Functions
Internal Audit and Investigations, & the Ethics Office

**Prevention**
- Anti-Fraud Policy
- Anti-Fraud Strategy
- Fraud and misconduct risk assessment
- Standards of conduct: [Harassment-Sexual, Bullying, Coercion, etc.]
- Employee and third-party due diligence
- Communication and training
- Process-specific anti-fraud controls

**Detection**
- Hotlines and whistle-blower mechanisms
- Internal assurance and monitoring
- Anti-fraud strategy for implementing partners
- Data & analytics

**Response**
- Internal investigation and remediation protocols
- Enforcement and accountability protocols
- Disclosure protocols
Fraud Investigations in 2017

- 74 new investigations open in 2017
- Largest category of which related to misuse of programme funds by third parties with 27% (20 out of 74 cases)
Anti-Fraud Strategy for Implementing Partners

Prevention
- Enhanced training for those dealing with IPs on what to look for and how to manage risk
- Increased due diligence and Accountability
- Anti-fraud clauses in all IP contracts; Competitive and transparent IP Partner selection process

Detection
- In addition to HACT, increased independent spot checks, QA, site visits and monitoring by the COs and ROs (training and guidance on what to look for); Hotline displayed at programme sites
- Transaction Level Monitoring

Response
- Global fraud loss and remedial action plan for instances of fraud by the IP
- Consequences of negative spot checks (UNICEF must stop working with the IP until they have taken remedial action)
- Regular reporting to regional and global offices

Formal roll-out of Strategy and supporting tools planned for Q2 2018
Revenue recognition policy change

- **UNICEF revised its Revenue Recognition Policy in 2017**, to address recommendation of the UN Board of Auditors that UNICEF’s policy lacked “clarity and consistency”

- The new policy adopts a simplified approach requiring less judgment to be exercised and making it easier to understand by internal and external users of UNICEF’s financial information

- **UNICEF now recognizes revenue based on full contract value at the signing of a Donor Agreement**, regardless of its duration and whether it is earmarked

- **The accumulated surpluses** (reserves) UNICEF holds now represent the funding secured for activities taking place in the future

- For planning purposes, UNICEF will prepare estimates of the funding that will be available for spending on an annual basis. These estimates could include funding from multi-year agreements signed in previous years where the programmatic activities are not yet complete.

---

**Revenue** = New agreements signed + new amendments in a year

**Contributions received** = cash and CIK received in a year

---

Not affected:
- Budget issuance
- Budget Utilization
- Donor Reporting
Management Efficiencies in Human Resources
Since the end of 2016, there has been a net 5% increase in the total number of UNICEF staff, with the majority being IP (+231) and NO (+343) staff.

The number of GS staff increased more slowly, adding only a net of 70 staff members in the same period.

<table>
<thead>
<tr>
<th>Staff Turn Over Rate</th>
<th>Regular</th>
<th>Temporary</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>8%</td>
<td>18%</td>
</tr>
<tr>
<td>2017</td>
<td>7%</td>
<td>15%</td>
</tr>
</tbody>
</table>

As of 31 December 2017

As of 28 February 2018

As of 31 December 2016
As of 31 December 2017

- Female: 6525 (47%)
- Male: 7268 (53%)

As of 31 December 2016

- Female: 6151 (47%)
- Male: 6940 (53%)

As of 28 February 2018

- Female: 6491 (47%)
- Male: 7244 (53%)

The overall Gender Parity has remained constant at 47% for Female and 53% for Male since 2016.

Despite this ratio, the female population has increased by 5%, while the male population increased by 4% between 2016 and February 2018.
As of end of December 2016

- The number of IP staff from **Programme Countries** increased by 8% from 2016 to Feb 2018, while there was only a 4% increase in the number of staff from **Industrial Countries**.
Efficiencies in HR

- **Recruitment**

  ✓ Delegated authority to RDs/Directors for most positions bringing to 94% of the workforce under their direct accountabilities and oversight.

