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United Nations Children's Fund

UNICEF integrated budget for 2018-2021

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 proposed integrated budget for 2018-2021 (E/ICEF/2017/AB/L.4). During its consideration of the report, the Advisory Committee met with the Deputy Executive Director, Management, and other representatives, who provided additional information and clarifications.

II. Integrated resource plan

2. According to the integrated resource plan summarized in table 1, the total projected resources from the categories of regular resources, other resources and trust funds for 2018-2021, which include opening balances of $1,798.2 million, amount to $24,532.6 million, reflecting an increase of $3,394.9 million, or 16.1 per cent, compared with the total planned resources of $21,137.7 million for 2014-2017. For 2018-2021, total regular resources are projected at $6,784.1 million, reflecting an increase of $1,185.2 million, or 21.2 per cent, compared with $5,598.9 million for 2014-2017. Other resources are projected at $17,748.4 million, reflecting an increase of $2,209.6 million, or 14.2 per cent, compared with $15,538.8 million in 2014-2017, and total trust funds are projected at $7,875.0 million, reflecting a decrease of $288 million, or 3.5 per cent, compared with the total of $8,163.0 million for 2014-2017.

3. Income from regular resources, mostly contributions, is estimated at $6,301.9 million for 2018-2021, reflecting an increase of $1,201.7 million, or 23.6 per cent, compared with $5,100.2 million for 2014-2017. Income from other resources is estimated at $16,512.5 million, reflecting an increase of $2,826.8 million, or 20.7 per cent, compared with $13,685.7 million for 2014-2017.

* E/ICEF/2017/14.

Trust fund receipts are projected at $7,148.0 million, reflecting a decrease of $429 million, or 5.7 per cent, compared with 2014-2017. As regards the use of resources, the total resources projected for 2018-2021 is $23,971.0 million, of which $20,277.3 million will be used for programmes and $2,455.5 million for the institutional budget.

4. In paragraphs 6-8 of his report, the Executive Director discusses the actual financial performance, supported by additional information in appendices B and C of the report. The additional information shows a slight downward trend in actual income of $4,884.0 million in 2016 and an increase in expenditure of $5,316 million in 2016. According to appendix C, the total available resources for 2014-2017, when compared to information presented in the midterm review of the UNICEF Strategic Plan, 2014-2017 (June 2016), is estimated to be $22,446.6 million compared with the $21,137.7 million planned, while the projected closing balance of resources for the 2014-2017 period is estimated to be $1,798.2 million, compared with the planned use of resources of $1,283.3 million. He adds that UNICEF proposed maintaining the institutional budget at the initially approved level of $2,094.5 million for 2014-2017, with $1,039.3 million in funding from other regular resources, $938.8 million from cost recovery and $116.4 million from other resources. When compared to the initially approved integrated resource plan 2014-2017, the Executive Director indicates that the proportion of total resources utilized for the institutional budget in the revised 2014-2017 integrated resource plan decreased from 11.9 per cent to 10.5 per cent. The Executive Director also indicates that UNICEF proposed maintaining a budget from regular resources of $180 million and other resources of $528.4 million, subject to the receipt of contributions to other resources, for the Global and Regional Programme during 2014-2017.

5. The Executive Director notes that the total projected revenue is $22,814.4 million, representing an annual growth of 5 per cent, which is based on consultation with major donors, private sector partners, and National Committees for UNICEF, as well as the actual historical trend of revenue growth. Upon enquiry, the Advisory Committee was informed that of the total revenue projected, $16,512.5 million will be other resources, and $6,301.9 million will be regular resources. The Committee was informed that since 2014, regular resources from the private sector have grown by 20 per cent, from $572 million to $685 million, and that contributions from the private sector are expected to sustain regular resources in the 2018-2021 period. It was also informed that pledge donations, which accounted for more than one third of UNICEF total private sector revenue in 2016, have also proven to be resilient in the face of economic challenges and have grown despite unfavourable exchange-rate movements. Finally, the Committee was informed that additional investments in private sector fundraising between 2018 and2021 are expected to drive strong returns in regular resources, based on trends and analysis of the potential in both National Committees and country markets where UNICEF offices are located, and on the average 10-year period in which pledge donors are retained.

6. Nevertheless, the Committee questioned whether aspects of the budget were based on realistic assumptions. In the supplementary information provided to the Advisory Committee, the actual expenditure of regular resource levels in 2015 were 12 per cent lower than 2014 results and in 2016 were 38 per cent lower than planned. The information also shows an incremental increase in the planned annual expenditure projections for the 2018-2021 period, with a projected increase of 17.5 per cent in the institutional budget during the 2018-2021 period.

7. **Recognizing the inherent uncertainties associated with the resource projections and costing assumptions over a four-year period, the Advisory Committee notes that the next midterm review of the UNICEF integrated budget for 2018-2021 is an opportunity for UNICEF to present more precise**

figures for its four-year budget cycle and encourages UNICEF to review its experience with the four-year budget cycle.

III. Institutional budget for 2018-2021

8. In paragraph 86 of his report, the Executive Director indicates that the institutional budget for 2018-2021 amounts to $2,455.5 million, which represents an increase of $361 million, or 17.2 per cent, compared with the approved institutional budget of $2,094.5 million for 2014-2017. As indicated in table 1 of the report, the Executive Director proposes an institutional budget amounting to $1,095.2 million in regular resources, $165.3 million in other resources and $1,195 million in cost recovery from other sources. According to the integrated resource plan, the proposed institutional budget for 2018-2021 represents 10.2 per cent of total resources, which is a slight reduction from the 10.5 per cent of total resources for the institutional budget indicated in the 2016 midterm review of the integrated budget, 2014-2017.

