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### United Nations Children's Fund

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### UNICEF integrated budget, 2014-2017

#### *Summary*

In decision 2009/20, the Executive Board requested UNICEF, in collaboration with UNDP and UNFPA, to present an integrated budget that would include all of its budgetary provisions to complement the next strategic plan.

This document presents the UNICEF integrated budget, 2014-2017. A separate annex to the integrated budget (E/ICEF/2013/AB/L.4/Add.1) should be considered as part of this document.

As an integral part of the UNICEF strategic plan, 2014-2017 (E/ICEF/2013/21), the integrated budget should also be considered in conjunction with the strategic plan and its annex (E/ICEF/2013/21/Add.1).

UNICEF is proposing an institutional budget of \$2,094.5 million for 2014-2017 with \$1,155.1 million funding from regular resources, \$823.0 million from cost recovery from other resources, and \$116.4 million from other resources. Compared with the 2010-2013 budget, the proportion of total resources utilized for the proposed institutional budget would decrease from 14.1 per cent to 11.9 per cent.

From the resources available for programmes, UNICEF is proposing a budget from regular resources of \$180.0 million and a ceiling from other resources of \$528.4 million, subject to the receipt of contributions to other resources, for the global and regional programmes during 2014-2017.

A draft decision on the integrated resource plan, institutional budget and global and regional programme is included in this document.

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\* E/ICEF/2013/19.



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## I. Introduction

1. This document presents the UNICEF integrated budget, 2014-2017. It is an integral part of the UNICEF strategic plan, 2014-2017 (E/ICEF/2013/21), and should be considered in conjunction with the strategic plan and its annex (E/ICEF/2013/21/Add.1).
2. In decision 2009/20, the Executive Board requested UNICEF, in collaboration with UNDP and UNFPA, to continue to improve the budgeting process and to present an integrated budget that would include all of its budgetary provisions to complement the next strategic plan.
3. The strategic plan contains a single results framework for UNICEF, comprising seven programme outcomes and three organizational effectiveness and efficiency results. The integrated results and resources framework identifies how total resources available to UNICEF will be allocated to these outcomes and results.
4. UNICEF has replaced its financial plan with the integrated resource plan, following Executive Board decision 2011/6, which endorsed the use of an integrated resource plan for the presentation of budgetary information, harmonized for use by UNDP, UNFPA, UN-Women and UNICEF.
5. UNICEF has worked with UNDP, UNFPA and, more recently, UN-Women towards the proposed improvements, in accordance with the “road map to an integrated budget”, shared with the Executive Board at its first regular session in 2010. Continuous consultation with the Executive Board has been critical to the successful delivery of the improvements described in the road map.
6. In addition to the integrated budget, other significant improvements to the budgeting process are presented in the present document: (a) development of cost classification categories for use in the preparation of the integrated budget; (b) presentation of budgetary information for the same four-year period as the strategic plan, in a format that demonstrates the linkage between results and resource requirements, including management results; and (c) a revised cost-recovery methodology and improved approach to cost attribution.
7. All of these improvements have been approved for harmonized use by the Executive Boards of UNICEF, UNDP, UNFPA and UN-Women.

## II. Integrated resource plan

8. UNICEF previously submitted a four-year financial plan (also referred to as the *planned financial estimates*), which formed part of the medium-term strategic plan, in line with Executive Board decision 2000/3. The financial plan was reviewed and revised on a rolling basis and annually submitted for approval by the Executive Board.
9. In decision 2011/6, the Executive Board endorsed the use of the integrated resource plan as one of three key budget tables in the harmonized presentation of budgetary information. An improved format of the integrated resource plan, including a transparent analysis of the projected use of cost-recovery resources, was discussed with the Executive Board at its first regular session in 2013.

10. The integrated resource plan comprises similar information as in the previous financial plan and for the same financial period (four years). UNICEF has therefore replaced the financial plan with the integrated resource plan.

11. This section provides information on (a) actual financial performance, compared with the resource plan approved for the period 2012-2013; and (b) the integrated resource plan proposed for the period 2014-2017.

12. In 2012, UNICEF adopted the International Public Sector Accounting Standards (IPSAS) and used revised cost categories in its budget. These changes involve the calculation and presentation of financial information in different ways. Financial information for periods prior to 2012 must therefore be restated to make possible comparisons over time. Restatement often includes estimation. The financial analysis provided in this document has been restated where appropriate.

### **Review of actual financial performance**

13. Appendix B<sup>1</sup> (Actual income and expenditure, 2001-2012) shows actual income for regular and other resources, and programme and institutional budget expenditures for 2001-2012.

14. Despite the ongoing difficult economic climate, UNICEF continues to be a partner of choice for donors. Income to regular resources and other resources increased by 9 per cent and 1 per cent, respectively, from 2011 to 2012, and the proportion of regular resources income to total income improved from 29 per cent in 2011 to 32 per cent in 2012. Income to regular resources and other resources has increased by some 11 per cent and 50 per cent, respectively, in the current strategic plan period, 2006-2013. The increase in income to other resources for development has been consistent in this period while the income to other resources for emergencies, as expected, has fluctuated in response to humanitarian crises.

15. In 2012, total expenditure was \$3.9 billion, decreasing marginally, compared with 2011, despite the rollout of a new enterprise resource planning system (VISION) in January 2012.

16. Appendix C (Comparison of plan and actual/estimated resource plan, 2012-2013) provides information on actual financial performance for 2012 and estimated financial performance for 2013, compared with planned financial performance for 2012-2013.

17. Total actual/estimated resources (excluding trust funds) available for the period 2012-2013 are \$10.0 billion compared with planned resources available of \$8.9 billion.

18. Total use of resources for 2012-2013 is estimated to be \$7.6 billion, compared with planned use of resources of \$7.0 billion. This increase, comprising an increase of \$0.6 billion in programme activities funded by other resources, is commensurate with the estimated increases in total other resources contribution income. Total estimated use of resources for the institutional budget is in line with the plan.

