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United Nations Children's Fund support budget for the biennium 2008-2009

Report of the Advisory Committee on Administrative and Budgetary Questions

I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Executive Director of the United Nations Children's Fund (UNICEF) on the biennial support budget for 2008-2009 (E/ICEF/2008/AB/L.1). During its consideration of the report, the Advisory Committee met with the Deputy Executive Director and other representatives, who provided additional information and clarifications.

Format and presentation

2. The Advisory Committee notes that the biennial support budget for 2008-2009 is presented in the results-based format agreed upon by the United Nations Development Programme (UNDP), United Nations Population Fund (UNFPA) and UNICEF. In this context, the Committee recalls its earlier recommendation that the process of harmonization with other agencies be given high priority with a view towards implementing results-based budgeting for the biennium 2008-2009, which would also provide a further opportunity to improve the presentation. Upon enquiry, the Committee was informed that stronger efforts would be made to refine the results-based budgeting presentation further and to streamline and improve upon the process in order to enable more strategic linkages between key indicators and results in the future. **The Committee notes the further improvements to the results-based presentation for UNICEF and its continued collaboration with other funds and programmes, as recommended by the Advisory Committee in its**

* E/ICEF/2008/1.

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report on the biennial support budget for 2004-2005 (E/ICEF/2003/AB/L.15). At the same time the Committee notes the shortcomings in the current format of the results-based budgeting presentation for the biennial support budget for 2008-2009, including the occasional use of non-harmonized terminology or lack of precision in the formulation of external factors, indicators and targets. It is the opinion of the Committee that the budget presentation should facilitate careful review by inter-governmental bodies. Further, the Committee expects that efforts will also be made to present the biennial support budget in a clear manner and with the necessary degree of detail that would allow thorough analysis and scrutiny. The methodology for attributing resources to the 16 functions described in paragraphs 33-108 could be clarified.

3. The Committee is also concerned that the results-based presentation is not yet well enough developed to demonstrate a clear connection between resources and results. **Consideration could be given to explaining how a given body of inputs can contribute to specific results. The Advisory Committee reiterates its previous request that UNFPA, UNDP and UNICEF take into account lessons learned by other United Nations entities that have already implemented results-based budgeting techniques** (DP/FPA/2005/14, para. 3).

4. **In order to ensure greater budgetary transparency, it is important to include in the support budget submission information on major objects of expenditure under post and non-post costs. Under non-post costs, information should be provided in future on sub-headings including, inter alia, other staff costs, non-staff compensation, consultants and experts, travel of representatives, travel of staff, contractual services, general operating expenses, hospitality, supplies and materials, furniture and equipment, grants, and contributions, as is done in budget presentations by the United Nations Secretariat. The Advisory Committee recommends that these changes to the format of budget submissions be considered by the Executive Boards of all funds and programmes.**

5. The Committee observes that the organizational chart included in the budget document reflects neither the current staffing composition of offices nor the proposed post changes. Upon request, the Committee was provided with a revised organizational chart reflecting information on the current and proposed post structure (see attachment to this report). **The Committee finds the updated organizational chart to be more informative than that included in the budget, and recommends that this format be used in future reports on UNICEF biennial support budgets.**

6. The Committee notes that the budget document does not provide sufficient information on the treatment of liabilities that are to be funded for After Service Health Insurance (ASHI). Upon enquiry, the Committee was informed that UNICEF did not treat the allocation of funds for accrued ASHI liability obligations as expenditure but rather as a balance sheet transfer. The Committee was also informed that UNICEF currently participates with other United Nations organizations in updating the actuarial study so as to adjust the value of the liability in subsequent presentations to the Executive Board. **The Committee trusts that UNICEF will provide detailed information on ASHI-related liabilities in its future reports on its biennial support budget.**

