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## United Nations Children's Fund

Executive Board

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### **Midterm review of the UNICEF integrated budget, 2018–2021**

#### **Report of the Advisory Committee on Administrative and Budgetary Questions**

##### **I. Introduction**

1. During its consideration of the report on the midterm review of the integrated budget, 2018–2021 for the United Nations Children's Fund (UNICEF) ([E/ICEF/2020/AB/L.5](#)), the Advisory Committee received additional information and clarifications from UNICEF, concluding with written responses dated 8 June 2020.

2. In accordance with UNICEF financial regulations 9.6 and 9.10, the proposed institutional budget and amendments are transmitted to the Advisory Committee for examination and reporting to the Executive Board. The comments and observations of the Committee contained in the present report mainly relate to the institutional component of the integrated budget.

##### **II. Overall resources**

3. UNICEF has revised its integrated resource plan for 2018–2021, taking into account actual revenue and expenditures for 2018, provisional estimates for 2019 and revised estimates for 2020–2021 ([E/ICEF/2020/AB/L.5](#), para. 2). Anticipating an increase in total income of 9 per cent (from \$22.8 billion to \$24.8 billion), UNICEF proposes increasing the planned expenditure for programmes by 10 per cent (from \$20.3 billion to \$22.3 billion), while maintaining the level of the institutional budget for the period (see para. 6 below).

4. The revised resource plan projects total available resources of \$26.8 billion, of which \$6.2 billion is regular resources and \$20.6 billion is other resources (*ibid.*, para. 12). The projected growth of 9 per cent (\$2.2 billion) in total available resources is comprised of a decrease of 8 per cent (\$0.6 billion) in regular resources,

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\* [E/ICEF/2020/6](#).



offset by an increase of 16 per cent (\$2.8 billion) in other resources. UNICEF indicates that the ratio of regular resources to its total overall income has decreased by 2 per cent in 2019, from 23 to 21 per cent, representing a concerning trend away from meeting the funding compact commitment target of core resources representing 30 per cent of overall income. It further indicates that the decline in regular resources is due to a challenging environment in the private sector fundraising climate globally, which continued to contract in 2019, and to increased earmarking of public sector resources. Information on resources available, including the UNICEF response and the development of new strategies to accelerate mobilization of regular resources, is provided in paragraphs 12 to 17 of the report on the midterm review of the UNICEF integrated budget, 2018–2021. The Advisory Committee was provided, upon enquiry, information on the overall resource income of UNICEF since 2015 (see table 1 below).

Table 1  
**Overall resource income, 2015 to March 2020**  
(millions of United States dollars)

	2015	2016	2017	2018	2019	January – March 2020 <sup>a</sup>
Public sector	3 456	3 319	4 423	4 435	4 740	704
Private sector	1 457	1 444	1 465	1 453	1 457	245
Other <sup>b</sup>	97	121	139	172	203	25
<b>Total</b>	<b>5 010</b>	<b>4 884</b>	<b>6 027</b>	<b>6 060</b>	<b>6 400</b>	<b>974</b>

<sup>a</sup> Information for the first quarter of 2020 is not representative due to the nature of fundraising and reporting cycles, as most of the income is booked in the second half of the year.

<sup>b</sup> Other income includes income from interest, procurement services for partners, warehouse goods transfers, miscellaneous activities and sales of greeting cards and products.

5. Upon enquiry, the Advisory Committee was informed that, as the midterm review had been developed before the nature and scope of the global pandemic became clear, UNICEF is assessing the impact of coronavirus disease 2019 (COVID-19) on current and future income estimates, and is revising strategies to limit any potential downturn in resource mobilization results. Based on the latest available information, UNICEF is preparing its financial framework and adopting a conservative financial outlook while closely monitoring developments. **The Advisory Committee trusts that UNICEF will inform the Executive Board on the impact of, and its response to, the COVID-19 pandemic, including information relating to its operations and income, as well as inter-agency efforts and needs assessments. Furthermore, the Committee trusts that UNICEF will also provide information on its resource availability and utilization as a result of the COVID-19 pandemic in the integrated budget, 2022–2025.**

### III. Midterm review of the institutional budget

#### A. Resource level and reallocations

6. UNICEF proposes to maintain the institutional budget<sup>1</sup> at the initially approved level of \$2,455.5 million for 2018–2021, with the proposed funding of \$1,024.5

<sup>1</sup> The institutional budget comprises development effectiveness, United Nations development, coordination, management and capital investments (see E/ICEF/2020/AB/L.5, table 1, A.2+B+C+D.1).

