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UNICEF Strategic Plan: updated financial estimates, 2018–2021

Summary

A four-year financial framework, which forms part of the UNICEF Strategic Plan, is presented in accordance with Executive Board decisions 2000/3, 2013/20 and 2017/14. The financial plan is reviewed and revised annually on a rolling basis.

For 2018, total income¹ is projected to reach \$5.7 billion, an increase of 8 per cent compared with the approved resource framework of the Strategic Plan, 2018–2021. The annual growth in income in the period 2019–2021 is projected to be 2, 6 and 5 per cent, respectively. Total 2018 expenditure is estimated at \$6.1 billion, exceeding the forecast income by \$477 million. While the deficit will be financed from cash balances, UNICEF will continue to maintain prudent liquidity levels.

This financial framework of income and expenditure estimates provides a basis for determining the regular resources programme submissions to be approved in 2019. Allocations of regular resources for country programmes during the period will be managed through the system for the allocation of regular resources for programmes, as agreed by the Executive Board in its decisions 2008/15 and 2013/20.

UNICEF recommends that the Executive Board approve the framework of planned financial estimates for the period 2018–2021 and also approve the preparation of programme expenditure submissions to the Executive Board of up to \$710 million from regular resources in 2019, subject to the availability of resources and the continued validity of these planned financial estimates. A draft decision is included in section III.

* [E/ICEF/2018/19](#).

¹ Defined as contributions received from Governments, inter-organizational arrangements, Global Programme Partnerships and intergovernmental organizations and revenue from the private sector.



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Introduction

1. A four-year financial plan forms part of the UNICEF Strategic Plan in accordance with Executive Board decisions 2000/3, 2013/20 and 2017/14 and is reviewed and revised annually on a rolling basis.
2. The financial plan is preceded by a review of the financial performance of UNICEF in the prior year. The purpose of the review is to provide key high-level information on income, expenditure and liquidity as a baseline to the financial plan.

