



Economic and Social Council

Distr.: Limited
25 July 2007

Original: English

For action

United Nations Children's Fund

Executive Board

Second regular session 2007

5-7 September 2007

Item 7 of the provisional agenda*

Medium-term strategic plan: planned financial estimates for the period 2007-2010**

Summary

By its decision 2000/3 (E/ICEF/2000/8 (Part I)), the Executive Board changed the medium-term strategic plan (MTSP) from a four-year rolling plan, updated every two years, to a four-year fixed plan. A medium-term financial plan is presented with the MTSP. The estimates on which the financial plan is based are reviewed and revised annually.

The present document contains the planned financial estimates for the period 2007-2010.

Programme assistance has been planned to increase significantly but steadily during the period. This growth draws from the accumulated fund balance and is facilitated by increasing income projected for the period 2007-2010. Additionality within regular resources will be managed through the modified system of allocation of regular resources.

This framework of income and expenditure estimates provides a basis for determining the level of regular resources programme submissions for approval in 2008.

UNICEF *recommends* that the Executive Board approve the framework of planned financial estimates for 2007-2010 and approve the preparation of programme expenditure submissions to the Executive Board of up to \$1,652 million from regular resources in 2008, subject to the availability of resources and the continued validity of these planned financial estimates.

* E/ICEF/2007/13.

** This document was submitted late because of the need for internal consultations.

UNICEF also *recommends* that the Executive Board approve the exceptional increase of \$30 million in the annual transfer to the funded reserve for after-service health insurance in 2007.

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¹ Tables may not add due to rounding.

I. Planned financial estimates for 2007-2010

A. Income

1. Table 1 analyses income projections for the period 2007-2010.
2. Forecast total income totals \$3,000 million in 2007. This represents an increase of \$219 million or 8 per cent compared with actual total income for 2006. Income projections for subsequent years increase steadily. By 2010, total income is projected to be \$3,628 million.
3. The following paragraphs provide information about the bases for these income projections.

Regular resources

4. Regular resources income comprises three sources: Governments; the private sector; and other income.
5. Forecast regular resources contributions from Governments total \$527 million for 2007. This represents an increase of \$61 million or 13 per cent compared with 2006 and results from specific real contribution increases and generally more favourable exchange rates. Increases between 5 and 6 per cent are projected in subsequent years.
6. Income projections for the private sector are based on the medium-term plan included in the Private Sector Division (PSD) work plan and proposed budget for 2007 (E/ICEF/2007/AB/L.3), with amendments determined by recent operating experience and circumstances. Private sector income is forecast to total \$396 million in 2007, compared with \$400 million in 2006. In subsequent years, income from the private sector is anticipated to increase by 6 to 7 per cent.
7. Other income comprises interest income, gains or losses resulting from exchange rate movements and other miscellaneous items. Forecast other income totals \$130 million in 2007. This represents a decrease of \$60 million or 32 per cent compared with 2006. Included under miscellaneous items in 2006 (as in all “even years”) is income arising from the liquidation of obligations raised in the previous biennium. Little variation — other than in respect of the liquidation of obligation balances — is projected in subsequent years.

Other resources

8. UNICEF receives other resources contributions for programmes and emergency relief from Governments and intergovernmental organizations, the private sector and from inter-organizational arrangements which include the international financial institutions, pooled funding mechanisms and United Nations joint programmes. Forecast contributions to other resources are based on analysis provided by the UNICEF Programme Funding Office, Brussels Office and PSD.
9. Forecast other resources contributions total \$1,947 million in 2007. This represents an increase of \$222 million or 13 per cent compared with 2006. This increase is attributable to the development of new relationships with two private sector contributors to other resources. The rate of increase in other resources contributions decreases in subsequent years.

B. Expenditure

10. Table 3 summarizes regular and other resources income, expenditure and fund and cash balance projections for the period 2007-2010.

