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**Medium-term strategic plan: planned financial estimates
for the period 2008-2011*****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 2008-2011.

Programme assistance has been planned to increase steadily during the period. This growth draws from the accumulated fund balance and is facilitated by increasing income projected for the period 2008-2011. Additions to Regular Resources during the period under review will be managed through the Regular Resource allocation policy approved by the Executive Board in 1997 (decision 1997/18, E/ICEF/1997/12/Rev.).

This framework of income and expenditure estimates provides a basis for determining the level of Regular Resources programme submissions for approval in 2009.

UNICEF recommends that the Executive Board approve the framework of planned financial estimates for 2008-2011 and approve the preparation of programme expenditure submissions to the Executive Board of up to \$915 million from Regular Resources in 2009, subject to the availability of resources and the continued validity of these planned financial estimates.

* E/ICEF/2008/16.

** Submission of this document was delayed because of the need for internal consultation.

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* Tables may not add due to rounding.

I. Planned financial estimates for 2008-2011

A. Income

1. Table 1 shows income projections for the period 2008-2011.
2. Total income is forecasted to be \$3,091 million in 2008. This represents an increase of \$78 million, or 3 per cent, compared with actual total income for 2007. Income projections for subsequent years increase steadily. By 2011, total income is projected to be \$3,504 million.
3. The following paragraphs provide information about the bases for these income projections.

Regular Resources

4. Regular Resources income comprises three sources: Governments, private sector and other income.
5. Forecast Regular Resources contributions from Governments total \$609 million for 2008. This represents an increase of \$71 million, or 13 per cent, compared with 2007 and results from real contribution increases by some donors. Increases of between 3 and 5 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 Fundraising and Partnerships (PFP) work plan and proposed budget for 2008 (E/ICEF/2008/AB/L.3), with amendments determined by recent operating experience and circumstances. Private sector income is forecast to total \$395 million in 2008, compared with \$392 million in 2007. 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 \$132 million in 2008. This represents a decrease of \$44 million, or 25 per cent, compared with 2007. A major contributing factor to this anticipated decrease is a significant decline in the average interest rate earned on cash balances. Included under miscellaneous items in 2008 (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 inter-governmental 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 Public-sector Alliances and Resource Mobilization Office (PARMO) and PFP.
9. Forecast Other Resources contributions total \$1,955 million in 2008. This represents an increase of \$48 million or 3 per cent compared with 2007. In

subsequent years, income from Other Resources is anticipated to increase by 3 to 5 per cent.

B. Expenditures

10. Table 2 summarizes regular and Other Resources income, expenditures and fund and cash balance projections for the period 2008-2011.

11. Total expenditures in 2008 are estimated at \$3,037 million. This represents an increase of \$240 million, or 9 per cent, compared with actual expenditures for 2007. While expenditure projections increase steadily in 2009 and 2010 by 5 and 4 per cent, respectively, the rate of expenditure growth increases to 8 per cent in 2011. By 2011, total expenditures are projected to be \$3,551 million.

12. The following paragraphs provide information on the bases for the above projections.

Regular Resources

13. Table 3 summarizes Regular Resources income, expenditure and fund and cash balance projections for the period 2008-2011.

14. Regular Resources expenditures comprise two components: programme and support budget.

Programme

15. Programme assistance has been planned to increase steadily from \$778 million in 2008 to \$946 million in 2011. This growth draws from the accumulated fund balance and is facilitated by steadily increasing income projected for the period 2008-2011. The plan takes into consideration the lead time required to develop capacity to achieve programme expansion of this scale.

16. Additions to Regular Resources during the period under review will be managed through the Regular Resource allocation policy approved by the Executive Board.

17. Table 5 demonstrates how expenditures on approved, new and future programme recommendations will be phased on an annual basis in the period 2008-2011.

18. Table 5 shows that, at the beginning of 2008, there was a balance of approved Regular Resources programme commitments of \$2,047 million for implementation within multi-year programmes from 2008 onwards. Regular Resources programmes proposed to the Executive Board in 2008 total \$645 million.

19. The framework of planned financial estimates provides for the preparation of \$915 million of Regular Resources programme proposals for approval by the Executive Board in 2009. The level of planned programme expenditures will be continuously reviewed and adjusted based on updated information on projected income.

Support budget

20. The net support budget is gross support budget less income from recoveries.

21. Net support budget expenditures of \$336 million for 2008 are taken from the biennial support budget (E/ICEF/2008/AB/L.1), which was approved by the Executive Board at its first regular session of 2008. Projected net support budget expenditures, including United Nations- mandated security costs, for the biennium 2008-2009 are \$715 million. 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. As stated in the biennial support budget (E/ICEF/2008/AB/L.1), in terms of use of total resources, the proportion of funds proposed to be allocated to the biennial support budget, including United Nations-mandated security costs, is 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 will be for programmes, 11.9 per cent for the biennial support budget, and 0.3 per cent for United Nations-mandated security costs.