I. Financial review, 2017

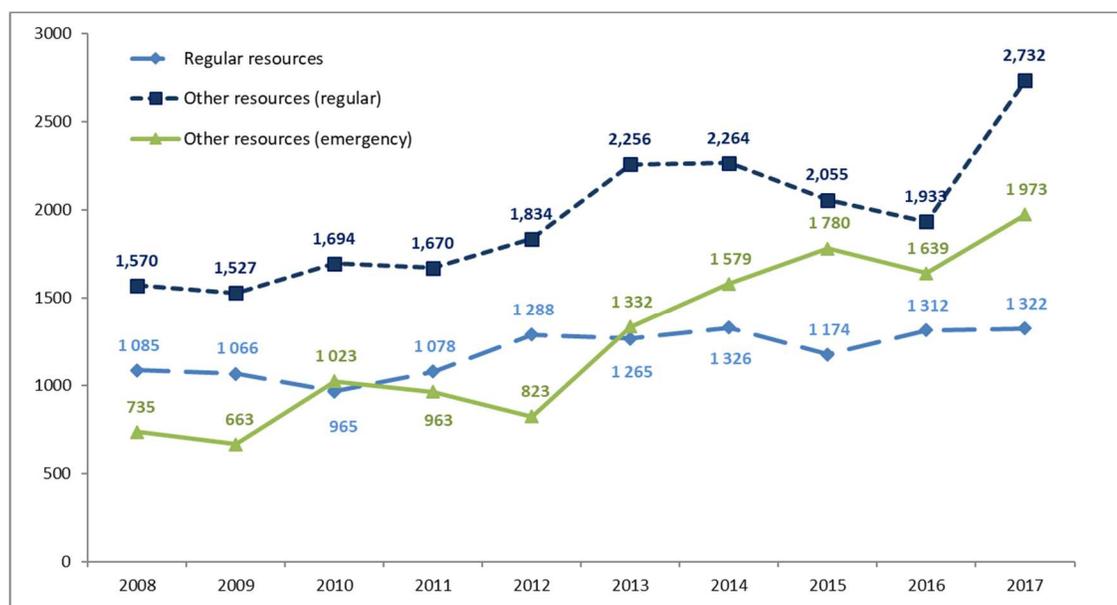
A. Income

3. Total income increased by 23 per cent in 2017, to \$6,029 million compared with 2016. The primary income source remains voluntary contributions from Governments, inter-organizational arrangements, Global Programme Partnerships, private organizations and individuals, which accounted for 98 per cent of the total. The remaining 2 per cent was generated by interest income (\$64 million), procurement services for partners (\$46 million), warehouse good transfers (\$7 million), miscellaneous activities (\$13 million) and royalties and sales of greeting cards and products (\$8 million).

4. Regular resources income (non-earmarked or “core” funds) was \$1.32 billion in 2017, an increase of 1 per cent compared with 2016 (\$1.31 billion). Other resources (regular) contributions were \$2.73 billion and other resources (emergency) were \$1.97 billion. Increases in other resources (emergency) funds of \$334 million and increases in other resources (regular) of \$800 million, resulted in overall increase of other resources of \$1,134 million, or 32 per cent compared with 2016.

Figure I
UNICEF income 2008–2017

(in millions of United states dollars)



5. The increase in other resources (emergency) income of 20 per cent over 2016 is attributed primarily to funding received for support to new refugees in Bangladesh; new internal displacements in the Kasai region of the Democratic Republic of the Congo; the risk of famine in north-eastern Nigeria, Somalia and South Sudan; and the crisis in Yemen. Core resources accounted for 22 per cent of total income in 2017 compared with 26 per cent in 2016.

6. In 2017, a total of 145 Governments contributed resources to UNICEF. Total public-sector contributions (from Governments, intergovernmental organizations and inter-organizational arrangements) were \$4.4 billion, 30 per cent higher than planned, and 33 per cent more than in 2016. Private-sector contributions (from National Committees, individual donors, non-governmental organizations and foundations) of \$1,465 million were 3 per cent lower than planned and 1.5 per cent higher than in 2016.

B. Expenditure

7. Total expenditures amounted to \$5.9 billion in 2017, an increase of 11 per cent over 2016. Programme and development effectiveness represented 90 per cent of total UNICEF expenditure in 2017. Further detailed analysis of 2017 financial performance is provided in chapters IV and V of the UNICEF Financial Statements for 2017 and in the annual report for 2017 of the Executive Director of UNICEF, presented at the 2018 annual session of the Executive Board.

C. Trust funds

8. Trust funds are established mainly for services carried out on behalf of Governments and other organizations for the procurement of vaccines and other commodities essential for the well-being of children.

9. Procurement services receipts amounted to \$1.8 billion in 2017, an increase of 13 per cent compared with 2016. This increase reflects continuing opportunities for UNICEF to influence the global market for vaccines and other child-related products and to achieve savings for partners and UNICEF.

D. Reserves and liquidity

Funded reserves

10. Funded reserves amounted to \$574 million as at 31 December 2017. They comprise reserves for procurement services, capital assets, after-service health insurance (ASHI) and staff separation.

Liquidity after reserves

11. The total available cash balance, excluding reserves and after considering commitments, at the end of 2017 was \$2.45 billion: \$617 million of regular resources and \$1.84 billion of other resources (regular and emergency).

12. Contributions for both other resources and trust funds are generally received prior to the implementation of programmes and, in addition, UNICEF signs multi-year agreements with donors.

13. In 2017, UNICEF maintained a prudent level of liquidity for regular resources, defined as the equivalent of expenditure for three to six months, or between \$300

million to \$600 million. This is consistent with the general practices of non-profit organizations and the United Nations community.

II. Planned financial estimates for the period 2018–2021

14. This section presents the projections of UNICEF financial resources for the period 2018–2021. It comprises income and expenditure projections and the resulting cash balances for regular resources and other resources. Estimates for trust funds are also included. In line with decision 2013/20, the presentation of the planned financial estimates is aligned with the format of the integrated resource plan as presented in the UNICEF integrated budget, 2018–2021 and presents the planned use of resources grouped by the harmonized cost classification categories.