million from regular resources, \$134 million from other resources and \$1,297 million from cost recovery (see also para. 14 below). Compared with the initially approved integrated resource plan, the proportion of the total resources utilized for the institutional budget would decrease from 10.2 per cent to 9.5 per cent in the revised plan (E/ICEF/2020/AB/L.5, paras. 20–24 and table 1). The Advisory Committee recalls that the current 10.2 per cent was earlier reduced from 10.5 per cent in the midterm review of the integrated budget for 2014–2017 (E/ICEF/2017/AB/L.5, para. 8). **The Advisory Committee welcomes the reduced percentage of the institutional budget in the integrated resource plan, which will result in the availability of greater resources for the programmes of UNICEF.**

7. While the institutional budget remains at the initially approved level for 2018–2021, some reallocations will be made within the relevant components of the institutional budget (E/ICEF/2020/AB/L.5, para. 87). Upon enquiry, the Advisory Committee was informed that the reallocations would reflect increases for United Nations development coordination and management, with a decrease for development effectiveness (see the revised allocation of resources and their respective share within the institutional budget in table 2 below).

Table 2

**Approved and revised institutional budget, 2018–2021***(millions of United States dollars)*

<i>Use of Resources</i>	<i>Approved 2018–2021</i>		<i>Revised 2018–2021</i>		<i>Variance</i>	
	<i>\$</i>	<i>%</i>	<i>\$</i>	<i>%</i>	<i>\$</i>	<i>%</i>
A.2 Development effectiveness	721.9	29.4%	690.6	28.1%	(31.3)	-1.3%
B. United Nations development coordination	49.3	2.0%	58.0	2.3%	8.7	0.4%
C. Management	1 604.3	65.3%	1 626.9	66.3%	22.6	0.9%
D.1 Capital investments	80.0	3.3%	80	3.3%	(0)	0
<b>Institutional budget</b>	<b>2 455.5</b>	<b>100.0</b>	<b>2 455.5</b>	<b>100.0</b>	<b>0</b>	<b>0</b>

8. UNICEF indicates that efficiency gains achieved through revisions to systems and processes have enabled the absorption of costs of a number of important initiatives within the approved institutional budget (E/ICEF/2020/AB/L.5, para. 89; also see paras. 17–19 below). The Advisory Committee was informed, upon enquiry, that additional costs in an amount of \$31.4 million have been absorbed within the approved institutional budget ceiling (see table 3 below), through leveraging the efficiency gains achieved, including through information technology, human resources, finance, supply, shared services and programme. **The Advisory Committee notes with appreciation the efficiency gains achieved through revisions to systems and processes that have enabled the absorption of additional requirements within the approved institutional budget, 2018–2021, and encourages UNICEF to continue the efforts for potential further efficiencies in the context of the proposed integrated budget, 2022–2025.**

Table 3  
**Initiatives and costs**  
*(millions of United States dollars)*

<i>Initiatives</i>	<i>Costs</i>
1 Doubling of the UNICEF cost-share contribution to the United Nations development coordination system for 2019 to 2021	12.1
2 Significant strengthening of the Office of Internal Audit and Investigations	5.5
3 Establishment of the Evaluation Pooled Fund	8.5
4 Introduction of measures to strengthen the prevention of sexual exploitation and abuse and the response to the findings and recommendations of the Independent Task Force	5.3
<b>Total</b>	<b>31.4</b>

## B. Post changes

9. The total number of posts funded in the institutional budget, 2018–2021 has increased by 72 (62 international and 10 national) since 2018, from 3,102 to 3,174 posts, as a result of emerging priorities and the increased volume of UNICEF operations, and in response to increasing humanitarian crises (*ibid.*, para. 91). Of the total increase in posts, country and regional offices account for 28 per cent, and headquarters 72 per cent. UNICEF indicates that the increase in headquarters posts is primarily due to regularization of temporary appointment posts, following Executive Board decision 2017/14, and a recommendation from the Advisory Committee to further reduce reliance on personnel that are not UNICEF staff members. Upon enquiry, the Committee was informed that, as at 30 April 2020, there was a total of 609 individual contractors and 401 of them (or 66 per cent) had contracts for periods longer than 9 months. **The Advisory Committee welcomes the continuing progress made to reduce the level of non-staff contracts in the UNICEF workforce (also see E/ICEF/2017/AB/L.5, para. 12). The Committee encourages UNICEF to further its efforts to regularize those temporary appointment posts that are of a continuous nature, in particular in its field operations. The Committee trusts that an update thereon will be provided in the report on the integrated budget, 2022–2025.**

## C. Request for renewal of the authority to establish additional senior-level positions

10. In the draft decision included in the report on the midterm review of the UNICEF integrated budget, 2018–2021, UNICEF is requesting that the Executive Board renew authority to the Executive Director for the establishment of additional senior-level positions, to be funded from within the approved institutional budget for the planning period (E/ICEF/2020/AB/L.5, sect. VIII). UNICEF indicates that the allotment of 10 additional director-level positions authorized by the Board in decision 2017/14 has been almost fully utilized to strengthen leadership and management structures. It therefore intends to create additional senior-level posts over the next four years, subject to funding availability and in a phased manner, to address increased programme throughput and acceleration and strengthen technical capacity (E/ICEF/2020/AB/L.5, para. 92). Upon enquiry, the Advisory Committee was informed that the time frame of the request covers the planning period 2018–2021.