19. Given the estimated increase in total resources available and the estimated use of these additional resources for programmes, the proportions of total resources used

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<sup>1</sup> All appendices are included in the annex to the integrated budget, 2014-2017 (E/ICEF/AB/L.4/Add.1).

for programmes and the institutional budget are estimated to be around 87.3 per cent and 12.7 per cent, respectively, rather than 86.3 per cent and 13.7 per cent, respectively, as planned.

20. Information on the other key performance measures used by UNICEF is provided in appendix D (Institutional budget ratios, 2002-2003 to 2012-2013). Performance in 2012-2013 is estimated to be broadly in line with actual financial performance in recent bienniums.

### **Integrated resource plan, 2014-2017**

21. Table 1 (Integrated resource plan, 2014-2017) provides information on the projected total available resources and the proposed use of resources in total for all cost classification categories for 2014-2017.

### **Resources available**

22. Total resources available of \$18.6 billion are projected for 2014-2017, comprising \$6.2 billion in regular resources and \$12.4 billion in other resources.

23. Total projected income is \$16.3 billion. The total projected contribution income of \$16.0 billion, representing a modest annual growth of 2-3 per cent, is based on consultation with major donors, private-sector partners, and national committees, as well as the actual historical trend of income growth (see appendix E: Annual income projections, 2014-2017).

24. UNICEF policy is to ensure the availability of regular resources equivalent to between three months and six months of planned expenditure. This balance of available resources, also referred to as *working capital*, is considered prudent for ensuring the continuity of programme and other activities. Available resources are represented by cash and other net assets. UNICEF ensures that the cash balance complies with the minimum liquidity requirement on an annual basis.

### **Use of resources**

25. The total proposed use of resources for 2014-2017 is \$17.5 billion, comprising regular resources of \$5.9 billion and other resources (including cost recovery) of \$11.6 billion.

26. Of the \$17.5 billion, UNICEF is proposing to utilize \$15.4 billion for development activities, \$36.6 million for United Nations development coordination activities, \$1.4 billion for management activities, and \$683.1 million for special purpose activities. Compared with the budget period 2010-2013, the proportion of total resources utilized for development activities is proposed to increase from 85.5 per cent to 87.7 per cent and the proportion of total resources utilized for management activities to decrease from 10.3 per cent to 8.2 per cent.

27. Within development activities, UNICEF is proposing to make \$14.8 billion available for programmes and to increase programme expenditure gradually through the budget period. This growth will be funded from projected increased income and accumulated available resources; the latter will be reduced to the level considered prudent for ensuring the continuity of activities.

28. From the resources available for programmes, UNICEF is proposing for approval a budget from regular resources of \$180.0 million and a ceiling from other

resources of \$528.4 million, subject to the receipt of contributions to other resources, for the *global and regional programme* during 2014-2017.

29. UNICEF is proposing an *institutional budget* of \$2,094.5 million for 2014-2017. The institutional budget comprises the following resource requirements: \$567.5 million for development effectiveness; \$36.6 million for United Nations development coordination; \$1,435.4 million for management; and, within special purpose, capital investments of \$55.0 million.

30. Compared with the budget 2010-2013, the proportion of total resources utilized for the institutional budget for approval is proposed to decrease from 14.1 per cent to 11.9 per cent.

31. Of the institutional budget of \$2,094.5 million, \$1,155.1 million is proposed for funding from regular resources, \$823.0 million from cost recovery from other resources, and \$116.4 million from other resources. Compared with the budget 2010-2013, and because of the application of the revised cost-recovery methodology, the proportion of management activities funded from cost-recovery increases from 28.2 per cent to 54.8 per cent. The proportion of regular resources available for programme activities also increases, from 61.8 per cent to 69.6 per cent.

32. For the first time, UNICEF is including in the integrated budget and total use of resources, under special purpose activities, budgetary provisions for (a) private-sector fundraising; and (b) other amounts, including procurement services and the Office of the Special Representative of the Secretary-General on violence against children. These provisions are included for information, not for approval, in the institutional budget.

33. The resource requirements proposed under private-sector fundraising comprise the direct costs and investment costs supporting the fundraising and marketing activities of National Committees and UNICEF country offices. The appropriation for these resource requirements is presented for approval by the Executive Board on an annual basis, in conjunction with the Private Fundraising and Partnerships workplan and budget. The authority to incur financial commitments for services provided by UNICEF, such as procurement services and the Office of the Special Representative of the Secretary-General on violence against children, is provided in the financial regulation on the administration and the defrayal of costs of special accounts on behalf of others.

#### **Sufficiency of reserves**

34. UNICEF maintains reserves to fund its employee benefits liabilities, comprising after-service health insurance and end-of-service entitlements. At 31 December 2012, the actuarial valuation of these liabilities was \$1.1 billion and accumulated reserves totalled \$0.4 billion. UNICEF has developed a strategy to fund the reserves in the longer term, which includes both the accumulation of funds from payroll charges to the budgetary authorities and funding sources with which staff members are associated and, if year-end fund balances permit, an appropriate annual transfer of resources.