  ✓ Sourcing of candidates from Talent Groups or through Lateral Reassignment

  ✓ Talent Management System (TMS) launched in 2016 to modernize and simplify online recruitment system
Decentralization of the recruitment processes to the Regional Offices and HQs Divisions for P-1 to P-4 posts was crucial to gain efficiency. During the first semester 2017 (January-June), there was an increase in the average time to recruit (+10 days), which was expected during the transition period when offices needed to adjust to the new ways of recruitment.

During the period of July – December 2017, there was globally an improvement in the average time to recruit (with 13 days reduced) once the new policy was fully implemented.

During the second half of 2017, major improvement was achieved in the P-5 recruitment cases (with 16 days reduced), while recruitment of P-1 to P-4 levels also gained efficiency with reduction by 4 days in the average time to recruit.

In the emergency recruitment, the average time to recruit slightly improved from 57 days in 2016 to 51 days as of February 2018 as compared to the KPI.
The use of Direct Selection and Lateral Reassignments is well supported by stakeholders. HRBPs should continue to promote the use of these methods.

Simplified and streamlined recruitment processes should continue to be implemented for efficiency.
Efficiencies in HR

- New HR operating model

✓ Roll out in **HR Business Partner** function as strategic partners and “one stop shops” for all divisions. The HRBPs **formulate partnerships across the HR function (GSSC, COEs)** to deliver value-added service to management and employees that reflects the strategic directions of the organization. They support all staff through the employee life cycle.

✓ **GSSC**: efficient processing of HR services from onboarding to offboarding

✓ **Centres of Expertise-COE s**: designing and make available customized frameworks and services to HRBPs in support of business needs
# HR Operating Model

New HR operating model to offer strategic support through the “one stop shop approach” in strong partnership with GSSC and the COEs

<table>
<thead>
<tr>
<th>HR Business Partners</th>
<th>GSSC: Shared Services</th>
<th>Centres of Expertise - COEs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establish relations with business clients: Divisions</td>
<td>Deliver HR Services</td>
<td>Create/ design HR frameworks</td>
</tr>
<tr>
<td>Contribute to Division's strategic plans</td>
<td>Manage routine processes effectively and efficiently</td>
<td>Develop and introduce strategic HR initiatives</td>
</tr>
<tr>
<td>Develop organizational capabilities</td>
<td>Uses integrated HRIS to provide basic information</td>
<td>Often depend on the HRBP to roll out programs to the business</td>
</tr>
<tr>
<td>Implement HR practices</td>
<td>Support the objectives of getting the basics on HR operations right</td>
<td></td>
</tr>
<tr>
<td>Represent central HR</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Log HR issues and coordinate with GSSC, COE, etc.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Full membership to the front office of business units</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Management Efficiencies in ICT
Ongoing factors guiding ICT-enabled change

- UN/HLCM/HLCP
- Cyber Security
- UN Interagency Reform
- Data Innovation Labs
- Tech- Priority Integrated Partnerships
Strategic Priorities ICT

- **Efficiency And Effectiveness**
  - Systems of Record

- **Programme Effectiveness**
  - Systems of differentiation

- **Innovate use of technology**
  - Systems of Innovation
OMP 2018-2021 Key Strategic Shifts - Enablers

- Increase portion of ICT investments in information systems supporting programme effectiveness vs internal efficiency and effectiveness

- Resilient and mobile connectivity and access to UNICEF Resources by Staff

- Creation of Knowledge Sharing Platform through completion of the ECM project and internal Digital Workplace

- Creation of a platform for UNICEF Supporters
### ICT 2018-2021 KPIs in UNICEF Strategic Plan

#### Enablers
- Through strengthened ICT governance, ICT investments are considered with a strong focus on value for money
- Strengthen internal and external collaboration through integrated ICT platforms in one single framework
- Global presence safeguarded through resilient facilities and systems, and a standard operating environment and connectivity

#### Indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of information systems supporting programme effectiveness and innovation efficiency and effectiveness</td>
<td>50%</td>
</tr>
<tr>
<td>% of staff having full access to all relevant core UNICEF information systems and are mobile enabled</td>
<td>100%</td>
</tr>
<tr>
<td>External engagement index</td>
<td>1.0</td>
</tr>
<tr>
<td>Internal knowledge platform utility index</td>
<td>1.0</td>
</tr>
<tr>
<td>% average availability of core ICT systems and services across UNICEF (less than 5 hours of downtime/month)</td>
<td>99.9%</td>
</tr>
</tbody>
</table>
Platforms and Service Delivery