Resources

7. The Committee notes that the 2008-2009 biennial support budget for UNICEF is once again presented in an overall environment of increasing resources. As shown in table 1 of document E/ICEF/2008/AB/L.1, total projected resources for the biennium 2008-2009 (including an opening balance of $2.5 billion) would amount to $10.3 billion, an increase of $3.4 billion, or 49 per cent, as compared with total planned resources of $6.9 billion for the biennium 2006-2007. For 2008-2009, total regular resources are projected at $3.0 billion, an increase of 50 per cent over planned total regular resources of $2.0 billion for 2006-2007. Other resources are projected at $7.3 billion for 2008-2009, or 49 per cent higher, compared to $4.9 billion for 2006-2007, and total trust funds are projected at $1.1 billion, reflecting a decrease of 8 per cent, compared to the total of $1.2 billion for 2006-2007.

8. Income from regular and other resources is estimated to grow from $2.3 billion for the biennium 2001-2002 to $6.6 billion for the biennium 2008-2009, reflecting an increase of 183 per cent.

9. The Committee stresses once again the need to ensure that extra-budgetary resources and funding from the private sector are subject to a greater measure of scrutiny and control (see paragraph 10, EICEF/2006/AB/L.3). Upon enquiry, the Committee was informed of UNICEF measures for further strengthening the internal control mechanisms for the management of all resources entrusted to the organization, including extra-budgetary resources, through various management actions already taken and proposed to be taken in the 2008-2009 biennium. These include: (a) reinforcement of the segregation of duties and execution of financial authority, and a financial implementation control framework during emergencies or exceptional situations; (b) Anti-fraud policy; (c) strengthening of the Office of Internal Audit and Evaluation Office in the proposed biennial budget; (d) improvement in training and staff development activities; (e) ERP (Enterprise Resource Planning) systems enhancements and the proposed strategic investment to move from the Programme Manager System (ProMS) software for the field to the central'SAP' single application ERP, which will also be compliant with the International Public Sector Accounting Standards (IPSAS); (f) revision of the cost recovery policy; and (g) the adoption of a harmonized approach to manage the transfer of cash to implementing partners among the United Nations Development Group Executive Committee agencies UNDP, UNFPA, the World Food Programme (WFP) and UNICEF.

II. Biennial support budget for 2008-2009

10. As indicated in the budget document, the medium-term strategic plan (MTSP) of UNICEF for 2006-2009 provides the basis for the strategic and financial framework for the biennium 2008-2009, with the financial plan revised on an annual basis to update the estimates of the income and expenditure projections. The proposed biennial support budget, which is the second budget within the current MTSP, reflects the 2007 revisions to the MTSP.

11. The Committee notes that the biennial support budget for 2008-2009 was developed in the context of the following guidelines of the strategic plan:

- Working with partners and within UNICEF to accelerate results and impact for children;
- Working at all levels on the basis of evidence, current knowledge, good practice, the lessons of evaluation and international experience;
- Striving for efficiencies and excellence in UNICEF management and operations within the framework of the organizational strategic plan, and monitoring and assessing its performance on an ongoing basis;
- Bringing a human rights perspective and striving to mainstream gender issues in all UNICEF work for children;
- Promoting, advocating for and supporting children's rights in all situations.

12. The proposed biennial support budget for 2008-2009 is $912.8 million (gross), an increase of $155.4 million over the previous biennium. With the estimated income of $223 million from recoveries (a net increase of $33 million) to offset the gross budget, the net budget for 2008-2009 would be $689.8 million. Most of the recoveries are from cost recoveries on other resources contributions. The Committee was informed that the amount forecast as cost recoveries contributions from other resources is based on past experience, the anticipated volume of such contributions and the recovery rates approved by the Executive Board. The recoveries represent 24 per cent of the gross support budget. If recoveries exceed the anticipated level, they would provide additional funding to the biennial support budget, thus reducing the currently planned 76 per cent of the support budget that is funded from regular resources. The total approved level of the biennial support budget would not, however, be exceeded.