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.

UNICEF security

23. A proposal is being submitted to the Executive Board at the 2008 second regular session to request funds for UNICEF security initiatives (funded by Regular Resources) to the value of \$21 million. This is in addition to the United Nations mandated security costs. It is anticipated that of the \$21 million being requested, \$7 million will be spent in 2008 and the remaining \$14 million will be spent in 2009.

Other Resources

24. Table 4 summarizes Other Resources income, expenditures and fund and cash balance projections for the period 2008-2011.

25. Other Resources programme expenditures are projected based on income forecasts and available fund balances. Programme assistance for regular programmes is anticipated to increase steadily from \$1,231 million in 2008 to \$1,461 million in 2011. Programme assistance for emergencies is anticipated to be \$651 million in 2008, 6 per cent lower than the 2007 actual expenditures on programme assistance for emergencies of \$693 million. While this represents a slight decrease compared to 2007, it is based on a much higher level of programme assistance for emergencies that was established following the natural disasters of 2004, which saw actual expenditures on emergencies increase from \$359 million in 2004 to \$666 million in 2005. Programme assistance for emergencies is anticipated to decrease initially from \$651 million in 2008 to \$625 million in 2009, representing a decline of 4 per cent, after which they are projected to increase to \$659 million in 2010 and \$704 million in 2011.

C. Funded reserves

After-service health insurance

26. In 2005, UNICEF participated in an actuarial study which valued UNICEF after-service health insurance liability at \$292 million. As requested by the Executive Board in decision 2007/16, and in cooperation with other United Nations agencies, a consulting actuary was engaged to conduct an updated actuarial valuation of UNICEF after-service health insurance liability as at 31 December 2007. On the basis of that study, it has been estimated that the liability of UNICEF as at 31 December 2007 for after-service health insurance benefits is \$483 million, representing an increase of \$191 million compared to the last actuarial study conducted in 2005. This increase may be attributed to a number of factors, including an increase in the number of people eligible for after-service health insurance, a higher rate of medical cost inflation than general cost inflation and increases in the number of claims.

27. With Executive Board approval, UNICEF established a reserve for after-service health insurance in 2003 (E/ICEF/2003/AB/L.7, decision 2003/11) to begin funding the after-service health insurance liability. Through regular transfers approved by the Executive Board, the balance of the after-service health insurance reserve as at 31 December 2007 was \$150 million. This \$150 million reserve represented 51 per cent of the after-service health insurance liability of \$292 million, based upon the 2005 actuarial study, and was a favourable funding level compared to other United Nations agencies at that time. However, the substantial increase in the estimated after-service health insurance liability that emerged from the updated 2007 actuarial study issued in April 2008 means that UNICEF has presently funded its after-service health insurance liability to approximately 31 per cent. While this funding level still remains favourable when compared to other United Nations agencies, UNICEF is proposing to maintain annual transfers of \$30 million to the funded reserve for the after-service health insurance liability for the period 2008-2011.

28. As noted by the General Assembly in Resolution A/RES/61/264, International Public Sector Accounting Standards (IPSAS) require that the accrued after-service health insurance liability and associated future accrued expenses be recognized on the face of the financial statements and that this requirement is irrespective of the level of funding of such liability.

Other reserves

29. With Executive Board approval, UNICEF has established reserves or funds for field office accommodation and staff housing (E/ICEF/1990/13, decision 1990/26), separation and termination liabilities (E/ICEF/2006/AB/L.1, decision 2006/02), and procurement services (E/ICEF/1993/AB/L.11 and E/ICEF/1993/AB/L.14, decision 1993/19).

30. At the end of 2007, the balances of the field office accommodation and staff housing fund, separation and termination liabilities fund and the procurement services reserve were \$27 million, \$18 million and \$2 million, respectively. At the end of 2007, the balance of the field office accommodation and staff housing fund was comprised of \$9 million in cash and \$18 million in land, building and housing assets.

D. Liquidity

Regular Resources

31. The UNICEF liquidity policy recommends a minimum year-end balance of Regular Resources convertible cash equal to 10 per cent of projected Regular Resources income for the following year. In its decision 2003/8 (E/ICEF/2003/9/Rev.1), the Executive Board decided that UNICEF should continue to manage its liquidity in accordance with this policy. The projected Regular Resources cash balances as shown in Table 3 confirm that the Regular Resources liquidity requirement will be met over the period 2008-2011.

Other Resources

32. Other Resources programmes are normally fully funded as donor contributions are 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

33. Table 6 shows projected trust fund receipts, disbursements, and balances for the period 2008-2011.

34. Trust funds are earmarked resources entrusted to UNICEF by various entities, including Governments, other United Nations organizations and non-governmental organizations, to cover mainly the cost of 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.