15. The financial projections provide a financial framework for the yearly phasing of estimated regular resources expenditure. In particular, they provide a financial context for future programme submissions to be made to the Executive Board.

A. Income

16. Total resources income is forecast to decrease by 6 per cent in 2018 compared with 2017; the strong performance in 2017 was due to significant grants to Yemen and for the Syrian refugee crisis. In 2019, 2020 and 2021, total resources income is projected to increase by 2, 6 and 5 per cent, respectively.

17. Other resources income is projected to decline by 9 per cent in 2018 compared with 2017. Other resources income is estimated to remain stable in 2019 and to increase slightly in the years 2020 and 2021 by 5 and 4 per cent, respectively. Income estimates are provided in table 1 (see annex).

18. The share of private-sector contributions to UNICEF total income is expected to increase in the medium term, from 24 per cent in 2017 to 34 per cent in 2021.

19. Regular resources income is targeted to increase by 6 per cent in 2018 compared with 2017, primarily through increased investment in income generation activities targeted at private-sector donors.

20. Regular resources income is targeted to continue to grow marginally in 2019, by 8 per cent in 2020 and by 6 per cent in 2021. Growth in private-sector fundraising is the main source of projected growth in regular resources. Estimates of regular resources income are provided in table 1.

B. Expenditure

21. Total expenditure in 2018 is expected to increase by 4 per cent compared with 2017. The smooth implementation of ongoing programmes will be facilitated by financing the deficit with cash balances.

22. As shown in table 2 (see annex), total estimated annual expenditure during the planning period will exceed the projected annual income. The resulting deficit will be funded from the balance accumulated in prior years, when actual income surpassed planned amounts.

Regular resources expenditure

23. The main components of estimated regular resources expenditure for the period 2018–2021 are: (a) development activities comprising (i) programmes and (ii) development effectiveness, which account for 76.9 per cent of the total use of regular

resources; (b) management activities, which account for 5.7 per cent; (c) United Nations development coordination, which account for 0.6 per cent and (d) special-purpose activities, including private-sector fundraising, which account for 16.8 per cent.

Programmes

24. Regular resources and thematic funds directly support the achievement of programme results by enabling longer-term planning and lowering transaction costs. It is critical for UNICEF and its partners to continue efforts to ensure a flexible and predictable funding base.

25. Against the income projections presented in table 1, UNICEF intends to gradually increase the allocation of regular resources for programme assistance for the years 2018–2021. Allocations of regular resources to country programmes will be managed according to the modified system for allocation, approved by the Executive Board in its decisions 2008/15 and 2013/20, which favours countries in greatest need.

26. At the beginning of 2018, regular resource expenditures for ongoing country programmes were estimated at \$4.46 billion. The amount of regular resources for programmes proposed to the Executive Board for approval in 2018 totals \$1.75 billion for programme cycles that start in 2019.

27. For 2019, the estimated amount of regular resources for programme proposals to be approved by the Executive Board is \$710 million for programme cycles that start in 2020. The level of planned programme expenditure will be continuously reviewed and adjusted on the basis of updated information on projected income.

Institutional budget

28. The budget for development effectiveness, United Nations development coordination, management and special purpose (capital investment) costs is referred to as the institutional budget. It is funded from regular resources, other resources and cost recovery.

29. At its second regular session of 2017, the Executive Board approved a four-year institutional budget of \$2.455 billion for the period 2018–2021 to support the UNICEF Strategic Plan, 2018–2021.

30. Given the recent General Assembly resolution 72/279 requesting the doubling of the current United Nations Development Group cost-sharing arrangement among United Nations development system entities, UNICEF has included an indicative provision of an additional \$13 million in its institutional budget to meet the cost-sharing requirement set out in the resolution. Further discussions among the United Nations development system entities are planned in the coming months to develop and formalize a revised cost-sharing framework, which is expected to be in place effective 2019.

Cost recovery

31. In line with the approved cost-recovery methodology, cost recovery from other resources will fund the management and special purpose (capital investment) activities of the institutional budget.