13. The Committee notes that while 30 per cent of envisaged contributions are for regular resources, regular resources would finance over 73 per cent of support costs. Further, the Committee notes that while other resources contributions are growing more rapidly than regular contributions, a larger share of the biennial support budget is charged to regular contributions. **The question of the adequacy of these arrangements and of the appropriate resources for financing of the biennial support budget is a significant policy question for consideration by the Executive Board.**

14. The proposed increase in the support budget reflects a cost increase of $72.7 million and a volume increase of $82.7 million. The overall cost increase comprises $43 million for field offices and $29.7 million for headquarters locations. Exchange rate, inflation and post-related cost adjustments are the main factors contributing to the cost increase. As indicated in the budget document, the proposed budget was calculated using exchange rates and post adjustment multipliers as of 1 September 2007 and the annual average inflation rates of 5.5 and 4 per cent for field and headquarters offices, respectively. The projected vacancy rate of 6 per cent has been maintained for international Professional posts.

15. As indicated in the budget document, the volume increase is driven by the need to invest in the core capacity of the organization to provide the required support and oversight for programmes, which have increased substantially due to

the growth in resources over the past several years. The following are the eight themes for which the increases are proposed:

(a) Knowledge management — $8.4 million;

(b) Realignment of programme functions to deliver results, strengthening of research and oversight at global and regional levels — $24.2 million.

(c) Core capacities in countries — $24.1 million;

(d) Enhancement of partnerships, advocacy capacity and resource mobilization — $8.8 million;

(e) Business process simplification, results and change management — $10.0 million;

(f) Human resources planning and management — $17.4 million;

(g) Audit, investigations and evaluation capacities — $2.5 million; and

(h) Strategic investment in information technology (IT) — $12.0 million.

Details of the increases are provided in paragraph 22 (a) to (h) of the budget document (E/ICEF/2008/AB/L.1).

16. The Committee notes that the budget increases are partly offset by the elimination of a non-recurrent provision of $24.7 million in the 2006-2007 budget for one-time investments made during the current biennium. These include emergency preparedness, office renovation at headquarters and systems enhancements, cost reduction and efficiency savings in the areas of common services and cost sharing, the joint office in Cape Verde, consolidation of operational support functions for the Programme Group and consolidation of some technical functions in the Programme Division, realignment of the Regional and Inter-agency Affairs Section from the Programme Division to Governance, United Nations and Multilateral Affairs, the combination of advisory support services for Asia and the Pacific, streamlined structures in the country offices in the Central and Eastern Europe and the Commonwealth of Independent States region, and the restructuring of the IT services. The Committee also notes that the proposed budget for the 2008-2009 biennium will continue funding of the United Nations-mandated centrally shared security costs, with an allocation of $26.2 million.

17. As indicated in paragraph 16 of the budget document, compared with total resources, the proportion of funds proposed to be allocated to the biennial support budget would be reduced from 14.7 per cent in 2006-2007 to 12.2 per cent in 2008-2009. Of the total resources, 87.8 per cent would be for programmes, 11.9 per cent for the biennial support budget and 0.3 per cent for United Nations-mandated security costs.

18. The proposed cost estimates incorporate 16 results-based functions, with the largest share of resources in function 4, Programme guidance, management and oversight, as shown in table 3 and explained in paragraphs 49 to 56 of the report. **The Committee is of the view that for the resources programmed for this function ($369.3 million, or 40.5 per cent of the total biennial support budget), the description of activities and results to be achieved should be more specific.** Upon enquiry, the Committee was informed that the figures in paragraph 37 for function 1, Executive direction and leadership, and in paragraph 56 for function 4,

Programme guidance, management and oversight, reflect a typographical error and should read $16.7 million and $369.3 million, respectively.

19. The total number of posts proposed under the support budget for 2008-2009 is 2,972 (1,101 international Professionals, 312 national Professionals and 1,559 General Service and other categories of staff), as compared with the authorized staffing for 2006-2007 of 2,800 (985 international Professional, 263 national Professionals and 1,552 General Service and other categories of staff). The staffing changes include the transfer of 143 posts from programme budgets in country offices to the biennial support budget.