11. The Advisory Committee was further informed that since the authorization for establishing additional senior-level positions in 2016, which was extended in 2017 by the Executive Board, nine appointments have been made (five in the field and four at headquarters). Moreover, the Committee was informed that the Division of Human Resources had carried out a study that (a) assessed Representative post levels against a set of 10 indicators; and (b) recommended several upgrades and downgrades of Representative positions, which are under discussion by the Senior Staff Rotation group. UNICEF would also consider using those posts for emergencies, including the current COVID-19 pandemic.

#### **D. Potential review of the funding model**

12. As reflected in paragraph 3 above, the programme expenditure will be increased by 10 per cent, while the institutional budget will be maintained at the same level in the revised integrated budget for 2018–2021. UNICEF indicates that there is a recognition that the current institutional budget funding model needs to be revisited, as it does not allow UNICEF to expand its corporate support structure capacity. UNICEF will therefore review the current funding model of the institutional budget and build on the experiences of the United Nations Development Programme (UNDP), the United Nations Population Fund (UNFPA) and the World Food Programme in preparation for its strategic plan for 2022 to 2025 and the accompanying integrated budget (*ibid.*, para. 90). The Advisory Committee recalls that UNICEF made a similar indication with respect to a potential review of the funding model in the midterm review of the integrated budget, 2014–2017 (see [E/ICEF/2016/AB/L.5](#), paras. 21 and 22).

13. Upon enquiry, the Advisory Committee was informed that the current funding model of the institutional budget depends on regular resource contributions and cost recovery, while earmarked resources are growing faster than core resources and programme delivery is increasing at a significant rate, which remains a challenge for UNICEF to find funds to expand its corporate support structure capacity to strengthen oversight, risk management and technical guidance to adequately accompany the accelerated growth in programme delivery. It was indicated to the Committee that the goal of revisiting the funding model would be to ensure that the institutional budget resources are sufficient to facilitate an appropriate support structure and capacity to lead and manage the organization effectively, and that the specific financial implications would be quantified once the review takes place.

#### **E. Cost recovery**

14. Information on cost recovery is provided in paragraphs 93 to 96 and table 3 of the report on the midterm review. The document states that during the reporting period, 15 per cent of the institutional budget, subject to cost recovery, was funded from regular resources, with the balance of 85 per cent funded from other resources, compared to the estimates of 19 per cent funded from regular resources and 81 per cent from other resources in the approved plan, 2018–2021. Upon enquiry, the Advisory Committee was informed that the increase in cost recovery is driven by the increase in the other resources in response to emergencies and humanitarian crisis, and that a higher-than-planned cost recovery amount results in reducing the amount of RR used to fund the institutional budget, as organizational costs eligible for cost recovery should be proportionally funded from regular resources and other resources in line with the cost recovery methodology adopted.

15. UNICEF indicates that, in response to the decisions of their respective Executive Boards in 2018, UNDP, UNFPA, UNICEF and the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women): (a) presented a joint review

that further harmonizes the existing cost classifications; and (b) will present a joint comprehensive cost recovery policy at their respective second regular sessions in 2020. It was indicated to the Advisory Committee upon enquiry that a harmonized cost recovery policy is premised on a harmonized cost classification framework and that the role of cost recovery is further guided by General Assembly resolution 71/243<sup>2</sup> on the quadrennial comprehensive policy review of operational activities for development of the United Nations system. The benefits of a comprehensive cost recovery policy are the same as those of the current harmonized policy across the four participating agencies, based on UNICEF Executive Board decision 2013/5. **The Advisory Committee welcomes the efforts to formulate a joint comprehensive cost recovery policy by UNDP, UNFPA, UNICEF and UN-Women as requested by the Executive Boards, and looks forward to receiving information on further progress in this area, including related resource implications, in the context of the proposed integrated budget, 2022–2025.**