32. In 2017, the actual institutional budget funding split was 38 per cent from regular resources, 50 per cent from cost recovery and 12 per cent from other resources. Actual cost recovery in 2017 was \$295 million compared with a planned amount of \$275 million. The additional cost recovery was used to fund the institutional budget

(“management” and “special purpose–capital investment” cost-classification categories), reducing the amount of regular resources used to fund the institutional budget.

33. For the period 2018–2021, other resources expenditure is projected to increase by \$1.2 billion compared with the other resources expenditure approved in the integrated budget, 2018–2021, and it is estimated that this will generate an additional \$90 million in cost recovery, which will fund the institutional budget.

34. The proposed use of cost recovery is reflected in table 5 (see annex).

Other resources expenditure

35. The projections of programme assistance expenditure funded by other resources, presented in table 5, reflect efforts to accelerate implementation. Other resources expenditure in 2018 is projected to be 9 per cent greater than other resources income, and this trend will continue, although the gap will decrease to 2 per cent in year 2021. The income-expenditure gap will be financed from the balance of other resources carried over from previous years.

C. Funded reserves

36. The two largest funded reserves are for post-service staff liabilities. These reserves are: the separation fund for repatriation costs and the ASHI fund. The total amount of funding for these reserves is projected to increase from \$574 million in 2017 to \$772 million in 2021, as shown in table 3 (see annex).

37. Following discussions with the Executive Board and the implementation of the International Public Sector Accounting Standards, which require the full reporting of after-service staff liabilities in corporate financial statements, UNICEF is implementing a robust funding strategy for these liabilities. The strategy will ensure that, over time, the reserve for these liabilities is accumulated from the funding sources to which post costs are correctly attributed. UNICEF will continue to monitor the effectiveness of and make appropriate adjustments to the strategy as financial variables change.

D. Fund balance

38. The regular resources cash balance is projected to be \$509 million at year end 2018, which is sufficient to cover four months of estimated disbursements. The regular resources cash balance is used as working capital to mitigate the liquidity risk related to fluctuations in cash inflows. Unlike other resources, which are allocated to programmes when cash is received from a donor, regular resources allocations for country programmes are made in November for the following year, before regular resources funds are received. It is therefore critical to have working capital to start programme implementation while awaiting cash from donors. The best practice among development organizations is to maintain working capital sufficient for three to six months of expenditures. In the case of UNICEF, those levels would translate to between \$300 million and \$600 million. The projected working capital falls within that range, reaching \$422 million by 2021, as indicated in table 3 (see annex).

39. As part of efforts to accelerate programme implementation, other resources expenditure is projected to be greater than income for every year of the planning period 2018–2021. Therefore, the other resources available balance is projected to decrease from \$1.37 billion at year end 2017 to \$214 million in 2021.

III. Draft decision

40. UNICEF recommends that the Executive Board adopt the following draft decision:

The Executive Board

1. *Takes note* of the planned financial estimates for the period 2018–2021 as contained in document E/ICEF/2018/AB/L.4 as a flexible framework for supporting UNICEF programmes;

2. *Approves* the integrated resources framework of planned financial estimates for the period 2018–2021, and approves the preparation of country programme expenditure submissions to the Executive Board of up to \$710 million from regular resources in 2019, subject to the availability of resources and the continued validity of these planned financial estimates;

3. *Requests* UNICEF to provide annual updates to the Executive Board on the progress of funding its reserves for staff liabilities.

Annex

Planned financial estimates tables²

1. UNICEF income estimates
2. Integrated resources plan: regular resources and other resources
3. UNICEF planned financial estimates: regular resources
4. Regular resources: yearly phasing of estimated expenditures for programmes
5. UNICEF planned financial estimates: other resources
6. UNICEF planned financial estimates: trust funds (procurement services activities)

² Rounding differences may impact totals.