20. With regard to the transfer of posts for funding from the support budget, the Committee notes from the budget document that, in line with the 1998-1999 harmonized definitions of Programme, Programme Support, and Management and Administration agreed with UNDP and UNFPA, and a typology exercise carried out by UNICEF, core functions (Representation, Programme Coordination, Operations, and Communication) were identified to ensure minimum core capacity in country offices to advance the UNICEF mandate and effective management of programme delivery. The funding of posts for these functions from the biennial support budget releases resources from country programme budgets for implementation of programme activities. Due to limited resources under the biennial support budget, prior to 2004-2005, all offices had funded these posts from different programme resources. Therefore, a phased approach to convert posts in country offices funded from programme resources to the biennial support budget was initiated with effect from the 2004-2005 biennium. The current proposal will complete this commitment in 2008-2009, with the conversion of 143 posts. None of these posts are new and they all are located in country offices**. The Advisory Committee has no objection to the proposed transfer of the 143 posts for funding from the support budget.**

21. The number of posts proposed under the support budget for 2008-2009 would therefore increase by 172 posts (116 international Professional, 49 national Professionals and 7 General Service and other categories of staff), including the 143 that are migrating from the programme to the biennial support budget. The proposed net increase of 172 posts reflects a net addition of 128 posts in country offices, a reduction of 14 posts in regional offices and an addition of 58 posts at headquarters locations (listed in the attachment). Upon enquiry, the Committee was informed that the variance between the 143 migrated posts and the net increase of 128 posts in country offices was the result of individual managers making trade-offs in their mix of resources, which resulted in the elimination of 15 posts in favour of short-term consultancies and other resource options to achieve desired results.

22. In terms of the composition of the net increase of 172 posts by post levels, this includes an additional 9 posts at the D-1 level and above, 107 international Professional posts and 56 national Professional and General Service/Local Level posts. The Committee notes that the net increase of 9 posts in the D-1 and above category, reflects a net effect of 7 additional posts (1D-2 and 6D-1) and 2 reclassifications. **The Committee is concerned at what appears to be a tendency to increase the number of high level posts in the organizational structure of UNICEF.** Upon request, the Committee was provided with a table which shows changes by categories and levels of posts, as follows:

Post level	*2006-2007*	*Proportion (%)*	*2008-2009*	*Proportion (%)*
D-1 and above	107	3.82	116	3.90
P-5	306	10.93	346	11.74
P-3-P-4	469	16.75	536	18.03
P-1-P-2	103	3.68	100	3.36
Subtotal IP	**985**	**35.11**	**1 101**	**37.05**
NO-4	5	0.18	1	0.03
NO-3	82	2.93	88	2.96
NO-2	142	5.07	178	5.99
NO-1	34	1.21	45	1.51
Subtotal NO	**263**	**9.39**	**312**	**10.50**
GS-7	257	9.18	258	8.68
GS-5-GS-6	905	32.32	934	31.43
GS-1-GS-4	390	13.93	367	12.35
Subtotal GS	**1 552**	**55.43**	**1 559**	**52.46**
Total	**2 800**	**100.00**	**2 972**	**100.00**

23. The Committee was informed that higher classifications are a reflection of the requirement for increasingly competent and capable persons in both the programmatic and administrative parts of the organization to deal with more complex issues and management requirements. **The Committee remains concerned at the large number of posts proposed for reclassification and stresses the need for better justification for reclassifications. The Committee is of the view that career prospects and promotions of staff are human resources management issues that cannot normally be handled through reclassification of posts. The Committee recommends, therefore, that comprehensive information on the rationale followed in the classification exercise be provided to the Executive Board. Further, the Committee points out that these reclassifications constitute a recurrent cost to UNICEF, with a potential impact on resources available in the future.**

