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Medium-term strategic plan: planned financial estimates for the period 2006-2009**

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 2006-2009. These provide for: significant growth in programme assistance funded by both regular and other resources; the proposed increase of the ceiling of the Emergency Programme Fund from \$25 million to \$75 million per biennium (E/ICEF/2006/P/L.62); proportionate growth in the support budget to develop the core capacities to support programme activities; and the proposed additional funding for operations preparedness and business continuity in a protracted crisis such as a human influenza pandemic (E/ICEF/2006/AB/L.9).

Regular resources programme assistance is projected to increase by \$201 million from \$485 million in 2005 to \$686 million in 2009. This additionality 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).

This framework of income and expenditure estimates provides a basis for determining the level of regular resources programme submissions for approval in 2007.

* E/ICEF/2006/18.

** The submission of this document was delayed because of the need for internal consultations.

UNICEF *recommends* that the Executive Board approve the framework of planned financial estimates for 2006-2009 and approve the preparation of programme expenditure submissions to the Executive Board of up to \$1,500 million from regular resources in 2007, subject to the availability of resources and the continued validity of these planned financial estimates.

UNICEF also *recommends* that the Executive Board approve the revised annual transfer of \$30 million to the reserve for after-service health insurance for the period 2006-2009.

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I. Planned financial estimates for 2006-2009

A. Income

1. Table 1 analyzes income projections for the period 2006-2009.
2. Forecast income totals \$2,365 million in 2006, a decrease of \$397 million or 14 per cent compared with actual income for 2005. Income projections for subsequent years increase steadily. By 2009, total income is projected to be \$2,815 million.
3. The following paragraphs provide information about the bases for these income projections.

Regular resources

4. Regular resources income comprises three broad sources: Governments; the private sector; and other income.
5. Forecast regular resources contributions from Governments total \$488 million for 2006, an increase of \$19 million or 4 per cent compared with 2005. Increases between 5 and 11 per cent are projected in subsequent years.
6. Included under the private sector is income generated by the Private Sector Division (PSD) and contributions from non-governmental organizations (NGOs). Income projections for PSD are taken from the work plan and budget for 2006 (E/ICEF/2006/AB/L.2), which was approved by the Executive Board at its first regular session of 2006. Forecast contributions from NGOs are based on analysis provided by the Programme Funding Office (PFO).
7. Private sector income is forecast to total \$334 million in 2006, an increase of \$45 million or 16 per cent compared with 2005. In 2006, income from the private sector is expected to benefit from the depreciation of the United States dollar. In subsequent years, income from the private sector is anticipated to increase by 6 to 7 per cent.
8. Other income comprises interest income, gains or losses resulting from exchange rate movements and other miscellaneous items.
9. Forecast other income totals \$140 million in 2006, an increase of \$85 million or 155 per cent compared with 2005. This is due to a favourable combination of interest rates and exchange rate movements together with the biennial liquidation of the remaining balances of obligations. Little variation - other than in respect of obligation balances - is projected for subsequent years.

Other resources

10. UNICEF receives contributions for other resources for programmes and for emergency relief from Governments and intergovernmental organizations, the private sector and from inter-organizational arrangements which include the international financial institutions and United Nations joint programmes. Forecast contributions to other resources are based on analysis provided by PFO and the UNICEF Brussels Office.

11. In 2006, forecast other resources contributions total \$1,403 million, a decrease of \$546 million or 28 per cent compared with 2005 (when contributions to other resources intended for emergency relief increased almost three-fold compared with the previous year, primarily in response to the Indian Ocean tsunami and South Asia earthquake emergencies). Increases between 4 and 9 per cent are projected in subsequent years.

B. Expenditure

12. Table 3 summarizes income, expenditure and fund and cash balance projections for the period 2006-2009.

13. Forecast expenditure totals \$2,388 million in 2006, an increase of \$175 million or 8 per cent compared with actual expenditure for 2005. While expenditure projections increase steadily, the rate of expenditure growth decreases slightly in subsequent years. By 2009, total expenditure is projected to be \$2,719 million.

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

Regular resources

15. Table 4 summarizes regular resources income, expenditure and fund and cash balance projections for the period 2006-2009.

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

Programme

17. Given the proposal to the Executive Board to increase the ceiling of the Emergency Programme Fund from \$25 million to \$75 million per biennium with immediate effect (E/ICEF/2006/P/L.62), the framework of planned financial estimates identifies separately programme assistance and additional emergency requirements for the period 2006-2009.

18. Programme assistance is projected to increase by \$76 million to \$561 million in 2006, then by a further \$111 million to \$672 million in 2007, and by \$4 million and \$10 million to \$676 million and \$686 million respectively in 2008 and 2009. This significant growth draws from the fund balance, which has accumulated due mainly to higher than projected contribution income and improved investment earnings and favourable exchange rates in recent years, and is facilitated by steadily increasing income projected for the period 2006-2009. The projections also take into consideration the lead time required to develop capacities to achieve programme expansion of this scale.

