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Medium-term strategic plan: planned financial estimates for the period 2009-2012

Summary

A four-year financial plan forms part of the medium-term strategic plan (MTSP) and is presented to the Executive Board, usually for a fixed period of four years, in accordance with Executive Board decision 2000/3. The financial estimates of the plan are reviewed and revised annually. The Executive Board extended the current MTSP from 2006-2009 to 2006-2013 in decisions 2008/14 and 2009/5.

Total income is forecasted to decrease by 14 per cent, from \$3,390 million in 2008 to \$2,924 million in 2009. Income projections increase slightly in subsequent years, reaching a total of \$3,160 million by 2012.

According to the plan, the level of programme assistance throughout the period 2009-2012 will remain steady compared to the 2008 year, with variations ranging from 1 per cent to 2 per cent. Maintaining this level of programme assistance is facilitated by drawing upon the fund balance accumulated over the past few years when contributions exceeded projections. This is a positive financial base that will allow UNICEF to maintain its strong programmatic support despite the global economic downturn and the resulting downward impact on projected income levels.

This financial framework of income and expenditure estimates provides a basis for determining the level of regular resources programme submissions for approval in 2010. Allocations of regular resources during the period under review will be managed through the modified system of allocation revised by the Executive Board in 2008 in decision 2008/15.

* E/ICEF/2009/16.

UNICEF recommends that the Executive Board approve the framework of planned financial estimates for 2009-2012 and approve the preparation of programme expenditure submissions to the Executive Board of up to \$798 million from regular resources in 2010, subject to the availability of resources and the continued validity of these planned financial estimates. A draft decision is included in section II.

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* Tables may not add due to rounding.

I. Planned financial estimates for 2009-2012

A. Income

1. Table 1 shows income projections for the period 2009-2012.
2. Total income is forecasted to be \$2,924 million in 2009, down \$466 million, or 14 per cent, from the level for 2008. The decrease is driven primarily by the negative impact of the global economic downturn on development assistance. Income projections for subsequent years increase by between 1 per cent and 4 per cent, rising to \$3,160 million by 2012.
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. Forecasted regular resources contributions from Governments total \$545 million for 2009. This represents a decrease of \$71 million, or 12 per cent when compared with 2008 resulting from reductions in contributions by some Governments and the negative impact of unfavourable exchange rates. Increases of between 2 per cent and 4 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 work plan and proposed budget for 2009 (document E/ICEF/2009/AB/L.1), with adjustments determined by recent operating experience and circumstances. Specifically, in light of the global recession, the Private Fundraising and Partnerships (PFP) Division conducted further consultations with National Committees for UNICEF, examined fundraising outcomes during previous crises and sought advice and analysis from a wide body of professional fundraisers and experts. Private sector income is forecasted to total \$346 million in 2009, a decrease of 4 per cent compared with \$361 million in 2008. In subsequent years, income from the private sector is anticipated to increase by 5 per cent per year.
7. 'Other income' comprises interest income, gains or losses resulting from exchange rate movements, and other miscellaneous items. Forecasted other income totals \$66 million in 2009. This represents a decrease of \$42 million, or 39 per cent, compared with 2008. This anticipated decrease is attributed largely to the significant decline in prevailing global interest rates, as well as to the anticipated reduction in UNICEF cash and investment balances. Other income growth is projected to remain flat 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 inter-organizational arrangements. The latter 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. Forecasted other resources contributions total \$1,967 million in 2009. This represents a decrease of \$338 million, or 15 per cent, compared with 2008.. The forecast has also taken into consideration the fact that children's causes continue to receive donor support during uncertain financial times. In 2010, income from other resources is expected to remain at the same level, and then increase by 4 per cent and 3 per cent in 2011 and 2012, respectively.

B. Expenditures

10. Table 2 summarizes 'regular resources' (core resources) and other resources income, expenditures and fund and cash balance projections for the period 2009-2012.