Table 1  
Integrated resource plan, 2014-2017

	2010-2013							2014-2017						
	Regular resources		Other resources		Total resources		Trust funds	Regular resources		Other resources		Total resources		Trust funds
			Programmes	Cost recovery						Programmes	Cost recovery			
	\$m	%	\$m	\$m	\$m	%	\$m	\$m	%	\$m	\$m	\$m	%	\$m
<b>1. Resources available</b>														
Opening balance	613.0		1,740.0	-	2,353.0		303.0	661.5		1,799.7	-	2,461.2		622.5
Income														
Contributions	4,440.0		8,391.0	-	12,831.0		-	5,353.0		10,616.0	-	15,969.0		-
Other income	324.9		-	-	324.9		-	280.0		32.0	-	312.0		-
Total income	4,764.9		8,391.0	-	13,155.9		-	5,633.0		10,648.0	-	16,281.0		-
Trust Funds	-		-	-	-		4,033.1	-		-	-	-		7,432.0
Tax reimbursement adjustment	(80.8)		-	-	(80.8)		-	(96.0)		-	-	(96.0)		-
Total available	5,297.1		10,131.0	-	15,428.1		4,336.1	6,198.5		12,447.7	-	18,646.2		8,054.5
<b>2. Use of resources</b>														
A Development														
A.1 Programmes	3,224.4	61.8	8,383.6	-	11,608.0	82.1	4,231.1	4,091.0	69.6	10,713.6	-	14,804.6	84.5	7,432.0
A.2 Development effectiveness	352.6	6.8	-	129.8	482.4	3.4	5.0	467.4	8.0	100.1	-	567.5	3.2	-
Subtotal	3,577.0	68.6	8,383.6	129.8	12,090.4	85.5	4,236.1	4,558.4	77.6	10,813.7	-	15,372.1	87.7	7,432.0
B United Nations development coordination	4.1	0.1	-	-	4.1	0.0	-	20.3	0.3	16.3	-	36.6	0.2	-
C Management														
C.1 Recurring	1,029.3	19.7	-	407.4	1,436.7	10.2	-	642.2	10.9	-	774.2	1,416.4	8.1	-
C.2 Non-recurring	14.9	0.3	-	3.2	18.1	0.1	-	6.5	0.1	-	12.5	19.0	0.1	-
Subtotal	1,044.2	20.0	-	410.6	1,454.8	10.3	-	648.7	11.0	-	786.7	1,435.4	8.2	-
D Special purpose														
D.1 Capital investments	56.2	1.1	-	-	56.2	0.4	-	18.7	0.3	-	36.3	55.0	0.3	-
D.2 Private sector fundraising	433.4	8.3	-	-	433.4	3.1	-	454.0	7.7	-	-	454.0	2.6	-
D.3 Other	102.9	2.0	-	-	102.9	0.7	-	174.1	3.0	-	-	174.1	1.0	-
Subtotal	592.5	11.4	-	-	592.5	4.2	-	646.8	11.0	-	36.3	683.1	3.9	-
<b>Institutional budget (A.2+B+C+D.1)</b>	1,457.1	27.9	-	540.4	1,997.5	14.1	5.0	1,155.1	19.7	116.4	823.0	2,094.5	11.9	-
<b>Integrated budget (A+B+C+D)</b>	5,217.8	100.0	8,383.6	540.4	14,141.8	100.0	4,236.1	5,874.2	100.0	10,830.0	823.0	17,527.3	100.0	7,432.0
<b>3. Closing balance of resources</b>								324.3		794.6		1,118.9		622.5

### **III. Integrated results and resources framework**

35. In its decision 2011/6, the Executive Board endorsed the use of the integrated results and resources framework as the second of three key budget tables in the harmonized presentation of budgetary information.

36. The strategic plan, 2014-2017 contains the single results framework for UNICEF, which comprises seven programme outcomes and three organizational effectiveness and efficiency results. Table 1 (Integrated resource plan, 2014-2017) provides information on the proposed use of resources by cost classification category. Table 2 (Integrated results and resources framework, 2014-2017) identifies for the first time, and transparently, how total resources available to the organization will be allocated to all of these outcomes and results.

#### **Allocation of resources to programme outcomes**

37. As described above, UNICEF is proposing increased investment in programme outcomes during 2014-2017. Child protection and social inclusion are projected to receive 22 per cent of total programme investment, compared to 18 per cent in the current medium-term strategic plan. Education is projected to receive 20 per cent of total programme investment, the same proportion as the current medium-term strategic plan. Proportional spending on HIV and AIDS is projected to decline from 7 per cent to 5 per cent, while proportional spending on health, nutrition, water and sanitation is projected to decline slightly, from 54 per cent to 53 per cent.

#### **Country programmes**

38. Of the \$14.8 billion available for programmes during 2014-2017, UNICEF is proposing to channel \$14.1 billion, or 95 per cent, through country programmes of cooperation.

39. Regular resources are allocated to individual country programmes of cooperation according to the modified system for allocation of regular resources for programmes, approved by the Executive Board in decision 2008/15 and reviewed in 2012, with emphasis on three core criteria: (a) under-five mortality rate; (b) gross national income per capita; and (c) child population. To ensure that all country programmes benefit from the increase in regular resources available for programmes due to the application of the revised cost-recovery methodology, UNICEF is proposing to raise the minimum annual level of regular resources within the modified allocation system from \$750,000 to \$850,000. This proposed increase of \$100,000 will affect some 57 countries and result in an increase in the total minimum annual level of \$5.7 million, or 3 per cent, of the total estimated additional regular resources available for allocation annually.

40. The Executive Board approves indicative budgets for other resources — regular when approving country programme documents or equivalent. Other resources — emergency are programmed according to need.

#### **Global and regional programme**

41. UNICEF is proposing to channel a total of \$180.0 million of regular resources and \$528.4 million of other resources through the global and regional programme. The global and regional programme contributes to each of the strategic plan's seven



outcome areas by: (a) creating and disseminating global and regional public goods, including monitoring and analysing the situation of children for global accountability; (b) contributing to and strengthening relevant global and regional policy and coordination systems; and (c) contributing to the relevant global evidence base and global normative guidelines. The global and regional programme is integrated within the strategic plan and annexed results framework. Global and regional programme resources are implemented by each of the UNICEF seven regional offices as well as relevant headquarter divisions, including Programme, Policy and Strategy, Research, Supply, Evaluation, Emergency Operations and Communications.

#### **Allocation of resources to organizational effectiveness and efficiency results**

42. Resources for the organizational effectiveness and efficiency results are allocated in accordance with the methodology described in the informal note on harmonized cost classification and results-based budgeting presented at the First Regular Session, 2011 and approved by the Executive Board in decision 2011/6.

43. Resources are allocated to organizational units that perform activities to deliver outputs. These organizational units are grouped into functional clusters, which provide the link between results and resources. The functional clusters for management activities are harmonized among the UNDP, UNFPA, UN-Women and UNICEF. Development effectiveness activities are more closely associated with the programme outcomes and delivery modalities of each of the agencies. The functional clusters for development effectiveness activities are therefore not harmonized among the agencies.

