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Private Fundraising: 2011 workplan and proposed budget

Summary

The Private Fundraising and Partnerships (PFP) workplan and proposed budget for 2011 is presented to the Executive Board for approval. In 2011, PFP will generate a projected \$854.6 million in net consolidated income, of which \$404.6 million will be for regular resources and \$450 million for other resources. This will be achieved with expenditures of \$153.9 million. The Executive Board is requested to adopt the draft decisions relating to the budget proposal contained in paragraph 43.

* E/ICEF/2011/1.



Private Fundraising: 2011 workplan and proposed budget

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I. Introduction

1. The Private Fundraising and Partnerships (PFP) division coordinates all private fundraising and sales activities of UNICEF, manages strategic relationships with the National Committees, provides guidance for child rights advocacy activities in industrialized countries, and supports corporate partnership and engagement of the organization.

2. The present workplan and budget document addresses the core PFP functions: (a) private-sector income maximization; (b) management of the strategic relationship with the National Committees; (c) child rights advocacy and education for development; and (d) corporate engagement. Child-rights advocacy, education for development and corporate engagement, which are financed by the UNICEF biennial support budget for 2010-2011 (E/ICEF/2009/AB/L.4) are not addressed in this document.

3. Despite the global financial crisis, contributions from fundraising to regular resources continued to grow in 2009 and 2010, primarily as a result of an increase in the number of regular monthly contributions by pledge donors. This is a significant outcome, as regular giving from private donors represents a predictable and sustainable income channel for UNICEF.

4. The profile of UNICEF private-sector income has changed significantly over the past few years. Overall income growth is being led by two fundraising streams: pledge and corporate donations. At the same time, sale of cards and gifts as a proportion of overall PFP net income has declined. These trends occur within the context of a rapidly evolving — and increasingly competitive — technology-dependent private-fundraising environment and a sluggish economy still significantly affected by the global recession that started two years ago.

5. The changing environment and evolving trends are having a major impact on private-sector income-generation activities of UNICEF and will determine future investment and resourcing priorities. In response, PFP has developed a strategic plan for the period 2011-2013 (summarized in Annex II, with financial projections provided in table 4). The present Executive Board document outlines the results to be achieved during the first year of implementation of the Strategic Plan 2011-2013. The PFP 2011 budget is based on an assessment of the investment levels and operational support required to achieve the outlined results and to promote private-income growth, particularly in regular resources, over the coming years.

6. The rationalization of the Cards and Gifts business will enter its final phase in 2011, with the new operational structure to be implemented by the end of the year. During this critical transition period, a one-time investment of \$17.0 million will be required to ensure completion of the project (see table 2). The outcome of the project will reduce costs and increase flexibility, ultimately supporting growth in income for this evolving source of regular resources and brand awareness.

7. PFP also proposes an increase of \$17 million in investment funds to spur growth in private-fundraising income through National Committees and country offices. This increase is a key component of the pledge-income growth strategy. The additional funding will enable the organization to attract — and retain — a significant number of individual pledge donors, thereby generating a substantial increase in more predictable, longer-term and fully flexible funding.

II. Latest results for 2010

8. The total expected net consolidated income for 2010 will surpass the 2010 approved budget. The 2010 latest estimate of net consolidated income is \$920.8 million, compared to \$761.4 million in the approved budget. This is primarily due to the income received in response to the recent emergencies in Haiti and Pakistan.

9. The projected net income from regular resources is \$345.8 million, which is 4 per cent, or \$14.8 million, lower than the approved budget. This shortfall is the result of a decrease in the net income from the sale of cards and gifts, due to the global recession and a shift in consumer and corporate consumption of cards.

10. The projected other resources income is \$575 million, 43 per cent more than the approved amount, largely as a result of fundraising for emergencies.

11. The latest estimated direct expenses are 17 per cent, or \$7.2 million, lower than the 2010 approved budget. This is due to a reduction in the cost of goods and overhead fixed costs. Indirect expenses, at \$51.2 million, are marginally lower than the approved 2010 budget of \$51.5 million.