11. Total expenditures in 2009 are estimated at \$3,186 million. This represents an increase of \$87 million, or 3 per cent, compared with actual expenditures for 2008. While expenditure projections increase in 2010 and 2011 by 2 per cent and 1 per cent, respectively, they are forecast to remain steady in 2012. By 2012, total expenditures are projected to be \$3,292 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 2009-2012.

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

Programme

15. Programme assistance in 2009 has been planned at \$809 million, increasing by \$62 million, or 8 per cent, compared with actual expenditure for 2008. Maintaining this level of programme assistance in 2009 is facilitated by drawing upon the accumulated fund balance, a positive financial base that will enable UNICEF to maintain its strong programmatic support despite the global economic downturn and the resulting downward impact on income projections. Programme assistance is forecasted to remain constant at \$809 million for the period 2010-2012. However, it is anticipated that these projections will be reviewed and updated regularly to reflect developments in the global economic situation and any resulting positive or negative impacts on income levels.

16. Allocations of regular resources during the period under review will be managed through the regular resource allocation policy approved by the Executive Board.

17. Table 5 indicates how expenditures on approved, new and future proposals for programmes will be phased on an annual basis in 2009-2012.

18. The table also shows that, at the beginning of 2009, there were approved regular resources programme commitments of \$1,817 million for implementation within multi-year programmes from 2009 onwards. The amount of regular resources for programmes proposed to the Executive Board in 2009 totals \$632 million.

19. For 2010, the estimated total of regular resources for programme proposals to be approved by the Executive Board is \$798 million. 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 \$353 million for 2009 are taken from the biennial support budget for 2008-2009 (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 2010-2011 are \$734 million. This amount represents zero real growth in relation to the 2008-2009 biennial support budget. 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 12.5 per cent in 2008-2009 to 11.9 per cent in 2010-2011. Of the total resources, 88.1 per cent will be for programmes, 11.5 per cent for the biennial support budget, and 0.4 per cent for United Nations-mandated security costs in the biennium 2010-2011.

22. United Nations-mandated security costs, allocated to UNICEF under the cost-sharing arrangement and funded from a separate appropriation line, are projected to increase from \$13 million in 2009 to \$16 million in 2010; \$15 million in 2011; and \$16 million in 2012.

Other resources

23. Table 4 summarizes other resources income, expenditures and fund and cash balance projections for the period 2009-2012.

24. Other resources programme expenditures are projected based on income forecasts and available fund balances. Programme assistance for regular (non-emergency) programmes is anticipated to increase slightly, from \$1,345 million in 2009 to \$1,402 million in 2012, with increases of up to 4 per cent during the period.

25. Programme assistance for emergencies is anticipated to be \$631 million in 2009, 15 per cent lower than the 2008 actual expenditures of \$746 million on programme assistance for emergencies. The amount is projected to increase to \$644 million in 2010, and to \$681 million in 2011. By 2012, the forecasted expenditure amounts to \$690 million, which represents a slight increase of 1 per cent from 2011.

C. Funded reserves

After-service health insurance

26. In 2005, UNICEF participated in an actuarial study, which valued the 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 the after-service health insurance liability of UNICEF. On the basis of that study, issued in April 2008, the liability was \$483 million as at 31 December 2007. An actuarial study is currently under way to provide updated estimates for the after-service health insurance liability of UNICEF as at 31 December 2009.

27. With Executive Board approval, UNICEF established a reserve for after-service health insurance in 2003 (document 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 2008 was \$180 million, or approximately 37 per cent of the after-service health insurance liability indicated in the updated 2007 actuarial study.

28. While the Executive Board has approved annual transfers of \$30 million for the period 2009-2011 (documents E/ICEF/2006/AB/L.6 and E/ICEF/2008/AB/L.5, and decisions 2006/15 and 2008/20) to progressively fund the UNICEF after-service health insurance liability, this transfer is subject to availability of funds. Due to the significant reduction in projected income resulting from the impact of the global economic downturn, and the imperative for UNICEF to maintain strong programmatic support for children and women during this difficult economic environment, it is proposed that the annual transfer of \$30 million to the after-service health insurance reserve be suspended for 2009 and 2010 until the global financial situation improves or until the current declining income trend is reversed. In the meantime, UNICEF will examine other options to more systematically and progressively finance the after-service health insurance liability to avoid the ongoing need for such annual transfers.

