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For information

The UNICEF recovery policy and review of the issue of establishing and operational reserve and the UNICEF: Report of the Advisory Committee on Administrative and Budgetary Questions

Summary

The attached letter from H.E. Mr. Conrad S.M. Mselle, Chairman of the Advisory Committee on Administrative and Budgetary Questions, to Ms. Carol Bellamy, Executive Director of UNICEF, contains the comments of the Advisory Committee on "The UNICEF recovery policy" (E/ICEF/2003/AB/L.5) and "Review of the issue of establishing an operational reserve" (E/ICEF/2003/AB/L.4). Representatives of the UNICEF secretariat met with the Advisory Committee on 7 May 2003 during its consideration of the two reports.

* E/ICEF/2003/10.

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Advisory Committee on
Administrative and Budgetary Questions

12 May 2003

Dear Ms. Bellamy,

The Advisory Committee on Administrative and Budgetary Questions has considered your reports on UNICEF recovery policy (E/ICEF/2003/AB/L.5) and on the review of the issue of establishing an operational reserve (E/ICEF/2003/AB/L.4). During the consideration of the matter, the Committee met with your representatives.

The Advisory Committee notes from paragraph 1 of your report on the recovery policy that, at its first regular session in 2003, the Executive Board reviewed UNICEF's current recovery policy for support costs for other resources, as contained in document E/ICEF/2003/AB/L.1, and the report of the Advisory Committee on the matter, as contained in its report of 13 November 2002 (E/ICEF/2003/AB/L.2). The Committee notes that, on this basis, the Executive Board requested you to continue consultations, with the objective of coming up with a revised proposal that would address the issues raised.

The Advisory Committee was informed that since the meeting of the Executive Board in January 2003, consultations have taken place with the Executive Board Members – in groups and bi-laterally. UNICEF has also continued to hold consultations with its donors, including representatives of National Committees. The Committee was informed that there is a consensus on the underlying principles that have been expressed, as indicated in paragraph 3 of document E/ICEF/2003/AB/L.5.

Ms. Carol Bellamy
Executive Director
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Table 1 of document E/ICEF/2003/AB/L.5 shows the revised recovery rate schedule proposed by the Executive Director. The revised recovery rate for contributions from governments and intergovernmental sources would be 12 per cent for contributions below $500,000 and 11 per cent for those above $500,000. The proposal also includes three incentive reductions on the recovery rate, namely for thematic contributions, for size of contribution and for prompt payment, as compared with six incentives contained in the original proposal.

With respect to private sector fund-raising, the Committee notes that it is proposed to maintain the recovery rate at 5 per cent for private sector fund-raising in programme countries. For other private sector fund-raising (i.e., from National Committees, foundations, non-governmental organizations and individuals), the recovery rate would be 5 per cent for thematic contributions and 7 per cent for non-thematic contributions.

The Advisory Committee is of the view that, should the Executive Board approve your proposals, as contained in paragraph 11 of document E/ICEF/2003/AB/L.5, implementation of the recovery policy should be periodically reviewed in such a manner as the Board may decide.

The review of the issue of establishing an operational reserve was prepared in response to Executive Board decision 2001/7 (E/ICEF/2001/6), in which the Board decided that UNICEF should continue its current financial management practice based on management of its short term liquidity requirements on a cash-flow basis and should not establish a funded operational reserve. The Board decided to maintain the issue under review and consider it further during 2003.

The Advisory Committee notes that, on the basis of the review of the matter as contained in paragraphs 5 to 15 of your report in document E/ICEF/2003/AB/L.4, you have recommended that UNICEF continue to manage its liquidity in accordance with the liquidity requirements approved by the Executive Board and that it is not recommended to establish a funded operational reserve.

Yours sincerely,

C.S.M. Mselle
Chairman