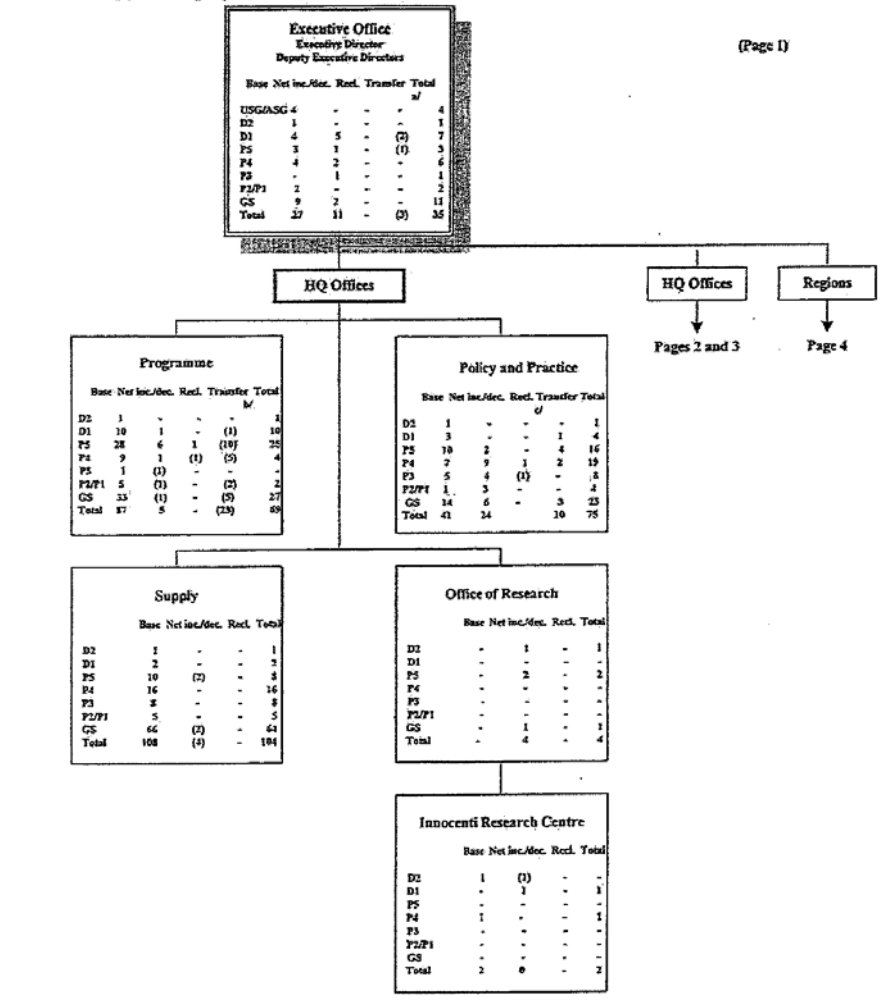
24. A provision of $6 million has been included in the proposed biennial support budget for 2008-2009 to support the adjustments necessary for the implementation of IPSAS. The Committee was informed that this initial cost estimate of IPSAS adoption for UNICEF had been prepared prior to the completion of the fit/gap analysis and detailed project plan. The current estimate is based on an initial internal assessment within the organization and consultations with the early adopters and other United Nations system organizations. As indicated in the budget document, following the United Nations system-wide adoption of IPSAS, UNICEF has committed to be IPSAS-compliant by 1 January 2010.

25. **The Committee emphasizes the need for UNICEF to liaise with the United Nations Chief Information Technology Officer for all programmes relating to its disaster recovery and business continuity.**

III. Implementation of recommendations by the Board of Auditors

26. **The Advisory Committee emphasizes the importance of timely implementation of recommendations of the Board of Auditors. It also recommends that UNICEF include in its future budget presentations detailed information on the implementation of the recommendations of the Board of Auditors**.