29. As noted by the General Assembly in resolution 61/264 of 4 April 2007, International Public Sector Accounting Standards (IPSAS) will require (a) that the accrued after-service health insurance liability and associated future accrued expenses be recognized on the face of the financial statements, and (b) that this requirement be irrespective of the level of funding of such liability. This requirement will be implemented with the adoption of IPSAS in January 2012.

Other reserves

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

31. At the end of 2008, the balances of the field office accommodation and staff housing fund, the separation and termination liabilities fund, and the procurement services reserve were \$27 million, \$19 million and \$2 million, respectively. At the

end of 2008, the balance of the field office accommodation and staff housing fund comprised \$9 million in cash and \$18 million in land, building and housing assets.

D. Liquidity

Regular resources

32. 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 of 2003, the Executive Board recommended that UNICEF 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 2009-2011 and is projected to fall below the requirement in the year 2012. However, these projected cash balances will be reviewed and updated regularly to reflect developments in the global financial situation; any resulting positive or negative impacts on income levels; and adjustments to projected expenditures that may become necessary to ensure that the liquidity requirements are continuously met.

Other resources

33. Other resources programmes are normally fully funded as donor contributions are received in full before implementation begins. As a result, the year-end cash balance for other resources, relative to income, is normally higher than that 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

34. Table 6 shows projected trust fund receipts, disbursements, and balances for the period 2009-2012.

35. Trust funds are earmarked resources entrusted to UNICEF by various entities, including Governments, other United Nations organizations and non-governmental organizations, to cover primarily 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.

36. UNICEF Financial Regulation 5.3 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 spent on, programmes approved by the Executive Board.

37. Total trust fund receipts over the period are anticipated to be \$3,601 million (2009 — \$854 million; 2010 — \$859 million; 2011 — \$884 million; and 2012 — \$1,004 million) and disbursements for the corresponding period are anticipated to be \$3,744 million (2009 — \$796 million; 2010 — \$976 million; 2011 — \$980 million; and 2012 — \$992 million). Projected higher trust fund receipts and disbursements are driven primarily by increases in procurement services, with notable increases

forecast for the Global Alliance for Vaccines and Immunization (GAVI) and World Bank activities over the period.

II. Draft decision

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

The Executive Board,

1. *Takes note* of the planned financial estimates for 2009-2012 as contained in document E/ICEF/2009/AB/L.5 as a flexible framework for supporting UNICEF programmes;

2. *Approves* the framework of planned financial estimates for 2009-2012 and approves the preparation of programme expenditure submissions to the Executive Board of up to \$798 million from regular resources in 2010, subject to the availability of resources and the continued validity of these planned financial estimates;

3. *Approves* the suspension of the annual transfer of \$30 million to the after-service health insurance reserve for 2009 and 2010 in view of the impact of the global economic downturn, and requests the Executive Director to update the Executive Board on this issue at the second regular session of 2010 as part of the presentation of the planned financial estimates for 2010-2013.

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

	<i>Plan</i>	<i>Actual</i>	<i>Plan</i>			
	2008	2008	2009	2010	2011	2012
Regular resources						
Governments	609	616	545	554	564	584
Private sector	395	361	346	361	380	398
Other income	132	108	66	66	66	66
Total - regular resources	1,136	1,085	957	981	1,010	1,048
Growth percentage			-12%	2%	3%	4%
Other resources						
Regular						
Governments	893	966	880	877	908	906
Private sector	348	513	333	350	376	402
Inter-organizational arrangements	56	91	96	93	93	95
Subtotal - programmes	1,297	1,570	1,309	1,320	1,377	1,403
Growth percentage			-17%	1%	4%	2%
Emergencies						
Governments	339	458	330	308	317	326
Private sector	141	112	155	172	188	206
Inter-organizational arrangements	178	165	173	173	174	177
Subtotal - emergencies	658	735	658	653	679	709
Growth percentage			-10%	-1%	4%	4%
Total - other resources	1,955	2,305	1,967	1,973	2,056	2,112
Growth percentage			-15%	0%	4%	3%
Total income	3,091	3,390	2,924	2,954	3,066	3,160
Growth percentage			-14%	1%	4%	3%