Proposed staffing changes

9. In paragraph 92 of his report, the Executive Director indicates that a total of 3,102 posts are proposed for the institutional budget for 2018-2021, representing an increase of 310 posts when compared to the 2,792 posts in 2014-2017. He adds that the increase comprises a net increase of 8 senior international Professional posts (D-1 level and above), an increase of 235 other international Professional posts, and a net increase of 67 National Officer and General Service posts. The Executive Director further explains that 74 per cent of the proposed new posts are located in country and regional offices and 26 per cent are located at headquarters offices.

10. The institutional budget for 2018-2021 also includes a proposal for the extension of Executive Board decision 2016/9 authorizing the Executive Director to establish 10 additional Director-level positions. The Executive Director notes that according to the Executive Board decision 2016/9, the Executive Director was granted the authority to utilize a reserve of 10 additional Director-level posts to assist country offices to strengthen their leadership and management structures, in certain countries impacted by intense humanitarian crises such as Afghanistan, Central African Republic, Jordan, Nigeria and Sierra Leone. The Advisory Committee was informed, upon enquiry, that the increased number of Director-level positions represents the delegated authority of the Executive Board to create Director-level positions to address the emerging needs in fast-changing programmatic and humanitarian environments. The Committee was also informed that an increase of seven D-2/D-1 posts were included in the integrated budget for 2018-2021, and the job descriptions have been classified using common classification standards established by the International Civil Service Commission.

11. **While the Advisory Committee does not object to the establishment of these 10 posts, the Committee encourages UNICEF to regularly review the scale, complexity and urgency of the emergencies in countries where senior-level posts are to be established in order to determine the continuing requirement for, and appropriate level of, these D-1 posts, taking into account the functions and impact of the other new senior-level posts (above the P-5 level) to be created in the 2018-2021 period. The Committee also recommends that the Executive Board receive an update in the midterm review on the Executive Director's use of the 10 posts.**

Non-staff personnel

12. The Advisory Committee took note of the information contained in the Joint Inspection Unit report JIU/REP/2014/8, which indicates that non-staff personnel

represented nearly 38 per cent of the UNICEF workforce in 2013. The Committee was informed, upon enquiry, that in 2015, non-staff contracts accounted for 21 per cent of the UNICEF workforce, and that these levels were maintained in 2016. It was also informed that full-time consultants accounted for about 11 per cent of the workforce in 2016. **The Advisory Committee takes note of the progress made to reduce the level of non-staff contracts in the UNICEF workforce and encourages UNICEF to further reduce its reliance on personnel that are not UNICEF staff, particularly full-time consultants. The Advisory Committee recommends that UNICEF continue to provide updated figures on non-staff personnel in the UNICEF workforce as part of the midterm review of the UNICEF integrated budget, 2018-2021.**

Travel

13. Upon enquiry, the Advisory Committee was informed that travel costs are projected to increase by 9.2 per cent in 2018-2021, partially due to the increase in the number of staff in field office locations (2,166 in 2018-2021 compared to 1,938 in 2014-2017). It was further informed that UNICEF is finalizing measures to improve the monitoring and control of travel-related expenditures and intends to show savings in this area in the coming years, including by making better use of technology to reduce the need for travel. **The Advisory Committee trusts there will be a reduction in travel costs, given the monitoring measures to be introduced and the efficiencies expected in the 2018-2021 period.**

Cost recovery

14. In paragraphs 94-99 of his report, the Executive Director indicates that the integrated budget for 2018-2021 has been prepared using the currently approved methodology, as agreed in Executive Board decision 2013/5. According to table 4 of the report, the projected effective cost-recovery rate based on this methodology is 7.3 per cent, which is lower than the harmonized cost-recovery rate of 8 per cent, but higher than the actual effective rate of 6.5 percent for the period 2014-2016. Table 4 also reflects that 19 per cent of the institutional budget that is subject to cost recovery will be funded from regular resources and 81 per cent from other resources. The data reflect a positive development by UNICEF to avoid what has been a trend over the years of disproportional use of regular resources to support management costs. The Executive Director's report also notes that the results of the revised cost-recovery methodology will be submitted to the Executive Board in conjunction with the inter-agency review of the cost recovery.

15. Upon enquiry, the Advisory Committee was informed that the cost-recovery rate will continue to be lower than 8 per cent, due to different cost-recovery rates for contributions to thematic funding and contributions from programme country Governments, which have a 5 per cent cost recovery rate. The Committee was also informed that the institutional budget will be increasingly funded from other-resources cost recovery as a result of the steady increase in other resources revenue over the last four years, including other resources for emergencies. The Committee was further informed that in the 2014-2017 period, the institutional budget was funded 55 per cent from regular resources and 45 per cent from other-resources cost recovery; for the 2018-2021 period, UNICEF projects 48 per cent from regular resources and 52 per cent from other-resources cost recovery.

16. Finally, the Advisory Committee was informed of the ongoing inter-agency review regarding the cost recovery methodology. **The Advisory Committee looks forward to receiving updates on changes to the methodology, if any.**