Attachment to biennial support budget for 2008-2009
Overview of support budget posts: Organization of the Secretariat of UNICEF, 2008-2009



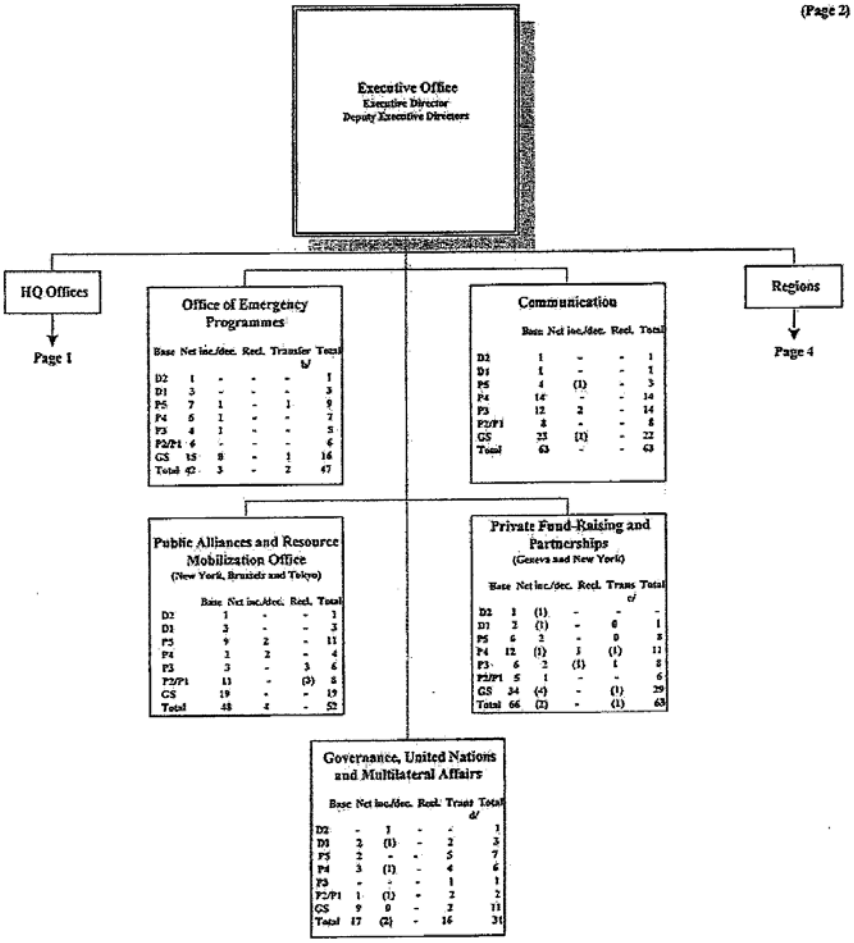
a/ Transfer of 2 posts to GUNMA and 1 to UN Coherence.
b/ Transfer of posts from PD: 2 to EMOPS and 13 to GUNMA, and a net of 8 to DPP.
c/ Transfer of a net of 8 from PD and 2 from PFP.

dec. = decrease
DPP = Division of Policy and Practice
EMOPS = Office of Emergency Programmes
GUNMA = Office of Governance, UN and Multilateral Affairs
inc. = increase
ITSS = Information Technology Solutions and Services
OPP = former Office of Public Partnerships
PD = Programme Division
PFP = Private Fund-Raising and Partnerships
Recl. = Reclassification

Attachment to biennial support budget for 2008-2009

Overview of support budget posts: Organization of the Secretariat of UNICEF, 2008-2009