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

	<i>Plan</i>	<i>Actual</i>	<i>Plan</i>			
	<i>2008</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>
1. Income	3,091	3,390	2,924	2,954	3,066	3,160
Growth percentage			-14%	1%	4%	3%
2. Expenditure						
(a) Programme assistance	2,660	2,809	2,785	2,847	2,885	2,901
Growth percentage - in programme assistance			-1%	2%	1%	1%
(b) Net biennial support budget	336	241	353	351	352	352
(c) UN-mandated security	13	10	13	16	15	16
(d) UNICEF security	7	-	14	-	-	-
Growth percentage - in net support budget and security requirements			51%	-4%	0%	0%
(e) Write-offs and miscellaneous charges	5	22	5	5	5	5
Subtotal - expenditure excluding reimbursement	3,021	3,082	3,170	3,219	3,257	3,274
(f) Support budget costs / reimbursement	16	17	16	17	19	18
Total expenditure	3,037	3,099	3,186	3,236	3,276	3,292
Growth percentage			3%	2%	1%	0%
3. Income less expenditure	54	291	(262)	(282)	(210)	(132)
4. Opening reserves and fund balances	2,641	2,641	2,957	2,695	2,413	2,203
5. Increase in reserves	2	25	-	1	-	1
6. Closing reserves and fund balances	2,697	2,957	2,695	2,413	2,203	2,072
comprising:						
7. Net assets	285	342	342	342	342	343
8. Year-end cash balance						
(a) Convertible currencies	2,399	2,608	2,340	2,058	1,848	1,716
(b) Non-convertible currencies	13	7	13	13	13	13
Total cash balance	2,412	2,615	2,353	2,071	1,861	1,729
9. Funded reserves						
(a) After-service health insurance	180	180	180	180	180	180
(b) Field office accommodation and staff housing	27	9	9	8	8	7
(c) Separation and termination liabilities	18	19	19	20	20	21
(d) Procurement services	2	2	2	2	2	2
Total funded reserves	227	210	210	210	210	210
10. Total cash available	2,185	2,405	2,143	1,861	1,651	1,519

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

	Plan 2008	Actual 2008	Plan			
			2009	2010	2011	2012
1. Income	1,136	1,085	957	981	1,010	1,048
Growth percentage			-12%	2%	3%	4%
2. Expenditure						
(a) Programme assistance	778	747	809	809	809	809
Growth percentage - in programme assistance			8%	0%	0%	0%
(b) Net biennial support budget	336	241	353	351	352	352
(c) UN-mandated security	13	10	13	16	15	16
(d) UNICEF security	7	-	14	-	-	-
Growth percentage - in net support budget and security requirements			51%	-4%	0%	0%
(e) Write-offs and miscellaneous charges	1	4	1	1	1	1
Subtotal - expenditure (excluding reimbursement)	1,135	1,002	1,190	1,177	1,177	1,178
(f) Support budget costs (reimbursement)	16	17	16	17	19	18
Total expenditure	1,151	1,019	1,206	1,194	1,196	1,196
Growth percentage			18%	-1%	0%	0%
3. Income less expenditure	(15)	66	(249)	(213)	(186)	(148)
4. Opening reserves and fund balances	1,031	1,031	1,122	873	661	475
5. Increase in reserves	2	25	-	1	-	1
6. Closing reserves and fund balances	1,018	1,122	873	661	475	328
comprising:						
7. Net assets	210	260	260	261	261	262
8. Year-end cash balance						
(a) Convertible currencies	795	855	600	387	201	53
(b) Non-convertible currencies	13	7	13	13	13	13
Total cash balance	808	862	613	400	214	66
9. Funded reserves						
(a) After-service health insurance	180	180	180	180	180	180
(b) Field office accommodation and staff housing	27	9	9	8	8	7
(c) Separation and termination liabilities	18	19	19	20	20	21
(d) Procurement services	2	2	2	2	2	2
Total funded reserves	227	210	210	210	210	210
10. Total cash available	581	652	403	190	4	(144)