35. 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.

36. Total trust fund receipts over the period are anticipated to be \$3,384 million (2008 — \$770 million; 2009 — \$893 million; 2010 — \$858 million; and 2011 \$863 million) and disbursements for the corresponding period \$3,261 million (2008 — \$731 million; 2009 — \$838 million; 2010 — \$843 million; and 2011 — \$849 million). Initial 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

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

The Executive Board

1. *Takes note* of the planned financial estimates (E/ICEF/2008/AB/L.5) as a flexible framework for supporting UNICEF programmes;

2. *Approves* the framework of planned financial estimates for 2008-2011 and *approves* the preparation of programme expenditure submissions to the Executive Board of up to \$915 million from Regular Resources in 2009, subject to the availability of resources and the continued validity of these planned financial estimates;

3. *Approves* the annual transfer of \$30 million to the reserve for after-service health insurance for the period 2010-2011.

Table 1
UNICEF income estimates
(in millions of United States dollars)

	<i>Plan 2007</i>	<i>Actual 2007</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>Plan 2011</i>
Regular resources						
Governments	527	538	609	642	674	698
Private sector	396	392	395	423	448	474
Other income	130	176	132	111	134	118
Total — regular resources	1 053	1 106	1 136	1 176	1 256	1 290
Growth percentage			3%	3%	7%	3%
Other resources						
Regular						
Governments	823	905	893	929	975	1 020
Private sector	352	415	348	343	374	406
Inter-organizational arrangements	97	59	56	61	67	73
Subtotal — programmes	1 272	1 379	1 297	1 333	1 416	1 499
Growth percentage			-6%	3%	6%	6%
Emergencies						
Governments	371	292	339	348	349	369
Private sector	148	61	141	149	157	168
Inter-organizational arrangements	156	175	178	178	178	178
Subtotal — emergencies	675	528	658	675	684	715
Growth percentage			25%	3%	1%	5%
Total — other resources	1 947	1 907	1 955	2 008	2 100	2 214
Growth percentage			3%	3%	5%	5%
Total income	3 000	3 013	3 091	3 184	3 356	3 504
Growth percentage			3%	3%	5%	4%

Table 2
UNICEF planned financial estimates — regular and other resources
(in millions of United States dollars)

	<i>Plan 2007</i>	<i>Actual 2007</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>Plan 2011</i>
1. Income	3 000	3 013	3 091	3 184	3 356	3 504
Growth percentage			3%	3%	5%	5%
2. Expenditure						
(a) Programme assistance	2 502	2 517	2 660	2 779	2 888	3 111
Growth percentage — in programme assistance			6%	4%	4%	8%
(b) Net biennial support budget	289	240	336	353	380	406
(c) UN-mandated security	13	10	13	13	13	13
(d) UNICEF security	—	—	7	14	—	—
Growth percentage — in net support budget and security requirements			43%	7%	3%	7%
(e) Write-offs and miscellaneous charges	7	14	5	5	5	5
Subtotal — expenditure excluding reimbursement	2 811	2 781	3 021	3 164	3 286	3 535
(f) Support budget costs/reimbursement	13	16	16	16	16	16
Total expenditure	2 824	2 797	3 037	3 180	3 302	3 551
Growth percentage			9%	5%	4%	8%
3. Income less expenditure	176	216	54	4	54	(47)
4. Opening reserves and fund balances	2 423	2 423	2 641	2 697	2 703	2 759
5. Increase in reserves	2	2	2	2	2	2
6. Closing reserves and fund balances comprising:	2 601	2 641	2 697	2 703	2 759	2 714
7. Net assets	318	281	285	287	290	292
8. Year-end cash balance						
(a) Convertible currencies	2 270	2 347	2 399	2 403	2 456	2 409
(b) Non-convertible currencies	13	13	13	13	13	13
Total cash balance	2 283	2 360	2 412	2 416	2 469	2 422
9. Funded reserves						
(a) After-service health insurance	150	150	180	210	240	270
(b) Field office accommodation and staff housing	11	27	27	27	27	27
(c) Separation and termination liabilities	18	18	18	18	18	18
(d) Procurement services	2	2	2	2	2	2
Total funded reserves	181	197	227	257	287	317
10. Total cash available	2 102	2 163	2 185	2 159	2 182	2 105

Table 3
UNICEF planned financial estimates — regular resources
(in millions of United States dollars)