Table 1

Statement of income and expenditure**2009 actual results, 2010 approved budget, 2010 latest estimates and 2011 proposed budget**

(In millions of United States dollars)

	2009 actual					2010 approved					2010 latest estimates					2011 proposed					Variance	
	Cards and Gifts sales	Private FR - RR	Total RR	Private FR - OR	Grand total 2009 actual	Cards and Gifts sales	Private FR - RR	Total RR	Private FR - OR	Grand total 2010 appr	Cards and Gifts sales	Private FR - RR	Total RR	Private FR - OR	Grand total 2010 LE	Cards and Gifts sales	Private FR - RR	Total RR	Private FR - OR	Grand total 2011	2011 vs 2010 approved	
Operating revenues																					Amount	%
Gross proceeds	131.9					140.3					113.6					109.1					-	
Country office expenses - sales	5.6					6.3					6.4					5.7						
National Committees expenses	37.7					43.9					35.6					35.1						
Net proceeds	88.6	385.2	473.8	395.8	869.6	90.1	383.4	473.5	400.8	874.3	71.6	403.7	475.3	575.0	1,050.3	68.3	475.3	543.6	450.0	993.6	119.3	13.6
Direct expenses																						
Cost of goods and inventory overhead	17.7	-	17.7		17.7	22.2	-	22.2		22.2	15.5		15.5		15.5	15.2		15.2		15.2	(7.0)	(31.5)
Operations and support	8.6		8.6		8.6	11.0		11.0		11.0	12.7	0.1	12.8		12.8	25.9	0.1	26.0		26.0	15.0	136.4
Promotional materials	3.7	-	3.7		3.7	5.4	-	5.4		5.4	3.8		3.8		3.8	3.7		3.7		3.7	(1.7)	(31.5)
Country office expenses - PSFR	-	5.3	5.3		5.3	-	3.5	3.5		3.5		2.8	2.8		2.8		3.4	3.4		3.4	(0.1)	(2.9)
Total direct expenses	30.0	5.3	35.3	-	35.3	38.6	3.5	42.1	-	42.1	32.0	2.9	34.9	-	34.9	44.8	3.5	48.3	-	48.3	6.2	14.7
Investment funds	1.9	17.7	19.6		19.6	2.6	23.0	25.6		25.6	1.7	25.2	26.9		26.9	2.0	40.0	42.0		42.0	16.4	64.1
Direct contribution from operations	56.7	362.2	418.9	395.8	814.7	48.9	356.9	405.8	400.8	806.6	37.9	375.6	413.5	575.0	988.5	21.5	431.8	453.3	450.0	903.3	96.7	12.0
Indirect expenses																						
Director's office, communication, finance and administration	9.1	7.5	16.6		16.6	10.3	10.3	20.6		20.6	10.5	10.3	20.8		20.8	8.4	13.9	22.3		22.3	1.7	8.3
Marketing and fundraising	3.7	10.7	14.4		14.4	9.0	12.1	21.1		21.1	8.9	11.9	20.8		20.8	9.4	15.8	25.2		25.2	4.1	19.4
National Committee relations	2.1	2.0	4.1		4.1	1.5	4.6	6.1		6.1	1.5	4.7	6.2		6.2	1.5	5.4	6.9		6.9	0.8	13.1
Regional support centres	0.9	1.1	2.0		2.0	0.8	1.9	2.7		2.7	0.8	1.6	2.4		2.4	0.6	1.9	2.5		2.5	(0.2)	(7.4)
Bad debts expense	1.0		1.0		1.0	0.5	0.5	1.0		1.0	0.5	0.5	1.0		1.0	0.5	0.5	1.0		1.0	-	-
Total indirect expenses	16.8	21.3	38.1	-	38.1	22.1	29.4	51.5	-	51.5	22.2	29.0	51.2	-	51.2	20.4	37.5	57.9	-	57.9	6.4	12.4
Income before non-operating items	39.9	340.9	380.8	395.8	776.7	26.8	327.5	354.3	400.8	755.1	15.7	346.6	362.3	575.0	937.3	1.1	394.3	395.4	450.0	845.4	90.3	12.0
Non-operating items																						
Other income	3.0	12.2	15.2		15.2	1.6	4.7	6.3		6.3	3.6	4.9	8.5		8.5	1.3	7.9	9.2		9.2	2.9	46.0
Foreign exchange gains (losses)	(3.1)	(13.5)	(16.6)		(16.6)					-	(3.8)	(21.2)	(25.0)		(25.0)						-	
Net income for the period	39.8	339.6	379.4	395.8	775.2	28.4	332.2	360.6	400.8	761.4	15.5	330.3	345.8	575.0	920.8	2.4	402.2	404.6	450.0	854.6	93.2	12.2
Expenses/proceeds ratio (excluding investment funds)					8.7%					10.8%					8.5%					10.8%		
Card sales volumes (millions)					59.0					71.0					68.0					55.0		