- **LIGHT**
  - Seamless connectivity
  - Reduced costs
  - Disaster recovery agility

- **Network and Connectivity Management**
  - Adequate bandwidth
  - Security operations
  - Value demonstration

- **Converged Communications**
  - Seamless video conferencing
  - Seamless audio conferencing

- **Move to Cloud**
  - Better integration
  - Mobility
  - Faster application deployment
Management Efficiencies through the GSSC
Effectiveness & Efficiency Initiative - 2012

HQ Functions Review
Transaction Efficiency
Business Process Simplification

Global Shared Services Centre

Effectiveness & Efficiency
Drivers of Change - GSSC

- Reduce transaction processing costs
- Free up time of programme assistants and operations staff to deliver even more value
- Reduce Organizational risk to avoid costs due to fraud and human error
- Improve quality
Original GSSC Scope

Finance & Master Data Management
- Invoice processing
- Payment processing
- Bank reconciliation
- General ledger clearing
- Selected asset accounting
- MDM for vendors, customers & banks

HR Admin & Payroll
- On-boarding
- Personnel maintenance
- Off-boarding
- Payroll (All staff)

Customer Care
- IT user/systems administration services
- Business user support
GSSC Business Case – Cost Savings from Consolidation

**Step 1:** Determine benchmark data for FTE analysis to calculate As-is global transactional costs

- Baseline transaction processing time with country offices
- Minutes x Volume = full-time equivalent (FTE)
- “As-is” Global Transaction Cost = Total FTEs X FTE Cost by country

**Step 2:** Calculate implementation and annual costs

- One-Time project implementation Cost +
- Annual running costs of Centre for selected location

**Step 3:** Complete overall cost-benefit analysis

- As-is” FTE Cost –“To-be” FTE Cost = Transactional cost savings
- Savings achieved through labour arbitrage and efficiency gains
Before the GSSC, over 40% of the UNICEF workforce performed operational transaction – significantly higher than the 15% industry median.

- Functions were centralized at the GSSC:
  - Invoice processing
  - Payment processing
  - Bank reconciliation
  - General ledger clearing
  - Selected asset accounting
  - MDM for vendors, customers & banks

- Shift of functions from high-cost to low-cost location:
  - On-boarding
  - Personnel maintenance
  - Off-boarding
  - Payroll (All staff)
  - Customer Care

Consolidation of Functions from 150 offices worldwide

Lift & Shift of Functions from high-cost to low-cost location

30% fewer staff processing due to economies of scale
Savings Calculation 2017
(First Full Year Of Operations)

• Transaction volumes were approximately 12.65% higher than the original business case volumes.

• Based increased volumes, the GSSC saved offices the equivalent of 866,140 hours in transaction processing time each year.

• The shift of UNICEF’s Contributions Unit from NY to GSSC in April 2018 will generate additional estimated savings of $590,000.
# GSSC Drives Efficiency – Against Industry Benchmarks

<table>
<thead>
<tr>
<th>Functions</th>
<th>Measure</th>
<th>Top Quartile</th>
<th>Bottom Quartile</th>
<th>GSSC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Invoice Processing</td>
<td># AP Invoices per FTE/Day</td>
<td>41</td>
<td>19</td>
<td>30</td>
</tr>
<tr>
<td>Payment Processing</td>
<td># AP Disbursements per FTE/Day</td>
<td>29</td>
<td>9</td>
<td>40</td>
</tr>
<tr>
<td>Payroll - Manage Pay</td>
<td># FTEs per 1,000 Employees</td>
<td>0.7</td>
<td>2</td>
<td>0.8</td>
</tr>
<tr>
<td>HR - Manage Employee Information</td>
<td># Employees per FTE</td>
<td>432</td>
<td>189</td>
<td>380</td>
</tr>
<tr>
<td>Customer Care</td>
<td>% Calls Resolved at 1st &amp; 2nd Levels</td>
<td>72%</td>
<td></td>
<td>78%</td>
</tr>
</tbody>
</table>
More efficient GSSC generates additional savings

Generating more efficiency at the GSSC allows us to take on more functions and save UNICEF more time and costs.