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

20. Documented emergency programme requirements suggest that expenditure from the increased Emergency Programme Fund, if approved by the Executive Board, will total \$50 million in 2006 and \$25 million in 2007. Expenditure of \$75 million is projected for the biennium 2008-2009.

21. Table 2 demonstrates how expenditure on approved, new and future programme recommendations will be phased on an annual basis in the period 2006-2009.

22. Table 2 shows that at the beginning of 2006, there was a balance of approved regular resources programme commitments of \$1,507 million for implementation within multi-year programmes from 2006 onwards. Regular resources programmes proposed to the Executive Board in 2006 total \$508 million.

23. The framework of planned financial estimates provides for the preparation of \$1,500 million of regular resources programme proposals for approval by the Executive Board in 2007. This level of planned programme expenditure will be continuously reviewed and adjusted based on updated information about projected income.

Support budget

24. Given the proposal to the Executive Board to provide additional funding for ensuring operations preparedness and business continuity in a protracted crisis such as a human influenza pandemic (E/ICEF/2006/AB/L.9), the planned financial estimates identify separately net support budget requirements and other additional requirements for the period 2006-2009.

25. The net support budget comprises programme support and management and administration expenditure, less support costs and other recoveries to the budget.

26. Net support budget expenditure for 2006 and 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 is \$764 million which represents, as in previous years, some 35 per cent of total expenditure. The projected increase in expenditure represents the investment required to build the organization's core capacities to provide administrative support and oversight for programme activities, which have grown significantly in recent years. While total programme expenditure has grown by 97 per cent since 1999, support budget expenditure has increased by only 45 per cent, of which 29 per cent was for inflation and 16 per cent for enhancement of capacities. As required, the 2008-2009 support budget will be presented to the Executive Board at its first regular session of 2008.

27. The net support budget expenditure projections take into consideration the changes to the UNICEF recovery policy approved by the Executive Board at the annual session of 2006 (E/ICEF/2006/AB/L.4, decision 2006/7).

28. The activities required to ensure operations preparedness and business continuity in a protracted crisis such as an human influenza pandemic are described in document E/ICEF/2006/AB/L.9. If approved by the Executive Board, these are projected to cost \$10 million in 2006 and \$4 million on an annual basis from 2007 to 2009.

Other resources

29. Table 5 summarizes other resources income, expenditure and fund and cash balance projections for the period 2006-2009.

30. The proposed plan forecasts that other resources programme expenditure will be consistent with projected income and available fund balances. Programme assistance for regular programmes is anticipated to increase steadily from \$800 million in 2006 to \$989 million in 2009, and programme assistance for emergency relief is anticipated to decrease from \$668 million to \$586 million as income and activities in respect of recent natural disasters stabilize.

C. Funded reserves

31. With the Executive Board's 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).

32. At the end of 2005, the balance remaining in the capital assets fund was \$11 million. Projected spending from the fund in the period 2006-2009 is expected to be covered within this amount. Similarly, the balance of the procurement services fund is not anticipated to change in the period 2006-2009.

33. UNICEF is proposing to increase the annual transfer to the funded reserve for after-service health insurance to \$30 million throughout the plan period. This increase is considered prudent given the most recent actuarial valuation of the after-service health insurance liability and in preparation for the adoption of international accounting standards by 2010.

34. An initial allocation of \$10 million has been made to the fund for separation and termination liabilities in 2006.

D. Liquidity

35. Regular resources liquidity requirements will be met over the period 2006-2009.

36. 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

37. Table 6 analyzes projected trust fund receipts, disbursements and balances for the period 2006-2009.

38. Trust funds are earmarked resources entrusted to UNICEF from various sources, including Governments, other United Nations organizations and NGOs, mainly to cover the cost of procurement of supplies but also other services

undertaken by UNICEF on behalf of its development partners. They also include financing provided by sponsors to cover the costs of Junior Professional Officers.

39. Regulation 5.3 of the UNICEF Financial Regulations and Rules requires that trust funds be recorded separately and distinguished from funds that are received and spent for programmes approved by the Executive Board.

40. Trust fund receipts are anticipated to total \$2,750 million and disbursements \$2,731 million in the plan period.

II. Recommendation

41. UNICEF *recommends* that the Executive Board approve the following draft recommendation:

The Executive Board

1. *Takes note* of the planned financial estimates (E/ICEF/2006/AB/L.6) as a flexible framework for supporting UNICEF programmes;

2. *Approves* the framework of planned financial estimates for 2006-2009 and *approves* the preparation of programme expenditure submissions to the Executive Board of up to \$1,500 million from regular resources in 2007, subject to the availability of resources and the continued validity of these planned financial estimates;

3. *Approves* the revised annual transfer of \$30 million to the reserve for after-service health insurance for the period 2006-2009.