11. Forecast expenditure totals \$2,824 million in 2007. This represents an increase of \$468 million or 20 per cent compared with actual expenditure for 2006. While expenditure projections increase steadily, the rate of expenditure growth decreases in subsequent years. By 2010, total expenditure is projected to be \$3,549 million.

12. The following paragraphs provide information about the bases for these expenditure projections.

Regular resources

13. Table 4 summarizes regular resources income, expenditure and fund and cash balance projections for the period 2007-2010.

14. Regular resources expenditure comprises two components: programme; and support budget.

Programme

15. Programme assistance has been planned to increase steadily from \$697 million in 2007 to \$881 million in 2010. This growth draws from the accumulated fund balance and is facilitated by steadily increasing income projected for the period 2007-2010. The plan takes into consideration the lead time required to develop capacity to achieve programme expansion of this scale.

16. Additionality within regular resources will be managed through the modified system of allocation of regular resources approved by the Executive Board in 1997 (E/ICEF/1997/12/Rev.1, decision 1997/18).

17. Table 2 demonstrates how expenditure on approved, new and future programme recommendations will be phased on an annual basis in the period 2007-2010.

18. Table 2 shows that at the beginning of 2007, there was a balance of approved regular resources programme commitments of \$1,699 million for implementation within multi-year programmes from 2007 onwards. Regular resources programmes proposed to the Executive Board in 2007 total \$789 million.

19. The framework of planned financial estimates provides for the preparation of \$1,652 million of regular resources programme proposals for approval by the Executive Board in 2008. This level of planned programme expenditure will be continuously reviewed and adjusted based on updated information about projected income.

Support budget

20. The net support budget comprises gross support budget expenditure less support costs and other recoveries to the budget.

21. Net support budget expenditure of \$289 million for 2007 is taken from the biennial support budget (E/ICEF/2006/AB/L.1) which was approved by the Executive Board at its first regular session of 2006. Projected net support budget

expenditure for the biennium 2008-2009, including United Nations-mandated security costs, is \$758 million which represents 32 per cent of total expenditure. The projected increase in expenditure for the biennium 2008-2009 represents the investment required to build the core capacity of the organization to provide administrative support and oversight for programme activities which have grown significantly in recent years and which are projected to grow further. While total programme expenditure has grown by 133 per cent between 2000 and 2006, gross support budget expenditure during the same period has increased by only 39 per cent, of which an estimated 25 per cent was for inflation and only 14 per cent for enhancement of capacity. As required, the 2008-2009 support budget will be presented to the Executive Board at its first regular session of 2008.

22. United Nations-mandated security costs, allocated to UNICEF under the cost-sharing arrangement and funded from a separate appropriation line, are projected to remain at \$13 million throughout the period.

Other resources

23. Table 5 summarizes other resources income, expenditure and fund and cash balance projections for the period 2007-2010.

24. Other resources programme expenditure is projected based on income forecasts and available fund balances. Programme assistance for regular programmes is anticipated to increase steadily from \$1,067 million in 2007 to \$1,455 million in 2010. Programme assistance for emergency relief is anticipated to decrease initially from \$738 million in 2007 to \$722 million in 2008 and 2009 as income and activities stabilize after the natural disasters of 2005 and then to increase to \$769 million in 2010.

C. Funded reserves

25. With Executive Board approval, UNICEF has established reserves or funds for capital assets to be used for field office accommodation and staff housing (E/ICEF/1990/13, decision 1990/26), procurement services (E/ICEF/1993/AB/L.11 and E/ICEF/1993/AB/L.14, decision 1993/19), after-service health insurance (E/ICEF/2003/AB/L.7, decision 2003/11) and separation costs (E/ICEF/2006/AB/L.1, decision 2006/02).

26. At the end of 2006, the balances of the capital assets fund and the procurement services fund were \$11 million and \$2 million respectively. These balances are not anticipated to change in the period 2007-2010.