44. Resources for development effectiveness within UNICEF are allocated to three functional clusters: technical excellence in policy and programmes; technical excellence in humanitarian action; and technical excellence in procurement and management of supplies.

45. The following paragraphs provide a summary analysis of the proposed resource requirements by organizational effectiveness and efficiency result and functional cluster.

#### **Result 1: Higher quality programmes through results-based management**

<b>Cluster:</b>	Technical excellence in policy and programmes
<b>Resources:</b>	\$478.8 million

46. Comprising the Programme Division, the Division of Policy and Strategy, the Office of Research and the technical advisors in regional offices, the cluster is responsible for programme policy, guidance tools, technical support and quality assurance for the achievement of the seven programme outcomes of the strategic plan. The cluster draws on research results, lessons from evidence-based interventions and insights from practical programming experience.

47. Strategic shifts in this cluster result in additional proposed resource requirements of \$22.6 million. These requirements, to strengthen capacity to provide effective technical guidance and strategic support to country programmes, will be funded from other resources.

Table 2  
Integrated results and resources framework, 2014-2017

Outcome/result	Functional cluster	2014-2017			
		Regular resources	Other resources		Total resources
			Programme	Cost recovery	
		\$m	\$m	\$m	\$m
<b>Programmes</b>		<b>4,091.0</b>	<b>10,713.6</b>	-	<b>14,804.6</b>
P1	Improved and equitable use of high-impact maternal and child health interventions from pregnancy to adolescence and promotion of healthy behaviours.	1,227.3	2,918.0	-	4,145.3
P2	Improved and equitable use of proven HIV prevention and treatment interventions by children, pregnant women and adolescents.	245.4	494.8	-	740.2
P3	Improved and equitable use of safe drinking water, sanitation, healthy environments and improved hygiene practices.	450.0	1,770.7	-	2,220.7
P4	Improved and equitable access to and use of nutritional support and improved nutrition and care practices	327.3	1,153.2	-	1,480.5
P5	Improved learning outcomes and equitable and inclusive education	654.6	2,306.3	-	2,960.9
P6	Improved and equitable prevention of and response to violence, abuse, exploitation and neglect of children	490.9	1,285.6	-	1,776.5
P7	Improved policy environment and systems for disadvantaged and excluded children, guided by improved knowledge and data	695.5	785.0	-	1,480.5
<b>Organizational effectiveness and efficiency</b>					
<b>1</b>	<b>Higher quality programmes through results-based management</b>	<b>467.4</b>	<b>100.1</b>	-	<b>567.5</b>
	Technical excellence in policy and programmes	394.1	84.7	-	478.8
	Technical excellence in procurement and management of supplies	47.5	5.4	-	52.9
	Technical excellence in humanitarian action	25.8	10.0	-	35.8
<b>2</b>	<b>Improved management of financial and human resources in pursuit of results</b>	<b>648.7</b>	-	<b>786.7</b>	<b>1,435.4</b>
	Independent corporate oversight and assurance	17.6	-	21.3	38.9
	Corporate financial, information & communication technology and administrative management	93.7	-	113.6	207.3
	Corporate external relations and partnerships, communications and resource mobilization	97.9	-	118.8	216.7
	Corporate human resources management	48.4	-	58.7	107.1
	Corporate leadership and direction	25.8	-	31.2	57.0
	Staff and premises security	6.0	-	7.3	13.3
	Field / country office oversight, management and operations support	359.3	-	435.8	795.1
<b>3</b>	<b>Coordination of the United Nations Development System</b>	<b>20.3</b>	<b>16.3</b>	-	<b>36.6</b>
	United Nations coherence and cluster coordination	20.3	16.3	-	36.6
<b>Special purpose</b>		<b>646.8</b>	-	<b>36.3</b>	<b>683.1</b>
	Capital investments	18.7	-	36.3	55.0
	Private sector fundraising	454.0	-	-	454.0
	Other, including procurement services	174.1	-	-	174.1
<b>Total use of resources</b>		<b>5,874.2</b>	<b>10,830.0</b>	<b>823.0</b>	<b>17,527.3</b>

<b>Cluster:</b>	Technical excellence in procurement and management of supplies
<b>Resources:</b>	\$52.9 million

48. The strategic priorities of the Supply Division are to ensure optimally efficient supply chains, provide timely and effective service-delivery including for emergencies, programmes and procurement services partners, and achieve targeted outputs that will have significant impact on programme outcomes.

49. The net proposed increase in resource requirements of \$11.4 million, funded from regular resources (\$6.0 million) and other resources (\$5.4 million), will provide additional capacity for supply chain optimization and service delivery.

<b>Cluster:</b>	Technical excellence in humanitarian action
<b>Resources:</b>	\$35.8 million

50. The strategic plan includes a strengthened focus on humanitarian action, including enhanced dedicated capacity for effective preparedness for response, response and early recovery, to save lives and protect rights, as defined in the Core Commitments for Children in Humanitarian Action, as well as to address underlying causes of vulnerability to disasters, fragility and conflict through responses to humanitarian crises and through regular programmes.

51. Total proposed resource requirements of \$35.8 million, consisting of \$25.8 million in regular resources and \$10.0 million in other resources, will enable the development and reinforcement of structures to provide crisis response and recovery support to offices.

## **Result 2: Improved management of financial and human resources in pursuit of results**

<b>Cluster:</b>	Independent corporate oversight and assurance
<b>Resources:</b>	\$7.3 million — Evaluation Office \$31.6 million — Office of Internal Audit and Investigations

52. In line with the revised evaluation policy of UNICEF, the Evaluation Office oversees the corporate evaluation function, including implementation of evaluation activities by decentralized organizational units. The Evaluation Office will undertake global thematic evaluations set out in the global evaluation plan, aligned with the new strategic plan, including examination of the programmatic strategies used to reach and sustain long-term development goals. Proposed changes in approach include heightened attention to outcomes and impacts on children and their families, the enabling environment, and inter-agency coordination and improvement of more cost-effective evaluation methods, as well as increased support to national evaluation capacity development.