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

	Plan 2005	Actual 2005	2006	2007	2008	Plan 2009
<u>Regular resources</u>						
Governments	455	469	488	543	571	611
Private sector	305	289	334	356	377	400
Other income	55	55	140	100	140	100
Total - regular resources	815	813	962	999	1,088	1,111
Growth percentage		3%	18%	4%	9%	2%
<u>Other resources</u>						
Regular						
Governments	470	466	581	599	659	693
Private sector	125	289	178	165	162	169
Inter-organizational arrangements	75	65	108	136	180	215
Subtotal - programmes	670	820	867	899	1,001	1,077
Growth percentage		3%	6%	4%	11%	8%
Emergencies						
Governments	380	537	394	411	431	458
Private sector	430	586	133	133	133	138
Inter-organizational arrangements	10	6	10	10	20	30
Subtotal - emergencies	820	1,129	536	553	583	626
Growth percentage		189%	-53%	3%	5%	7%
Total - other resources	1,490	1,949	1,403	1,452	1,585	1,703
Growth percentage		64%	-28%	4%	9%	7%
Total contributions	2,305	2,762	2,365	2,452	2,672	2,815
Growth percentage		40%	-14%	4%	9%	5%

Table 2. Regular resources: yearly phasing of estimated expenditures
(In millions of United States dollars)

	2006	2007	2008	2009	Beyond 2009	Total recommendations
<u>Programme</u>						
1. Programme balances available from funds approved in prior years	511	292	212	178	314	1 507 ^a
2. Programmes to be submitted to 2006 Executive Board sessions	17	172	84	85	150	508
3. Programmes to be prepared for 2007 Executive Board sessions		164	324	282	730	1 500
4. Programmes to be prepared for 2008 and 2009 Executive Board sessions			12	97	491	600
5. Amount set aside	30	41	41	41		
6. Estimated allocation of net income from sale of greeting cards in countries with UNICEF programmes	3	3	3	3		
Subtotal - programme assistance	561	672	676	686		
7. Additional emergency requirements	50	25	38	37		
<u>Support budget</u>						
8. Net support budget	285	298	364	400		
9. Other additional requirements	10	4	4	4		
<u>Other</u>						
10. Write-offs and miscellaneous	1	1	1	1		
11. Support budget costs/ reimbursement	9	9	12	12		
Total expenditure	916	1 009	1 095	1 140		

^a Excluding unspent balance of \$18 million subject to cancellation pending final settlement of accounts for old programme cycles and including other allocations made in 2006 which is not reflected in the end of 2005 balances.

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

	Plan 2005	Actual 2005	2006	2007	2008	Plan 2009
1. Income	2,305	2,762	2,365	2,452	2,672	2,815
Growth percentage		40%	-14%	4%	9%	5%
2. Expenditure						
(a) Programme assistance	1,846	1,966	2,029	2,207	2,212	2,261
(b) Emergency requirements (EPF)	-	-	50	25	38	37
(a)+(b) Subtotal - programme	1,846	1,966	2,079	2,232	2,250	2,298
Growth percentage - in programme assistance plus additional emergency requirements		46%	6%	7%	1%	2%
(c) Net support budget	271	226	285	298	364	400
(d) Other additional requirements	-	-	10	4	4	4
Growth percentage - in net support budget and other additional requirements		-12%	31%	2%	22%	10%
(e) Write-offs and miscellaneous charges	5	6	5	5	5	5
Subtotal - expenditure excluding reimbursement	2,122	2,198	2,379	2,539	2,623	2,707
(f) Support budget costs / reimbursement	9	15	9	9	12	12
Total expenditure	2,131	2,213	2,388	2,548	2,635	2,719
Growth percentage		37%	8%	7%	3%	3%
3. Income less expenditure	174	549	(23)	(96)	37	96
4. Opening fund balances	1,444	1,444	1,993	1,970	1,874	1,911
5. Closing fund balances	1,618	1,993	1,970	1,874	1,911	2,007
comprising:						
6. Net assets	413	135	135	135	135	135
7. Year-end cash balance						
(a) Convertible currencies	1,197	1,850	1,827	1,731	1,768	1,864
(b) Non-convertible currencies	8	8	8	8	8	8
Total cash balance	1,205	1,858	1,835	1,739	1,776	1,872
8. Funded reserves						
(a) After-service health insurance	60	60	90	120	150	180
(b) Capital assets	-	11	11	10	10	10
(c) Separation fund	-	-	10	12	14	16
(d) Procurement services	1	2	2	2	2	2
Total funded reserves	61	73	113	144	176	208
9. Total cash available	1,144	1,785	1,722	1,595	1,600	1,664