27. UNICEF is proposing to maintain the annual transfer of \$30 million to the funded reserve for after-service health insurance for the period 2007 to 2010 together with an exceptional increase of \$30 million in 2007. This one-off increase is considered prudent given the most recent actuarial valuation of the after-service health insurance liability and the regular resources cash balance available at the end of 2006, and in preparation for the adoption of International Public Sector Accounting Standards by 2010.

28. The balance of the fund for separation costs is projected to increase by \$2 million annually resulting from the mechanism of regular charges to the payroll.

D. Liquidity

Regular resources

29. Regular resource liquidity requirements will be met over the period 2007-2010.

Other resources

30. Other resources programmes are normally fully funded and other resources contributions fully received before implementation begins. As a result, the year-end cash balance for other resources, relative to income, is normally higher than for regular resources. Furthermore, the year-end cash balance can vary significantly depending on the timing of the receipt of contributions and the rate of programme implementation.

E. Trust funds

31. Table 6 analyses projected trust fund receipts, disbursements and balances for the period 2007-2010.

32. Trust funds are earmarked resources entrusted to UNICEF by various entities, including Governments, other United Nations organizations and non-governmental organizations, to cover the cost of mainly the procurement of supplies but also other services undertaken by UNICEF on behalf of these entities. They also include funds provided by sponsors to cover the costs of Junior Professional Officers.

33. Regulation 5.3 of the Financial Regulations and Rules requires that trust funds do not form part of the income of UNICEF. They are therefore recorded separately to distinguish them from the funds that are received for and are spent on programmes approved by the Executive Board.

34. Trust fund receipts are anticipated to total \$2,159 million and disbursements \$2,360 million in the plan period. Projected decreases in receipts, disbursements and balances result from the restructuring of the financial management arrangement with the Global Alliance for Vaccines and Immunization. Funds previously passed through UNICEF for procurement services are now paid directly to suppliers by that entity.

II. Draft decision

35. UNICEF *recommends* that the Executive Board approve the following draft decision:

The Executive Board,

1. *Takes note* of the planned financial estimates (E/ICEF/2007/AB/L.4) as a flexible framework for supporting UNICEF programmes;

2. *Approves* the framework of planned financial estimates for 2007-2010 and *approves* the preparation of programme expenditure submissions to the Executive Board of up to \$1,652 million from regular resources in 2008, subject to

the availability of resources and the continued validity of these planned financial estimates;

3. *Approves* the exceptional increase of \$30 million in the annual transfer to the funded reserve for after-service health insurance in 2007.

Table 1: UNICEF Income Estimates
(in millions of United States dollars)

	Plan 2006	Actual 2006	2007	2008	2009	Plan 2010
Regular Resources						
Governments	488	466	527	554	589	627
Private sector	334	400	396	424	449	476
Other income	140	190	130	170	130	170
Total - Regular Resources	962	1,056	1,053	1,148	1,168	1,273
Growth percentage			0%	9%	2%	9%
Other Resources						
Regular						
Governments	581	814	823	874	912	951
Private sector	178	260	352	370	387	407
Inter-Organisational Arrangements	108	50	97	139	174	184
Subtotal - Programmes	867	1,124	1,272	1,383	1,474	1,541
Growth percentage			13%	9%	7%	5%
Emergencies						
Governments	394	334	371	399	416	429
Private sector	133	139	148	158	167	178
Inter-Organisational Arrangements	10	128	156	176	196	206
Subtotal - Emergencies	536	600	675	733	780	813
Growth percentage			12%	9%	6%	4%
Total - Other Resources	1,403	1,725	1,947	2,116	2,253	2,355
Growth percentage			13%	9%	6%	5%
Total Income	2,365	2,781	3,000	3,264	3,421	3,628
Growth percentage			8%	9%	5%	6%

Table 2. Regular Resources: Yearly Phasing of Estimated Expenditures
(in millions of United States dollars)