53. Strategic priorities for the Office of Internal Audit and Investigations comprise continuous review and strengthening of the UNICEF internal control framework, improved organizational management of fraud risks and, through assessment and capacity-building activities, reduced occurrence of fraud and loss, and further promotion of transparency and effective external communications. Proposed changes in approach include maximizing the use of the enterprise resource planning system (VISION) and virtual communications, and ensuring improved complementarity between audit and investigation.

54. A modest increase is proposed in the resource requirements for this cluster under the institutional budget. This and the prioritization of results and resources within the cluster have facilitated the establishment of additional forensic audit capacity and additional support for the Audit Advisory Committee.

55. An increase of \$6.7 million is proposed in the regular resources, channelled to the Evaluation Office through the global and regional programme, for further strengthening and ensuring the continuing independence of the evaluation function.

<b>Cluster:</b>	Corporate financial, information and communication technology and administrative management
<b>Resources:</b>	\$207.3 million

56. With the adoption of IPSAS in 2012 and the implementation of VISION, the strategic priority for the Division of Financial and Administrative Management during 2014-2017 is the preparation, reporting and interpretation of comprehensive financial and administrative information for external and internal stakeholders. This information will be used to promote the efficient and effective use of resources, instil cost consciousness throughout the organization and inform value for money decision-making, facilitate improved governance, risk management and compliance activities, and ensure the provision of timely and appropriate advice on the effectiveness and efficiency improvement initiative, including with respect to structural changes. Emphasis will be given to the assurance obtained for the appropriate use of cash assistance transferred to partners and realizing fully the benefits of IPSAS adoption.

57. VISION is now a building block for pursuing global streamlining of business processes throughout UNICEF offices. Fitting with the new organizational focus on partnering, collaboration and capacity building, UNICEF will maximize usage of information technology ("Cloud" technology) for enabling sharing and agility, while equally containing operating costs. Creating scalability, transferability and sustainability around innovative technology use for programs will become a central concern.

58. Strategic shifts in this cluster, facilitated by the successful completion of organizational change projects in 2012, have resulted in a proposed decrease in resource requirements by \$11.8 million.

<b>Cluster:</b>	Corporate external relations and partnerships, communications and resource mobilization
<b>Resources:</b>	\$216.7 million

59. The Public Sector Alliances and Resource Mobilization Office will seek to strengthen engagement with the public sector. Supporting activities will include communicating and advocating for organizational priorities, including visibility of donors and the case for regular resources, supporting quality improvements in reporting to donors on the use of resources and organizational performance, developing approaches and frameworks for South-South or horizontal cooperation and relationships with emerging donors, and exploring possibilities for public-private partnerships to mobilize resources and build capacity in programme countries.

60. The key objective for the Division of Communication will be reinforcing public engagement by integrating external media platforms, brand-building, and refocusing its advocacy function. Strategies to support the objective will include increased reliance on (a) data, research and trend analysis to demonstrate the impact of UNICEF work, (b) agile digital technology and infrastructure to maintain UNICEF relevance as a knowledge leader; and (c) a bold, nuanced and contemporary editorial approach and communication model that humanizes the UNICEF voice.

61. The Governance, United Nations, and Multilateral Affairs (GMA) Division will lead the strategic engagement with Members States at country, regional and global levels, ensuring that child rights and child well-being remain high on the development agenda beyond 2015. GMA will also lead the work in advancing the United Nations coherence and reform agendas, in line with the recommendations of the quadrennial comprehensive policy review (QCPR) of operations for development of the United Nations system and of the Joint Inspection Unit. The Division will service the Governance structure of UNICEF while maintaining a transparent and open dialogue with the members of the Executive Board and between senior management and the Bureau. GMA will analyse global trends and the evolving multilateral development architecture, lead UNICEF corporate engagement with the World Bank and drive the engagement with the G8/G20 processes and the OECD to promote the realization of the rights of the children.

62. The Private Fundraising and Partnerships Division is responsible for the strategic framework for UNICEF engagement with the National Committees. Included in this functional cluster are costs related to the continued reinforcement of the relationship with National Committees and private-sector strategy development and implementation (also referred to as the indirect costs). The resources supporting specific National Committee fundraising activities are included under special purpose.

63. Resource requirements for this cluster are proposed to decrease by \$25.7 million. This net decrease includes a proposed increase for additional capacity to strengthen strategic engagement with traditional and emerging donors as well as proposed decreases within the Private Fundraising and Partnerships Division resulting from the restructuring of the National Committee relationship management team, and a reduction in the support requirements following the closure of in-house Cards and Products business.

<b>Cluster:</b>	Corporate Human Resources Management
<b>Resources:</b>	\$107.1 million

64. The significant challenges to be addressed by the Division of Human Resources in 2014-2017 are the structural changes and impact on staffing profiles anticipated in all UNICEF locations, including as a result of countries graduating to middle-income status and the conclusions of the effectiveness and efficiency improvement initiative, the requirement to reform the conditions of service and the systems that support human resource management in the United Nations system, and the maintenance of staff well-being especially in critical incidents.

65. Recruitment activities will be prioritized by leveraging more efficient and effective approaches to recruitment, including direct selection based on generic vacancy announcements, the New and Emerging Talent Initiative and Junior Professional Officer Programme to attract, source and manage talent. Other activities

include career development and learning, and the establishment of a corporate framework for staff well-being and timely psycho-social support to staff members. Investments will be made in an integrated human resources management system.

66. Significant strategic shifts in this functional cluster will be managed without increases in the proposed resource requirements. The decrease of \$3.8 million in resource requirements reflects the reclassification of organizational learning results and resource requirements. Prioritization of results and resource requirements within the cluster will facilitate the establishment of additional recruitment, learning and career development capacity.

<b>Cluster:</b>	Corporate leadership and direction
<b>Resources:</b>	\$57.0 million

67. The strategic approach of the Office of the Executive Director will be to develop and maintain improved oversight, management and communications processes to provide leadership and executive direction in the areas of (a) innovation for development; (b) advocacy and communications, mobilizing global commitments and political will; (c) partnerships, engaging with partners, donors and societies in the changing development context; and (d) organizational performance, optimizing management structures, functions and systems based on consultative, transparent and risk-informed processes.