PF: Private Fundraising; RR: regular resources; OR: other resources

III. Key expected results for 2011 and required resources in offset budget

A. Introduction

12. Income from individuals and corporations is generated through the fundraising and sales activities of 36 UNICEF National Committees in industrialized countries as well as 28 UNICEF country offices.

13. The mix of UNICEF private-sector income has evolved significantly over recent years. Fundraising represents some 90 per cent of the income of UNICEF generated through PFP, and the overall income growth has been driven by several fundraising streams, in particular pledge and corporate donations.

14. Pledge giving has proven to be recession resistant and the most stable area of private-income generation for UNICEF. While pledge income has had the most important absolute growth, corporate income has grown the most, in relative terms, since 2006. This growth has been driven by a number of global partnerships with international corporations, including IKEA, Proctor and Gamble (Pampers) and ING.

15. Traditional income streams, such as cash giving and cards and product sales, remain important; direct response, or cash giving, is still the second-largest income stream. Cards and Product sales activities are an important source of brand awareness and visibility, and represent a foundation of UNICEF engagement with civil society through volunteers in some countries.

16. Some income streams are more profitable than others. Globally, direct response requires a higher proportion of resources than either pledge or corporate income. Sales income requires twice the required investment when compared with the average of other income streams.

17. These various income trends occur within the increasingly competitive private-fundraising marketplace in which UNICEF National Committees and country offices are operating. The environment is rapidly evolving, leading to an increase in the number and types of professional not-for-profit organizations and new media channels for advocacy, marketing and fundraising. The overall environment and trends reflect the changing nature of private-sector income-generation for UNICEF and play a major role in shaping future investment and resourcing priorities.

B. Key expected results and strategy

18. PFP aims to deliver a total net consolidated income of \$854.6 million in 2011. The projection is based on a detailed trend analysis of growth patterns as well as assumption of required investment levels and PFP operational support needed to drive the high-potential income streams.

19. In 2010, PFP undertook a detailed situation analysis of private-sector income-generation trends and assessed the potential for future income growth by channel and by market. The conclusion emerging from the analysis is that regular resources and other resources income can be increased in the following ways:

(a) Aggressive investment in recruiting and retaining regular pledge donors. This is the source of the most predictable, sustainable and flexible income to UNICEF.

(b) Implementation of the new cards and gifts business model. This will reduce fixed costs and increase organizational responsiveness and effectiveness as well as the sales contribution to regular resources income.

(c) Expertise and capacity to manage and increase corporate and private-foundation income as well as income generated via digital channels.

(d) Integration of income streams through enhanced support and media outreach in National Committee countries, improved knowledge management and expansion of new media communication channels.