## F. Presentation

16. The Advisory Committee recalls that, in the context of the budget harmonization exercise requested by the Executive Boards, the Committee welcomed the progress achieved by UNICEF in the improvement of its budget presentation and implementation of results-based budgeting in collaboration with UNDP and UNFPA, including the improved alignment between resources and the Strategic Plan (see [E/ICEF/2011/AB/L.3](#), para. 10; and [E/ICEF/2013/AB/L.6](#), para. 4). While recognizing that UNICEF had incorporated the results-based budgeting approach in its integrated budget as approved by its Executive Board, the Advisory Committee, nonetheless, requested that information on major items of expenditure under post and non-post resources be provided to the Committee as supplementary information to future budget proposals, in order to facilitate the Committee's consideration and better analysis of the institutional budget ([E/ICEF/2013/AB/L.6](#), para. 4). **The Advisory Committee reiterates its request for information on major items of expenditure under post and non-post resources in the context of its consideration of future institutional budgets. The Committee is of the view that such information, provided along with actual expenditures of the components (development effectiveness, United Nations development coordination, management and capital investments), will facilitate its review of the institutional budget in a more thorough manner.**

## IV. Other matters

### A. Initiatives to strengthen investigations, evaluation and prevention of sexual exploitation and abuse

17. As reflected in paragraph 8 and table 3 above, efficiency gains achieved have enabled UNICEF to absorb the costs of a number of important initiatives, such as the strengthening of the Office of Internal Audit and Investigations, establishment of the Evaluation Pooled Fund and the introduction of measures to strengthen the prevention

<sup>2</sup> The General Assembly, inter alia, stressed that “core resources are the bedrock of the United Nations operational activities for development, owing to their untied nature”; and reaffirmed “the principle of full cost recovery, proportionally, from core and non-core resources, thereby avoiding the use of core or regular resources to subsidize activities financed by non-core or extrabudgetary resources” (paras. 26 and 35).

of sexual exploitation and abuse<sup>3</sup> (see also [E/ICEF/2020/AB/L.5](#), paras. 55 and 89). Upon enquiry, the Advisory Committee was informed that the Office of Internal Audit and Investigations is in the process of strengthening its investigation capacity with an increase of eight new staff, including a new Deputy Director for Investigations, along with a revised team structure and the planned opening of a new office in Budapest in the second quarter of 2020. It is anticipated that new cases reported in 2020 would be at or above the number of new cases in 2019. Information on the details of key findings, the actual number of cases and responses by the UNICEF management is contained in the annual reports of UNICEF to the Executive Board.<sup>4</sup>

18. In the area of protection from sexual exploitation and abuse, the Advisory Committee was informed, upon enquiry, that UNICEF has made major progress since releasing its strategy in January 2019. This includes the strengthening of its assessment of implementing partners by developing and launching a procedure for managing risks in February 2020. In addition, the Committee was informed that the objective of the Evaluation Pooled Fund, which was established in 2018, was to supplement spending by offices at all levels of the organization, with the goal of meeting the target set by the Executive Board that evaluation accounts for 1 per cent of programme expenditure by the end of 2019.

## **B. Global Shared Services Centre and common premises**

19. UNICEF indicates that its Global Shared Services Centre continued to drive efficiency and business modernization and that in 2019, the Centre generated cumulative savings of over \$79 million (*ibid.*, para. 71). The Advisory Committee was informed, upon enquiry, that the savings generated by the Centre are measured against the baseline costs for the functions in 2012, and that the Centre will continue to generate cumulative savings through continual improvement in its service delivery and explore opportunities of additional services from other offices, which can be consolidated in a single location for economies of scale.

20. With respect to common premises, the Advisory Committee was informed that, as of April 2020, UNICEF had reached the target of 50 per cent, up from 39 per cent in 2018 through the adoption of a number of proactive measures, including the establishment of a dedicated database. The organization's way forward to increase the common premises beyond the 50 per cent benchmark includes the identification of 34 office locations in 18 countries for possible common premises. Furthermore, the Committee was informed that the United Nations system had reached 19 per cent as of April 2020, up from 16 per cent in 2017. To achieve the 50 per cent target of common premises set by the Secretary-General for the system by 2021, UNICEF, as the current chair of the United Nations Sustainable Development Group Task Team on Common Premises and Facility Services, is working with other United Nations agencies on a common database to assist identifying possible offices for consolidation, with the completion of six pilot projects and the anticipated roll out of a premise consolidation process in which UNICEF is playing a leading role. **The Advisory Committee commends UNICEF for reaching the 50 per cent benchmark of common premises in 2020 in advance of the target set for 2021.**

<sup>3</sup> Items are considered under a separate agenda "evaluation, audit and oversight matters" by the Executive Board.

<sup>4</sup> See the Office of Internal Audit and Investigations 2018 annual report to the Executive Board ([E/ICEF/2019/AB/L.3](#)) and the UNICEF management response ([E/ICEF/2019/AB/L.4](#)).

**C. Implementation of the recommendations of the Advisory Committee**

21. Upon enquiry, the Advisory Committee was provided with information on the implementation of its recommendations contained in its report on the UNICEF integrated budget for 2018–2021 ([E/ICEF/2017/AB/L.5](#)). **The Advisory Committee trusts that information on the implementation of its recommendations will be included in future budget reports.**

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