68. Included in the resource requirements for this functional cluster is a provision of \$15.0 million for the implementation of recommendations from the organizational effectiveness and efficiency improvement initiative. UNICEF commenced this initiative in 2012 and is currently in the information-gathering phase on transaction processing efficiency, business process simplification and organizational cost-effectiveness. It is anticipated, however, that the recommendations may result in organizational restructuring, and will require significant relocation, training and redeployment, and severance costs.

69. Other strategic shifts, including the establishment of additional capacity to coordinate organizational change activities, will be managed without additional resources.

<b>Cluster:</b>	Staff and premises security
<b>Resources:</b>	\$13.3 million

70. 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 policies and procedures 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.

71. An increase of \$2.9 million is proposed for resource requirements in this cluster to strengthen regional security capacity.

<b>Cluster:</b>	Field/country office oversight, management and operations support
<b>Resources:</b>	\$795.1 million

72. Senior leaders in each country and region contribute to the delivery of this result through representation and cooperation with national and local leaders, partner organizations, experts from other agencies, and regional intergovernmental groups advocating for children's rights, especially for the most vulnerable, poor and marginalized, and through the effective and efficient use of resources made available to support programme delivery.

73. The key strategic shift proposed for the plan period is towards the realization of improved organizational effectiveness and efficiency, facilitated by the implementation of VISION. Shared service centres will be established to provide centres of financial management expertise to maintain robust internal control frameworks, ensure consistency of data and reporting in compliance with IPSAS and consolidate high-volume, low value-added processing functions. Other strategies include managing for greater efficiency through virtual meetings and flexible working arrangements, leveraging continued advances in technology, strengthening inter-agency collaboration to harmonize administrative procedures, and developing common approaches for procurement, travel, harmonized approach to cash transfers (HACT), and ICT services.

74. Strategic shifts in this cluster give rise to an increase in proposed resource requirements of \$103.4 million. These relate to (a) strengthening leadership and management structures in all regions, in response to humanitarian crises, countries in transition and opportunities for South-South and triangular cooperation (\$83.4 million); and (b) establishing capacity for improved governance, risk management and assurance activities for cash assistance transferred to implementing partners (\$20.0 million).

### **Result 3: Coordination of the United Nations Development System**

<b>Cluster:</b>	United Nations coherence and cluster coordination
<b>Resources:</b>	\$36.6 million

75. The Office of Emergency Programmes (EMOPS) is responsible for the coordination of partners for the WASH, nutrition, and education humanitarian clusters, along with areas of responsibility in child protection and gender-based violence, at the global level. In addition, EMOPS is responsible for establishing inter-agency humanitarian partnerships, for the development of humanitarian policies and providing operational support and building capacity for timely and predictable response.

76. Also included in this functional cluster is an allocation of \$14.0 million, representing the UNICEF contribution to the recently finalized cost-sharing mechanism for United Nations Resident Coordinator System, which seeks to ensure sufficient and sustainable resourcing for United Nations development system coordination.

**Special purpose**

77. UNICEF is proposing special purpose resource requirements of \$683.1 million, comprising capital investments of \$55.0 million, private-sector fundraising activities of \$454.0 million, and other amounts, including for the management of procurement services of \$174.1 million.

<b>Cluster:</b>	Capital investments
<b>Resources:</b>	\$55.0 million

78. A total of \$30.0 million is proposed for investment in technology-supported organizational solutions, spanning efficiency gains, better business intelligence, robust repositories of knowledge, and externally facing tools that increase dynamics and interactivity for advocacy and partnering.

79. A total of \$25.0 million is proposed for field offices security and premises improvements. UNICEF global infrastructure includes property ownership interests totalling some \$180.0 million, lease interests in over 600 premises at an annual cost of \$70.0 million annually, and free or nominal cost interests in over 100 premises, with responsibility for the management of these properties fully decentralized. The strategic direction comprises (a) systematic identification of more vulnerable offices globally, (b) prioritization of security investments or relocation requirements; and (c) reduced capital repair and maintenance costs.

<b>Cluster:</b>	Private sector fundraising
<b>Resources:</b>	\$454.0 million

80. Included in special purpose, under private-sector fundraising, are the activities and estimated resource requirements of the Private Fundraising and Partnerships Division to support the specific private-sector fundraising initiatives and research and development projects of the National Committees and UNICEF country offices. The activities related to the implementation of the UNICEF private fundraising and partnerships strategic plan and the appropriation for the related resource requirements are presented for approval by the Executive Board on an annual basis. The results and estimated resource requirements are provided in the integrated resource plan, 2014-2017 and in the integrated results and resources framework, 2014-2017, for information only.

<b>Cluster:</b>	Other, including procurement services
<b>Resources:</b>	\$174.1 million

81. Also included in special purpose, under other, are the activities and estimated resource requirements covered by Financial Regulations 5.1 to 5.3 on special accounts administered by UNICEF and related administration costs. The results and estimated resource requirements are provided for information in the integrated resource plan, 2014-2017 and the integrated results and resources Framework, 2014-2017. These activities comprise currently the administration of procurement services and the Office of the Special Representative of the Secretary-General on violence against children.



82. The Supply Division administers procurement services on behalf of governments and other partners to complement UNICEF programmes. These services provide partners with economical access to selected products in order to leverage programmatic results. During 2014-2017, annual procurement of supplies and services is expected to total between \$1.5 billion and \$2.0 billion. As for programme supplies, much of the required administration is transactional but continued high-quality service provision requires increasingly managing implementation complexity, collaborating with partners, mitigating risks and providing technical advice, including on innovation, market influence, results-based management, real-time monitoring and supply chain optimization. Estimated resources requirements for 2014-2017 are \$ 169.0 million.

83. UNICEF hosts and provides administrative services to the Office of the Special Representative of the Secretary-General on violence against children. The estimated resource requirements for 2014-2017 are \$5.1 million and are funded in full by voluntary contributions and the United Nations Regular Budget.