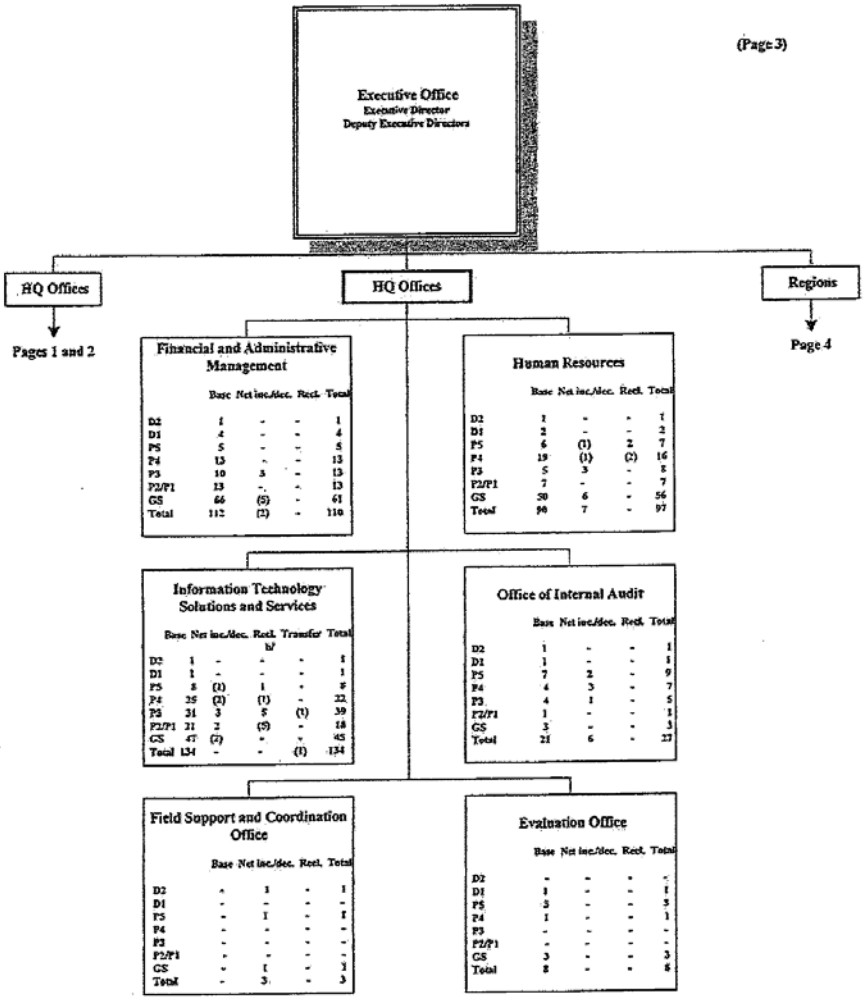
(Page 2)



a/ Transfer of 2 posts to GUNMA and 1 to UN Coherence.
b/ Transfer of 2 posts from PD.
c/ Transfer of 7 posts from former OPP and 1 post from ITSS, and 2 posts to DPP.
d/ Transfer of 13 posts from PD and 3 from OED.

Attachment to biennial support budget for 2008-2009
Overview of support budget posts: Organization of the Secretariat of UNICEF, 2008-2009

(Page 3)



Financial and Administrative Management

	Base	Net inc./dec.	Recl.	Total
D2	1	-	-	1
D1	4	-	-	4
P5	5	-	-	5
P4	13	-	-	13
P3	10	3	-	13
P2/P1	13	-	-	13
GS	66	(5)	-	61
Total	112	(2)	-	110

Human Resources

	Base	Net inc./dec.	Recl.	Total
D2	1	-	-	1
D1	2	-	-	2
P5	6	(1)	2	7
P4	19	(1)	(2)	16
P3	5	3	-	8
P2/P1	7	-	-	7
GS	59	6	-	56
Total	99	7	-	97

Information Technology Solutions and Services

	Base	Net inc./dec.	Recl.	Transfer b/	Total
D2	1	-	-	-	1
D1	1	-	-	-	1
P5	8	(1)	1	-	8
P4	25	(2)	(1)	-	22
P3	31	3	5	(1)	39
P2/P1	21	2	(5)	-	18
GS	47	(2)	-	-	45
Total	134	-	-	(1)	134

Office of Internal Audit

	Base	Net inc./dec.	Recl.	Total
D2	1	-	-	1
D1	1	-	-	1
P5	7	2	-	9
P4	4	3	-	7
P3	4	1	-	5
P2/P1	1	-	-	1
GS	3	-	-	3
Total	21	6	-	27