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

	Plan 2017	Actual 2017 ^a	Estimate 2018	Plan		
				2019	2020	2021
Regular resources						
Governments	512	521	526	531	548	567
Global Programme Partnerships	-	-	-	-	-	-
Private sector	685	663	745	853	959	1 042
Other income	115	139	125	135	135	135
Total — regular resources	1 312	1 322	1 396	1 519	1 642	1 744
Growth percentage	0%	1%	6 %	9 %	8 %	6 %
Other resources						
Regular						
Governments	1 083	1 295	1 192	1 239	1 300	1 344
Global programme partnerships	165	318	222	222	224	242
Private sector	730	619	674	824	939	1 019
Inter-organizational arrangements	304	501	354	264	274	284
Subtotal — programmes	2 281	2 732	2 442	2 548	2 737	2 889
Growth percentage	18%	41%	(10)%	4 %	7 %	6 %
Emergencies						
Governments	1 235	1 605	1 436	1 477	1 512	1 548
Global programme partnerships	-	4	-	-	-	-
Private sector	90	184	109	100	100	100
Inter-organizational arrangements	114	180	291	140	140	140
Subtotal — emergencies	1 439	1 973	1 837	1 717	1 751	1 788
Growth percentage	(12)%	20%	(7)%	(7)%	2 %	2 %
Total — other resources	3 721	4 705	4 279	4 265	4 488	4 677
Growth percentage	4%	32%	(9)%	(0)%	5 %	4 %
Total income	5 033	6 027	5 675	5784	6130	6 421
Growth percentage	3%	23%	(6)%	2 %	6 %	5 %

^a Actual growth percentage in 2017 is in comparison to 2016 actual.

Table 2
Integrated resources plan: regular resources and other resources
(in millions of United States dollars)

	Plan 2017	Actual 2017	Estimate 2018	Plan		
				2019	2020	2021
1. Resources available						
Opening balance	2 046	1 909	2 009	1 512	992	719
Income						
Contributions	4 918	5 888	5 550	5 649	5 995	6 286
Other income	115	139	125	135	135	135
Total income	5 033	6 027	5 675	5 784	6 130	6 421
Adjustment	(19)	(20)	(20)	(20)	(20)	(20)
Total available	7 060	7 916	7 664	7 276	7 102	7 120
2. Use of resources						
A. Development						
A.1 Programmes	4 482	5 148	5 256	5 340	5 419	5 490
Country	4 292	4 976	4 997	5 080	5 166	5 231
Global and regional	190	172	259	260	253	259
A.2 Development effectiveness	156	149	174	179	182	187
Subtotal	4 638	5 297	5 430	5 519	5 601	5 677
B. United Nations development coordination	16	7	12	17	17	17
C. Management	354	337	385	400	403	416
D. Special purpose						
D.1 Capital investments	24	40	19	20	20	21
D.2 Private-sector fundraising	172	155	223	245	259	270
D.3 Other	56	71	83	83	83	83
Subtotal	252	266	325	348	363	374
Institutional budget (A.2+B+C+D.1)	550	533	590	616	622	641
Integrated budget (A+B+C+D)	5 262	5 907	6 152	6 284	6 383	6 484
Closing balance of resources	1 798	2 009	1 512	992	719	636
Funded reserves						
After-service health insurance	455	485	523	564	609	658
Separation and termination liabilities	88	84	90	97	104	111
Field office accommodation	6	3	2	2	1	1
Procurement services	2	2	2	2	2	2
Total	551	574	617	665	716	772

Table 3
UNICEF planned financial estimates: regular resources

(in millions of United States dollars)