#### **IV. Institutional budget**

84. The proposed institutional budget for 2014-2017 of \$2,094.5 million is \$97.0 billion, or 4.8 per cent, higher than the approved institutional budget for 2010-2013.

85. To ensure higher-quality outputs from the proposed significant increase in resources available for programmes, UNICEF is proposing to reinforce and improve development effectiveness activities with additional resources of \$85.0 million. Additional resource requirements of \$32.5 million are proposed for United Nations development coordination activities. However, the resource requirements for management activities and capital investments are proposed to decrease by some \$20.5 million in total.

##### **Major areas of increase and decrease**

86. Table 3 (Summary of increases/decreases in the institutional budget, 2014-2017) analyses the proposed increase of \$97.0 million in the institutional budget. The increase or decrease in the resource requirements between the budget periods 2010-2013 and 2014-2017 are analysed, by cost category and functional cluster, based on the extent to which they arise because of (a) strategic shifts proposed by management, (b) the revised cost-recovery methodology, specifically cost attribution; and (c) cost factors, including inflation.

##### **Cost**

87. Cost adjustments result from projected changes in the rates or conditions of staff costs, exchange rates, and rates of inflation. Factors that may affect the rates and conditions of staff costs include within-grade increments and other post entitlements as determined by the International Civil Service Commission, vacancy factors, and the organizational policy on funding employee liabilities. A total cost increase of \$76.8 million is projected for 2014-2017.

## Volume

88. A total net volume increase of \$20.2 million results from strategic shifts proposed by management and the application of the revised cost-recovery methodology, specifically cost attribution.

89. The net total volume increase resulting from strategic shifts is \$141.3 million. The details of this increase are provided by functional cluster in the section on integrated results and resources framework.

90. The net total volume decrease resulting from cost attribution is \$121.1 million. In line with the revised cost-recovery methodology, approved in Executive Board decision 2013/8, costs for centrally managed services that can be identified directly with programme implementation are being attributed to programmes and projects rather than to the institutional budget. Services include those provided by the United Nations, including for the safety and security of staff members, the administration of justice, and pension arrangements, and those managed centrally by UNICEF, including the provision of software licenses and global connectivity. The full cost of these services was previously included in the institutional budget and primarily funded from regular resources. In the proposed institutional budget for 2014-2017, this cost has been linked to results across all cost classification categories and funded by regular resources and other resources.

Table 3

### Summary of increases/decreases in the institutional budget, 2014-2017

	2010-2013 \$m	Increases / (decreases)				2014-2017 \$m
		Volume		Cost \$m	Total \$m	
		Strategic Shifts \$m	Attribution \$m			
<b>Development effectiveness</b>	<b>482.5</b>	<b>32.4</b>	<b>18.1</b>	<b>34.5</b>	<b>85.0</b>	<b>567.5</b>
Technical excellence in policy and programmes	417.4	22.6	13.2	25.6	61.4	478.8
Technical excellence in procurement and management of supplies	31.5	11.4	2.1	7.9	21.4	52.9
Technical excellence in humanitarian action	33.6	(1.5)	2.8	0.9	2.2	35.8
<b>United Nations development coordination</b>	<b>4.1</b>	<b>32.7</b>	<b>0.1</b>	<b>(0.3)</b>	<b>32.5</b>	<b>36.6</b>
<b>Management</b>	<b>1,454.7</b>	<b>77.4</b>	<b>(139.2)</b>	<b>42.6</b>	<b>(19.3)</b>	<b>1,435.4</b>
Independent corporate oversight and assurance	43.4	0.2	(7.2)	2.5	(4.5)	38.9
Corporate financial, information and communication technology and administrative management	274.7	(11.8)	(66.6)	11.0	(67.3)	207.3
Corporate external relations and partnerships, communications and resource mobilization	241.0	(25.7)	(0.9)	2.2	(24.3)	216.7
Corporate human resources management	142.6	(3.8)	(36.0)	4.3	(35.5)	107.1
Corporate leadership and direction	39.6	12.1	2.7	2.7	17.5	57.0
Staff and premises security	69.4	2.9	(60.5)	1.4	(56.1)	13.3
Field/country office oversight, management and operations support	644.0	103.4	29.1	18.4	151.0	795.1
<b>Special purpose</b>	<b>56.2</b>	<b>(1.2)</b>	<b>-</b>	<b>-</b>	<b>(1.2)</b>	<b>55.0</b>
Capital investments	56.2	(1.2)	-	-	(1.2)	55.0
<b>Institutional Budget — for approval</b>	<b>1,997.5</b>	<b>141.3</b>	<b>(121.1)</b>	<b>76.8</b>	<b>97.0</b>	<b>2,094.5</b>

91. Cost attribution is also in line with the QCPR resolution mandating organizations to “avoid the use of regular resources to subsidize other resources financed activities, including the use of regular resources to cover costs related to the management and support of other resource funds and their programme activities”.

#### **Overview of post changes**

92. The total number of posts in the institutional budget will decrease by 127, from 2,919 in 2010-2013 to 2,792 in 2014-2017. This total net decrease comprises a net decrease of 7 senior international professional posts (above the P-5 level), and net decrease of 24 other international professional posts, and a net decrease of 10 national officer posts and 86 general service posts. The net decrease of 7 senior posts results from the establishment of 5 new posts, abolishment of 2 existing posts and reclassification of 13 posts from development effectiveness to global and regional programme and a reclassification of 3 posts from the Private Fundraising and Partnerships budget to management and development effectiveness categories in the institutional budget. Two of the five new posts are proposed in the functional cluster for corporate external relations and partnerships, communications and resource mobilization to strengthen strategic engagement with public-sector donors. The other three are proposed to strengthen the leadership and management structure in the country offices in Lebanon, Syrian Arab Republic and Turkey.

93. Appendix G (Change in institutional budget posts, by location) provides the distribution of posts by category in all offices and summarizes the changes between the two budget periods.

## **V. Cost recovery**

94. The integrated budget, 2014-2017 has been prepared using the revised cost-recovery methodology and cost-recovery rates approved in Executive Board decision 2013/5. Summary details on how the methodology has been applied are provided in table 4 (Application of the revised cost-recovery methodology).