	<i>Plan 2007</i>	<i>Actual 2007</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>Plan 2011</i>
1. Income	1 053	1 106	1 136	1 176	1 256	1 290
Growth percentage			3%	4%	7%	3%
2. Expenditure						
(a) Programme assistance	697	743	778	841	872	946
Growth percentage — in programme assistance			5%	8%	4%	8%
(b) Net biennial support budget	289	240	336	353	380	406
(c) UN-mandated security	13	10	13	13	13	13
(d) UNICEF security	—	—	7	14	—	—
Growth percentage — in net support budget and security requirements			43%	7%	3%	7%
(e) Write-offs and miscellaneous charges	1	1	1	1	1	1
Subtotal — expenditure excluding reimbursement	1 000	994	1 135	1 222	1 266	1 366
(f) Support budget costs/reimbursement	13	16	16	16	16	16
Total expenditure	1 013	1 010	1 151	1 238	1 282	1 382
Growth percentage			14%	8%	4%	8%
3. Income less expenditure	40	96	(15)	(62)	(26)	(92)
4. Opening reserves and fund balances	933	933	1 031	1 018	958	934
5. Increase in reserves	2	2	2	2	2	2
6. Closing reserves and fund balances	975	1 031	1 018	958	934	844
comprising:						
7. Net assets	242	207	210	212	214	216
8. Year-end cash balance						
(a) Convertible currencies	720	811	795	733	707	615
(b) Non-convertible currencies	13	13	13	13	13	13
Total cash balance	733	824	808	746	720	628
9. Funded reserves						
(a) After-service health insurance	150	150	180	210	240	270
(b) Field office accommodation and staff housing	11	27	27	27	27	27
(c) Separation and termination liabilities	18	18	18	18	18	18
(d) Procurement services	2	2	2	2	2	2
Total funded reserves	181	197	227	257	287	317
10. Total cash available	552	627	581	489	433	311

Table 4
UNICEF planned financial estimates — other resources
(in millions of United States dollars)

	<i>Plan 2007</i>	<i>Actual 2007</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>Plan 2011</i>
1. Income	1 947	1 907	1 955	2 008	2 100	2 214
Growth percentage			2%	3%	5%	5%
2. Expenditure						
(a) Programme assistance — regular	1 067	1 081	1 231	1 313	1 357	1 461
Growth percentage			14%	7%	3%	8%
(b) Programme assistance — emergency	738	693	651	625	659	704
Growth percentage			-6%	-4%	5%	7%
(c) Write-offs and miscellaneous charges	6	13	4	4	4	4
Total expenditure	1 811	1 787	1 886	1 942	2 020	2 169
Growth percentage			6%	3%	4%	7%
3. Income less expenditure	136	120	69	66	80	45
4. Opening fund balances	1 490	1 490	1 610	1 679	1 745	1 825
5. Closing fund balances	1 626	1 610	1 679	1 745	1 825	1 870
comprising:						
6. Net assets	76	74	75	75	76	76
7. Year-end cash balance						
(a) Convertible currencies	1 550	1 536	1 604	1 670	1 749	1 794
(b) Non-convertible currencies	—	—	—	—	—	—
Total cash balance	1 550	1 536	1 604	1 670	1 749	1 794

Table 5
Regular resources: yearly phasing of estimated expenditures
(in millions of United States dollars)

	2008	2009	2010	2011	Beyond 2011	Total recommendations
Programme						
1. Programme balances available from funds approved in prior years	685	436	319	231	376	2 047 ^a
2. Programmes to be submitted to 2008 Executive Board sessions	14	266	116	99	150	645
3. Programmes to be prepared for 2009 Executive Board sessions		54	336	160	365	915
4. Programmes to be prepared for future Executive Board sessions			14	364	2 080	2 458
5. Amount set aside	46	52	54	59		
6. Estimated allocation of net income from sale of greeting cards in countries with UNICEF programmes	3	3	3	3		
Subtotal — programme assistance	748	811	842	916		
7. Additional emergency requirements	30	30	30	30		
8. UNICEF security	7	14	0	0		
Support budget						
9. Net support budget	336	353	380	406		
10. UN-mandated security costs	13	13	13	13		
Other						
11. Write-offs and miscellaneous	1	1	1	1		
12. Support budget costs/reimbursement	16	16	16	16		
Total expenditure	1 151	1 238	1 282	1 382		

^a Excluding unspent balance of \$13 million subject to cancellation pending final settlement of accounts for old programme cycles.

Table 6
UNICEF planned financial estimates — procurement services and trust funds
(in millions of United States dollars)

	<i>Plan 2007</i>	<i>Actual 2007</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>Planned 2011</i>
1. Opening balance						
Procurement services	205	205	241	278	327	331
Other activities	118	118	63	65	71	82
Total	323	323	304	343	398	413
2. Receipts:						
Procurement services	588	704	685	810	775	780
Other activities	79	77	85	83	83	83
Total	667	781	770	893	858	863
3. Disbursements:						
Procurement services	615	668	648	761	771	777
Other activities	146	132	83	77	72	72
Total	761	800	731	838	843	849
4. Closing balance:						
Procurement services	178	241	278	327	331	334
Other activities	51	63	65	71	82	93
Total	229	304	343	398	413	427