	2007	2008	2009	2010	Beyond 2010	Total recommendations
<u>Programme</u>						
1. Programme balances available from funds approved in prior years	624	332	260	152	331	1 699 ^a
2. Programmes to be submitted to 2007 Executive Board sessions		222	159	147	261	789
3. Programmes to be prepared for 2008 Executive Board sessions		145	333	260	914	1 652
4. Programmes to be prepared for future Executive Board sessions				233	1 623	1 856
5. Amount set aside	35	48	53	56		
6. Estimated allocation of net income from sale of greeting cards in countries with UNICEF programmes	3	3	3	3		
Subtotal - Programme assistance	662	750	808	851		
7. Additional emergency requirements	35	30	30	30		
<u>Support budget</u>						
8. Net Support Budget	289	348	384	411		
9. UN-mandated security	13	13	13	13		
<u>Other</u>						
10. Write-offs and miscellaneous	1	1	1	1		
11. Support budget costs/ reimbursement	13	13	13	13		
Total expenditure	1 013	1 155	1 249	1 319		

^a Excluding unspent balance of \$23 million subject to cancellation pending final settlement of accounts for old programme cycles.

Table 3: UNICEF Planned Financial Estimates - Regular and Other Resources
(in millions of United States dollars)

	Plan 2006	Actual 2006	2007	2008	2009	Plan 2010
1. Income	2,365	2,781	3,000	3,264	3,421	3,628
Growth percentage			8%	9%	5%	6%
2. Expenditure						
(a) Programme assistance	2,079	2,119	2,502	2,731	2,921	3,105
Growth percentage - in programme assistance			18%	9%	7%	6%
(c) Net biennial support budget	282	207	289	348	384	411
(d) UN- Mandated Security	13	11	13	13	13	13
Growth percentage - in net support budget and security requirements			38%	20%	10%	7%
(e) Write-offs and miscellaneous charges	5	7	7	7	7	7
Subtotal - Expenditure excluding reimbursement	2,379	2,343	2,811	3,099	3,325	3,536
(f) Support budget costs / reimbursement	9	13	13	13	13	13
Total expenditure	2,388	2,356	2,824	3,112	3,338	3,549
Growth percentage			20%	10%	7%	6%
3. Income less expenditure	(23)	425	176	152	84	79
4. Opening reserves and fund balances	1,993	1,993	2,423	2,600	2,754	2,840
5. Increase in reserves	-	6	2	2	2	2
6. Closing reserves and fund balances	1,970	2,423	2,600	2,754	2,840	2,921
comprising:						
7. Net assets	135	318	318	318	318	318
8. Year-end cash balance						
(a) Convertible currencies	1,827	2,092	2,270	2,424	2,509	2,590
(b) Non-convertible currencies	8	13	13	13	13	13
Total cash balance	1,835	2,105	2,283	2,437	2,522	2,603
9. Funded reserves						
(a) After-service health insurance	90	90	150	180	210	240
(b) Capital assets	11	11	11	11	11	11
(c) Separation fund	10	16	18	20	22	24
(d) Procurement services	2	2	2	2	2	2
Total funded reserves	113	119	181	213	245	277
10. Total cash available	1,722	1,986	2,102	2,224	2,277	2,326

Table 4: UNICEF Planned Financial Estimates - Regular Resources
(in millions of United States dollars)