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

	Plan 2005	Actual 2005	2006	2007	2008	Plan 2009
1. Income	815	813	962	999	1,088	1,111
Growth percentage		3%	18%	4%	9%	2%
2. Expenditure						
(a) Programme assistance	511	485	561	672	676	686
(b) Emergency requirements (EPF)	-	-	50	25	38	37
(a)+(b) Subtotal - programme	511	485	611	697	714	723
Growth percentage - in programme assistance plus additional emergency requirements		21%	26%	14%	2%	1%
(c) Net support budget	271	226	285	298	364	400
(d) Other additional requirements	-	-	10	4	4	4
Growth percentage - in net support budget and other additional requirements		-12%	31%	2%	22%	10%
(e) Write-offs and miscellaneous charges	1	2	1	1	1	1
Subtotal - expenditure (excluding reimbursement)	783	713	907	1,000	1,083	1,128
(f) Support budget costs / reimbursement	9	15	9	9	12	12
Total expenditure	792	728	916	1,009	1,095	1,140
Growth percentage		9%	26%	10%	9%	4%
3. Income less expenditure	23	85	46	(10)	(8)	(29)
4. Opening fund balances	552	552	637	684	674	666
5. Closing fund balances	575	637	684	674	666	638
comprising:						
6. Net assets	235	182	182	182	182	182
7. Year-end cash balance						
(a) Convertible currencies	332	447	494	484	476	448
(b) Non-convertible currencies	8	8	8	8	8	8
Total cash balance	340	455	502	492	484	456
8. Funded reserves						
(a) After-service health insurance	60	60	90	120	150	180
(b) Capital assets	11	11	11	10	10	10
(c) Separation fund	-	-	10	12	14	16
(d) Procurement services	-	2	2	2	2	2
Total funded reserves	71	73	113	144	176	208
9. Total cash available	269	382	389	348	308	248

Table 5: UNICEF planned financial estimates - other resources
(In millions of United States dollars)

	Plan 2005	Actual 2005	2006	2007	2008	Plan 2009
1. Income	1,490	1,949	1,403	1,452	1,585	1,703
Growth percentage		64%	-28%	4%	9%	7%
2. Expenditure						
(a) Programme assistance - regular	675	815	800	859	919	989
Growth percentage		39%	-2%	7%	7%	8%
(b) Programme assistance - emergency	660	666	668	676	617	586
Growth percentage		86%	0%	1%	-9%	-5%
(c) Write-offs and miscellaneous charges	4	4	4	4	4	4
Total expenditure	<u>1,339</u>	<u>1,485</u>	<u>1,472</u>	<u>1,539</u>	<u>1,540</u>	<u>1,579</u>
Growth percentage		57%	-1%	5%	0%	3%
3. Income less expenditure	151	464	(69)	(87)	45	124
4. Opening fund balances	892	892	1,356	1,287	1,200	1,244
5. Closing fund balances	<u>1,043</u>	<u>1,356</u>	<u>1,287</u>	<u>1,200</u>	<u>1,244</u>	<u>1,369</u>
comprising:						
6. Net assets	178	(47)	(47)	(47)	(47)	(47)
7. Year-end cash balance						
(a) Convertible currencies	865	1,403	1,334	1,247	1,292	1,416
(b) Non-convertible currencies	-	-	-	-	-	-
Total cash balance	<u>865</u>	<u>1,403</u>	<u>1,334</u>	<u>1,247</u>	<u>1,292</u>	<u>1,416</u>

Table 6: UNICEF planned financial estimates - procurement services and trust funds
(In millions of United States dollars)

	Plan 2005	Actual 2005	2006	2007	2008	Planned 2009
1. Opening balance:						
Procurement services	226	226	247	254	260	262
Other activities	54	54	85	64	67	75
	<u>280</u>	<u>280</u>	<u>332</u>	<u>318</u>	<u>327</u>	<u>337</u>
2. Receipts:						
Procurement services	291	444	522	573	600	650
Other activities	251	323	162	77	83	83
Total	<u>542</u>	<u>767</u>	<u>684</u>	<u>650</u>	<u>683</u>	<u>733</u>
3. Disbursements:						
Procurement services	300	423	514	568	597	645
Other activities	244	292	183	74	75	75
Total	<u>544</u>	<u>715</u>	<u>697</u>	<u>642</u>	<u>672</u>	<u>720</u>
4. Closing balance:						
Procurement services	217	247	254	260	262	267
Other activities	61	85	64	67	75	83
Total	<u>278</u>	<u>332</u>	<u>318</u>	<u>327</u>	<u>337</u>	<u>350</u>