	Plan 2017	Actual 2017	Estimate 2018	Plan		
				2019	2020	2021
1. Resources available						
Opening balance	673	673	637	509	423	408
Income						
Contributions	1 197	1 183	1 271	1 384	1 507	1 609
Other income	115	139	125	135	135	135
Total income	1 312	1 322	1 396	1 519	1 642	1 744
Adjustment	(19)	(20)	(20)	(20)	(20)	(20)
Total available	1 966	1 975	2 013	2 008	2 045	2 132
2. Use of resources						
A. Development						
A.1 Programmes	979	944	1 018	1 065	1 112	1 164
Country	926	890	960	1 010	1 060	1 110
Global and regional	53	54	58	55	52	54
A.2 Development effectiveness	129	113	141	147	148	153
Subtotal	1 108	1 057	1 159	1 212	1 260	1 317
B. United Nations development coordination	6	6	6	10	10	10
C. Management	98	73	80	92	93	105
D. Special purpose						
D.1 Capital investments	5	9	5	6	6	7
D.2 Private-sector fundraising	129	123	169	182	185	189
D.3 Other	56	71	83	83	83	83
Subtotal	190	203	257	271	274	279
Institutional budget (A.2+B+C+D.1)	238	201	232	255	257	275
Integrated budget (A+B+C+D)	1 402	1 339	1 502	1 585	1 637	1 711
Closing balance of resources	564	636	511	423	408	421
Funded reserves						
After-service health insurance	455	485	523	564	609	658
Separation and termination liabilities	88	84	90	97	104	111
Field office accommodation	6	3	2	2	1	1
Procurement services	2	2	2	2	2	2
Total	551	574	617	665	716	772

Table 4
Regular resources: yearly phasing of estimated expenditures for programmes

(in millions of United States dollars)

	2018	2019	2020	2021	Beyond 2021	Total recommendations
Programme						
1. Country programmes approved in prior years	841	674	605	411	245	4 467
2. New country programmes to be submitted to 2018 Executive Board sessions		213	224	235	404	1 750
3. New country programmes to be prepared for submission to 2019 Executive Board sessions			104	110	282	710
4. New country programmes to be prepared for submission to future Executive Board sessions				224	768	1 216
5. Amount set aside	67	71	75	78		
6. Estimated allocation of net income from sale of greeting cards in countries with UNICEF programmes	2	2	2	2		
Subtotal	910	960	1 010	1 060		
7. Additional emergency requirements	50	50	50	50		
Subtotal	960	1 010	1 060	1 110		
8. Global and regional programmes	58	55	52	54		
Total: programmes	1 018	1 065	1 112	1 164		

Table 5
UNICEF planned financial estimates: other resources

(in millions of United States dollars)

	Plan 2017	Actual 2017	Estimate 2018	Plan		
				2019	2020	2021
1. Resources available						
Opening balance	1 374	1 236	1 373	1 003	568	311
Income						
Contributions	3 721	4 705	4 279	4 265	4 488	4 677
Total income	3 721	4 705	4 279	4 265	4 488	4 677
Total available	5 095	5 941	5 652	5 268	5 056	4 988
2. Use of resources						
A. Development						
A.1 Programmes	3 503	4 205	4 237	4 275	4 306	4 326
Country	3 366	4 086	4 037	4 070	4 106	4 121
Global and regional	137	118	200	204	200	205
A.2 Development effectiveness	27	36	32	32	34	34
Subtotal	3 530	4 240	4 269	4 307	4 340	4 360
B. United Nations development coordination	10	1	6	6	6	6
C. Management^a	257	264	305	308	310	311
D. Special purpose						
D.1 Capital investments ^a	19	31	14	14	14	14
D.2 Private-sector fundraising	43	32	54	64	74	81
D.3 Other	–	–	–	–	–	–
Subtotal	62	63	68	78	88	95
Institutional budget (A.2+B+C+D.1)	313	332	357	360	364	365
Integrated budget (A+B+C+D)	3 859	4 568	4 648	4 699	4 744	4 773
Closing balance of resources	1 236	1 373	1 004	569	312	215

^a Amounts reflect the use of other resources cost recovery to fund management and capital investments.

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

	<i>Actual 2017</i>	<i>Estimate 2018</i>	<i>Plan</i>		
			<i>2019</i>	<i>2020</i>	<i>2021</i>
1. Opening balance	764	1 072	1 072	1 072	1 072
2. Receipts	1 818	1 553	1 705	1 666	1 667
3. Disbursements	1 510	1 553	1 705	1 666	1 667
4. Closing balance	1 072	1 072	1 072	1 072	1 072