Field Support and Coordination Office

	Base	Net inc./dec.	Recl.	Total
D2	-	1	-	1
D1	-	-	-	-
P5	-	1	-	1
P4	-	-	-	-
P3	-	-	-	-
P2/P1	-	-	-	-
GS	-	1	-	1
Total	-	3	-	3

Evaluation Office

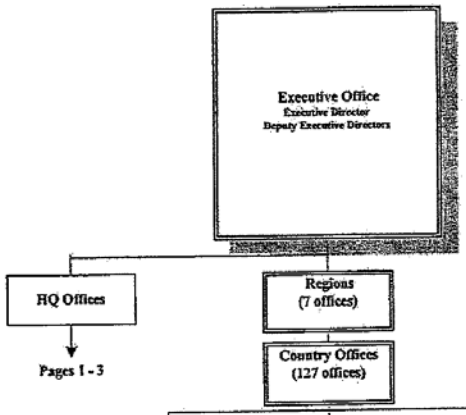
	Base	Net inc./dec.	Recl.	Total
D2	-	-	-	-
D1	1	-	-	1
P5	3	-	-	3
P4	1	-	-	1
P3	-	-	-	-
P2/P1	-	-	-	-
GS	3	-	-	3
Total	8	-	-	8

a/ Transfer of 2 posts to GUNMA and 1 to UN Coherence.
b/ Transfer of 1 post to PFP.

Attachment to biennial support budget for 2008-2009

Overview of support budget posts: Organization of the Secretariat of UNICEF, 2008-2009

(Page 4)



East Asia and the Pacific
(14 offices)

	Base	Net inc./dec.	Recl.	Total
D2	3	-	-	3
D1	5	1	1	7
P5	27	5	-	32
P4	20	2	1	23
P3	12	1	(3)	10
P2/P1	3	1	-	4
NO	24	4	-	28
GS	134	17	-	151
Total	228	31	-	259

West and Central Africa
(24 offices)

	Base	Net inc./dec.	Recl.	Total
D2	3	-	-	3
D1	4	1	1	6
P5	34	-	(1)	37
P4	33	1	2	36
P3	23	6	(1)	28
P2/P1	4	-	(1)	3
NO	57	9	-	66
GS	254	(2)	-	252
Total	416	15	-	431

South Asia
(8 offices)

	Base	Net inc./dec.	Recl.	Total
D2	5	-	-	5
D1	4	(1)	-	3
P5	21	(2)	-	19
P4	17	(1)	-	16
P3	4	6	-	10
P2/P1	-	1	-	1
NO	33	3	-	56
GS	173	(14)	-	159
Total	257	(8)	-	249

Eastern and Southern Africa
(20 Offices)

	Base	Net inc./dec.	Recl.	Total
D2	2	-	-	2
D1	9	-	1	10
P5	33	2	4	41
P4	34	7	(5)	36
P3	24	6	(2)	28
P2/P1	4	2	-	6
NO	47	15	-	62
GS	266	(6)	-	260
Total	419	26	-	445

CEE and CIS
(21 offices)

	Base	Net inc./dec.	Recl.	Total
D2	1	-	-	1
D1	3	-	(1)	2
P5	23	4	4	31
P4	19	5	(3)	21
P3	6	2	1	7
P2/P1	2	(1)	(1)	-
NO	31	1	-	32
GS	85	5	-	90
Total	168	16	-	184

Middle East and North Africa
(16 offices)

	Base	Net inc./dec.	Recl.	Total
D2	2	-	-	2
D1	7	(1)	-	6
P5	26	4	-	30
P4	15	3	-	18
P3	5	-	-	5
P2/P1	-	-	-	-
NO	28	8	-	36
GS	118	(8)	-	110
Total	201	6	-	207

Americas and the Caribbean
(24 offices)

	Base	Net inc./dec.	Recl.	Total
D2	1	-	-	1
D1	2	-	1	3
P5	30	1	3	34
P4	24	2	(1)	25
P3	10	2	(3)	9
P2/P1	4	-	-	4
NO	45	9	-	52
GS	131	14	-	145
Total	245	28	-	273