95. The methodology and rate changes result in improved proportional use of regular resources and other resources to fund management activities and related costs. Table 4 (Application of the revised cost-recovery methodology) shows that 35 per cent of the institutional budget subject to cost recovery will be funded from regular resources and 65 per cent from other resources; these proportions equate with the proportional shares of planned expenditure funded by regular resources, (34 per cent) and other resources (66 per cent).

Table 4  
Application of the revised cost-recovery methodology

	Regular resources (RR) \$m	Other resources (OR) \$m	Total resources \$m
<b>Total planned expenditure</b>	<b>5,874.2</b>	<b>11,653.1</b>	<b>17,527.3</b>
<i>Proportional use of RR and OR to fund integrated budget</i>	<i>34%</i>	<i>66%</i>	<i>100%</i>
Total institutional budget			2,094.5
Less: Development effectiveness activities			567.5
Less: United Nations development coordination activities			36.6
Less: Critical Cross Cutting functions			220.0
Total institutional budget subject to cost recovery			1,270.4
<b>Institutional budget — subject to cost recovery</b>	<b>447.4</b>	<b>823.0</b>	<b>1,270.4</b>
<i>Proportional use of RR and OR to fund institutional budget</i>	<i>35%</i>	<i>65%</i>	<i>100%</i>
Planned expenditure (excluding cost recovery)		10,830.0	
Cost recovery		823.0	
<b><i>Projected effective cost-recovery rate</i></b>		<b><i>7.6%</i></b>	

96. By ensuring the more proportional use of regular resources and of other resources to fund management and special purpose activities and related costs, a larger proportion of regular resources is available for allocation to programme activities. During 2010-2013, 72.8 per cent of management and special purpose costs were funded from regular resources. During 2014-2017, the proportion of management and special purpose costs funded by regular resources is projected to decrease to 44.8 per cent. Due to the application of the revised cost-recovery methodology and rate, an estimated \$275 million of regular resources will be made available for allocation to development activities.

97. Given the approval of differentiated cost-recovery rates, including for thematic and private-sector contributions, the effective cost-recovery rate, calculated based on total projected expenditure, will be lower than the harmonized base cost-recovery rate of 8 per cent. UNICEF is projecting that the effective cost-recovery rate for 2014-2017 will be 7.6 per cent. This compares with an estimated actual effective cost-recovery rate of 6.6 per cent for 2010-2013.

98. Further information on the actual implementation and results of the revised cost-recovery methodology will be submitted to the Executive Board in conjunction with the midterm review of the strategic plan. If there is evidence to suggest that full cost recovery and proportionality are not achieved by using the revised methodology and rates, recommendations for further improvement will also be made.

## VI. Reporting on implementation of the integrated budget

99. Given its reliance on voluntary contributions, UNICEF has established regular internal reporting processes, which include continuous and rigorous review of the income and expenditure projections that form the basis of the integrated resource plan.

100. Until 2012, UNICEF reported to the Executive Board, at its annual session, on the fulfilment of the results articulated in the strategic plan in the annual report of the Executive Director and, at its second regular session, on actual financial performance, compared with the financial plan in the annual revision of the “Medium-term financial plan: planned financial estimates”.

101. UNICEF proposes to continue to report on the fulfilment of results articulated in the strategic plan in the annual report of the Executive Director. This report will be supplemented with summary financial reporting in a format similar to the integrated resource plan and based on the statement of comparison of budget and actual amounts, which UNICEF is required to include in its financial statements for compliance with IPSAS from 2012.

102. UNICEF notes the request of the Executive Board to submit information on the actual implementation and results of the revised cost-recovery methodology together with any related recommendations at its annual session in 2016.

## VII. Draft decision

The following draft decision is included for consideration:

### *The Executive Board*

1. *Welcomes* the UNICEF integrated budget, 2014-2017 in response to its request (decision 2009/20) to present a single, integrated budget that includes all UNICEF budgetary categories, with an improved results focus and enhanced linkages with the strategic plan results and harmonized in methodology and presentation, including on cost classification, attribution and recovery, with UNDP, UNFPA and UN-Women;

2. *Approves* the integrated resource plan as the financial framework for the strategic plan, 2014-2017, based on projections of resources available, utilization and working capital required for liquidity;

3. *Approves* to raise the minimum level of regular resources allocation to single country programmes from \$750,000 to \$850,000;

4. *Approves* for the global and regional programme a budget from regular resources of \$180.0 million, subject to the availability of resources, and a ceiling from other resources of \$528.4 million, subject to the receipt of contributions to other resources, for 2014-2017;

5. *Approves* an appropriation for the institutional budget for 2014-2017 of \$1,978.1 million to cover the costs of development effectiveness, United Nations development coordination, management activities and, within special purpose activities, capital investments, and notes that the projected funding for the appropriation is \$1,155.1 million from regular resources and \$823.0 million from cost recovery from other resources;

6. *Notes*, in addition to the appropriation of \$1,978.1 million, the projected funding for the institutional budget of \$116.4 million from other resources for development effectiveness and United Nations development coordination, subject to the receipt of contributions to other resources;

7. *Notes*, within special purpose activities, the projected utilization of resources for

(a) The amounts required in accordance with its Financial Regulations to defray the costs of UNICEF administration of special accounts on behalf of others, including procurement services and the Office of the Special Representative of the Secretary-General on violence against children; and

(b) Private-sector fundraising, for which budgets will be submitted for consideration and approval on an annual basis by the Executive Board at its first regular session;

8. *Requests* the Executive Director to

(a) Provide actual financial information in the format of the integrated resource plan and to assess performance against the integrated budget in his annual report to the Executive Board;

(b) Submit to the Executive Board for approval annually an updated integrated resource plan at its second regular session, following review of the financial projections on which it is based;

(c) Submit to the Executive Board, in conjunction with the midterm review of the strategic plan, information on the actual implementation and results of the revised cost-recovery methodology, together with any related recommendations, at the annual session in 2016.

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