	Plan 2006	Actual 2006	2007	2008	2009	Plan 2010
1. Income	962	1,056	1,053	1,148	1,168	1,273
Growth percentage			0%	9%	2%	9%
2. Expenditure						
(a) Programme assistance	611	533	697	780	838	881
Growth percentage - in programme assistance			31%	12%	7%	5%
(c) Net biennial support budget	282	207	289	348	384	411
(d) UN- Mandated Security	13	11	13	13	13	13
Growth percentage - in net support budget and security requirements			38%	20%	10%	7%
(e) Write-offs and miscellaneous charges	1	1	1	1	1	1
Subtotal - Expenditure (excluding reimbursement)	907	752	1,000	1,142	1,236	1,306
(f) Support budget costs / reimbursement	9	13	13	13	13	13
Total expenditure	916	765	1,013	1,155	1,249	1,319
Growth percentage			32%	14%	8%	6%
3. Income less expenditure	46	291	40	(7)	(81)	(46)
4. Opening reserves and fund balances	637	637	933	975	969	890
5. Increase in reserves	-	6	2	2	2	2
6. Closing reserves and fund balances	683	933	975	969	890	846
comprising:						
7. Net assets	182	242	242	242	242	242
8. Year-end cash balance						
(a) Convertible currencies	494	678	720	715	636	591
(b) Non-convertible currencies	8	13	13	13	13	13
Total cash balance	502	691	733	728	649	605
9. Funded reserves						
(a) After-service health insurance	90	90	150	180	210	240
(b) Capital assets	11	11	11	11	11	11
(c) Separation fund	10	16	18	20	22	24
(d) Procurement services	2	2	2	2	2	2
Total funded reserves	113	119	181	213	245	277
10. Total cash available	389	572	552	515	404	328

Table 5: UNICEF Planned Financial Estimates - Other Resources
(In millions of United States dollars)

	Plan 2006	Actual 2006	2007	2008	2009	Plan 2010
1. Income	1,403	1,725	1,947	2,116	2,253	2,355
Growth percentage			13%	9%	6%	5%
2. Expenditure						
(a) Programme assistance - regular	800	913	1,067	1,229	1,361	1,455
Growth percentage			17%	15%	11%	7%
(b) Programme assistance - emergency	668	672	738	722	722	769
Growth percentage			10%	-2%	0%	7%
(c) Write-offs and miscellaneous charges	4	6	6	6	6	6
Total expenditure	<u>1,472</u>	<u>1,591</u>	<u>1,811</u>	<u>1,957</u>	<u>2,089</u>	<u>2,230</u>
Growth percentage			14%	8%	7%	7%
3. Income less expenditure	(69)	134	136	159	165	125
4. Opening fund balances	1,356	1,356	1,490	1,626	1,785	1,950
5. Closing fund balances	<u>1,287</u>	<u>1,490</u>	<u>1,626</u>	<u>1,785</u>	<u>1,950</u>	<u>2,074</u>
comprising:						
6. Net assets	(47)	76	76	76	76	76
7. Year-end cash balance						
(a) Convertible currencies	1,334	1,414	1,550	1,709	1,874	1,998
(b) Non-convertible currencies	-	-	-	-	-	-
Total cash balance	<u>1,334</u>	<u>1,414</u>	<u>1,550</u>	<u>1,709</u>	<u>1,874</u>	<u>1,998</u>

Table 6: UNICEF Planned Financial Estimates - Procurement Services and Trust Funds
(in millions of United States dollars)

	Plan 2006	Actual 2006	2007	2008	2009	Planned 2010
1. Opening balance:						
Procurement services	247	247	205	178	129	22
Other activities	85	85	118	51	64	77
	<u>332</u>	<u>332</u>	<u>323</u>	<u>229</u>	<u>193</u>	<u>99</u>
2. Receipts:						
Procurement services	522	593	588	501	472	300
Other activities	162	228	79	73	73	73
Total	<u>684</u>	<u>821</u>	<u>667</u>	<u>574</u>	<u>545</u>	<u>373</u>
3. Disbursements:						
Procurement services	514	635	615	550	579	290
Other activities	183	195	146	60	60	60
Total	<u>697</u>	<u>830</u>	<u>761</u>	<u>610</u>	<u>639</u>	<u>350</u>
4. Closing balance:						
Procurement services	254	205	178	129	22	32
Other activities	64	118	51	64	77	90
Total	<u>318</u>	<u>323</u>	<u>229</u>	<u>193</u>	<u>99</u>	<u>122</u>