Table 4: UNICEF planned financial estimates - other resources
(In millions of United States dollars)

	<i>Plan</i> 2008	<i>Actual</i> 2008	<i>Plan</i>			
			2009	2010	2011	2012
1. Income	1,955	2,305	1,967	1,973	2,056	2,112
Growth percentage			-15%	0%	4%	3%
2. Expenditure						
(a) Programme assistance - regular	1,231	1,316	1,345	1,394	1,395	1,402
Growth percentage			2%	4%	0%	1%
(b) Programme assistance - emergency	551	746	631	644	681	690
Growth percentage			-15%	2%	6%	1%
(c) Write-offs and miscellaneous charges	4	18	4	4	4	4
Total expenditure	1,886	2,080	1,980	2,042	2,080	2,096
Growth percentage			-5%	3%	2%	1%
3. Income less expenditure	69	225	(13)	(69)	(24)	16
4. Opening fund balances	1,610	1,610	1,835	1,822	1,753	1,729
5. Closing fund balances	1,679	1,835	1,822	1,753	1,729	1,745
comprising:						
6. Net assets	75	82	82	82	82	82
7. Year-end cash balance						
(a) Convertible currencies	1,604	1,753	1,740	1,671	1,647	1,663
(b) Non-convertible currencies	-	-	-	-	-	-
Total cash balance	1,604	1,753	1,740	1,671	1,647	1,663

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

	2009	2010	2011	2012	Beyond 2012	Total recommendations
Programme						
1. Programme balances available from funds approved in prior years	724	416	299	134	244	1,817 ^a
2. Programmes to be submitted to 2009 Executive Board sessions	-	308	113	81	130	632
3. Programmes to be prepared for 2010 Executive Board sessions	-	-	312	136	350	798
4. Programmes to be prepared for future Executive Board sessions	-	-	-	373	2,175	2,548
5. Amount set aside	52	52	52	52		
6. Estimated allocation of net income from sale of greeting cards in countries with UNICEF programmes	3	3	3	3		
Subtotal - programme assistance	779	779	779	779		
7. Additional emergency requirements	30	30	30	30		
8. UNICEF security	14	-	-	-		
Support budget						
9. Net support budget	353	351	352	352		
10. UN-mandated security costs	13	16	15	16		
Other						
11. Write-offs and miscellaneous	1	1	1	1		
12. Reimbursement	16	17	19	18		
Total expenditure	1,206	1,194	1,196	1,196		

^a

Excluding unspent balance of \$11 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)

	Plan	Actual	Planned			
	2008	2008	2009	2010	2011	2012
1. Opening balance:						
Procurement services	241	242	183	232	109	9
Other activities	63	63	62	71	77	81
	<u>304</u>	<u>305</u>	<u>245</u>	<u>303</u>	<u>186</u>	<u>90</u>
2. Receipts:						
Procurement services	685	656	760	765	790	910
Other activities	85	86	94	94	94	94
Total	<u>770</u>	<u>742</u>	<u>854</u>	<u>859</u>	<u>884</u>	<u>1,004</u>
3. Disbursements:						
Procurement services	648	715	711	888	890	900
Other activities	83	87	85	88	90	92
Total	<u>731</u>	<u>802</u>	<u>796</u>	<u>976</u>	<u>980</u>	<u>992</u>
4. Closing balance:						
Procurement services	278	183	232	109	9	19
Other activities	65	62	71	77	81	83
Total	<u>343</u>	<u>245</u>	<u>303</u>	<u>186</u>	<u>90</u>	<u>102</u>