- **$400,000**: E-banking & move additional processes from country offices in Finance, HR, Payroll
- **$2.5 million**: Simplify processes in HR, Payroll & Customer Care, Medical
- **$3.5 million**: additional savings from transaction costs and increased productivity

50,000 additional hours saved by offices
Additional Savings with Business Operations Strategy (BOS)

BOS is the UNDG multi-agency framework guiding UN operations collaboration at the country level.

- Savings achieved through collaboration with other agencies at country level
- Designed to facilitate UN Country Teams (UNCT’s) joint programme delivery through common business operations supporting the delivery of the UNDAF.
- BOS is on the SG agenda (100% implementation by 2021).
- UNICEF has adopted a BOS KPI in its Strategic plan.

<table>
<thead>
<tr>
<th>UNICEF BOS KPI</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. % of Country Offices implementing Business Operations Strategies</td>
<td>25%</td>
<td>40%</td>
<td>50%</td>
<td>60%</td>
<td>65%</td>
</tr>
<tr>
<td>b. Annual cost avoidance ($US)</td>
<td>$3 million</td>
<td>$5 million</td>
<td>$6 million</td>
<td>$7 million</td>
<td>$8 million</td>
</tr>
</tbody>
</table>
BOS – UNICEF Strategy

- UNICEF developed corporate-wide strategy and approach
- Strengthened internal governance for BOS with full corporate support
- Strengthen data collection and analytics to maximize cost savings potential
- Use of the cost benefit tool accepted by other agencies for robust business case analysis of cost savings
- Strengthen knowledge management and capacity development through dedicated BOS site and community site.
- Further analysis of data can provide more opportunities (vertical integration, simplification, common back office, etc.)
Reduce Organizational Risk
Cost avoidance – Reduce Risk of Fraud & Human Error

**TRANSACTIONAL LEVEL MONITORING**
- Segregation of duties check
- High values to permitted payees
- Late or exceptional invoices
- Review of updated bank accounts

**DETECTIVE REPORTING - TRANSACTIONAL**
- Payments checked where automated payments installed
- Exception reporting of abnormal transactions
- Identify reactivation of dormant vendors

**DETECTIVE REPORTING – DATA ANALYTICS**
- High volume low value transactions with same vendor
- Identify misuse of FI documents, FC, petty cash, etc.

**STRENGTHENED INTERNAL COMPLIANCE**
- Strengthened QA function
- Automated Bank Interfaces for payments and bank reconciliation reduces fraud risk
Improve Quality
Improve Quality & Transparency

Improve Quality of Service

• Improve Customer Service to staff and country offices
• Dedicated QA functions to ensure processes are completed consistently and within agreed Service Level Agreement
• Provide faster response times and more accelerated for Emergency Countries
• Adoption of a regionalized approach to functional teams within the GSSC to better leverage time zones, language, culture and office specificities to improve service quality
• Real-time performance monitoring allows the Centre to identify quality issues early and take corrective measures

Improve Data Quality

• Improved Financial Reporting
  o More accurate GL account coding
• Improved Master Data
  o Completeness, Accuracy and Validity of Data records
• Improved Payment Transactions
  o Reducing rejected payment from Banks (0.05%)
• Improved Financial Controls
  o All transactions have supporting documents loaded
Looking Forward
Next Steps

**Further Reduce Transaction Processing Time & Costs for Countries**
- Aim to accelerate GSSC related processes by 10%
- Benchmark processes in Country Offices
- Recommend best practice approaches
- Drive change into offices through communications and capacity building

**Strengthen Analytical Reporting**
- Strengthen data analytics to identify best opportunities to save money
- Simplify policies and processes
- Identify additional functions for vertical or horizontal integration to achieve savings

**Improve GSSC Efficiency**
- Measure GSSC productivity against industry benchmarks and drive efficiency through strong performance management
- Automate processes using latest technology
- Allows GSSC to take on more with existing resources and save costs for UNICEF
Thank You