20. PFP will advise and support National Committees and country offices in the implementation of a fully integrated private income-generation strategy, scheduled to be completed in the first half of 2011. The strategy will focus on regular resources income growth and be supported by three key pillars — pledge, corporate and cash giving — with digital platforms as a cross-cutting theme. Cards and Gifts rationalization will also result in improving the contribution of sales to regular resources. Quality other resources, those that are thematically or country restricted rather than project restricted, will be increased with the support of donor toolkits that are multi-year, multi-donor fundraising packages. Communication, knowledge and brand management have also been identified as critical elements that will support integration and income growth.

21. As a key priority, PFP will continue to reinforce the foundations of the UNICEF strategic relationship with the family of National Committees. A new Cooperation Agreement is being developed, and the joint strategic planning and monitoring process with National Committees will be further strengthened. The focus on risk management will continue to be reinforced through the implementation of the National Committee governance framework, adopted unanimously by the National Committees in 2009, which provides a set of guidelines and principles that cover key accountabilities, internal controls, ethics, audit, risk management and compliance parameters.

22. Within this overall approach, PFP focus on the following priorities in 2011:

(a) A strong focus on increasing global income from individual donors while minimizing risks and building long-term value and quality income. Pledge giving is an extremely important element of the fundraising portfolio of PFP, and the additional investments will focus on growing the pledge files within National Committees and country offices with the highest return on investment and the largest growth potential. An investment in pledge donors aims to yield results quickly and increase income for the long term, and will drive the majority of the projected regular resources income.

(b) Corporate fundraising is the second rapidly growing income stream. A corporate fundraising strategy will focus our future business-sector fundraising activities on larger, long-term partnerships, often operating across a number of countries. These partnerships will be characterized by a broad range of activities, each generating income and support for UNICEF. This strategy follows market trends in this area and will enable an increase in income from the corporate sector.

Although income from corporate partnerships is often restricted, PFP assessments and growing experience indicates that long-term corporate partnerships enable UNICEF to generate more flexible income, for example, in the form of thematic funding. The division will also be investing time in building and expanding partnerships with private foundations as an emerging source of income for UNICEF.

(c) One-off cash donations from individuals are the second-largest income stream in terms of gross income, though the income and efficiency of such activities is declining in many National Committee countries. As part of the focus on pledge giving, PFP will work with National Committees to shift resources from one-off cash giving into pledge giving, in particular when attracting new supporters. Emphasis will be placed on increasing the efficiency of generating income from cash donations through the use of the Web and, increasingly, mobile fundraising, as these carry much lower costs. Particularly during emergencies, very high levels of support are achieved through these channels. PFP will continue to develop its emergency fundraising capability with a focus on preparedness and rapid response. This is not only vital for ensuring funding for emergency requirements but will also help to attract future UNICEF supporters, many of whom donate for the first time in response to an emergency appeal. The Haiti and Pakistan emergencies have demonstrated that many supporters who donated to UNICEF for the first time go on to become pledge donors.

(d) The implementation of the new cards and gifts 'partnership' model will aim at increasing the volume of sales, leveraging strategic corporate partnerships and licensing, to enter new markets and channels. It also seeks to reduce costs by completing the rationalization of the current operations. In 2012, the savings will start to be realized by PFP, the National Committees and the country offices as a result of the rationalization while the net income ratio from sales is projected to increase. These savings will be realized, in part, through the transfer of the responsibility and costs of part or all logistics and warehousing activities to a central logistic services provider. In PFP, the outsourcing of functions currently performed in-house will enable cards and gifts operations to increase operational flexibility and responsiveness with a lower fixed-cost structure.

(e) Mobilizing better quality other resources, including more flexible non-thematic and thematic income. PFP will steer these resources to the organization through its National Committee strategic allocation initiative that seeks to improve the quality of donor materials, increase the quality and flexibility of National Committee other-resources income, and reduce transaction costs for UNICEF offices. PFP will drive the roll-out and delivery of this initiative through its new National Committee donor toolkits that will be piloted across all regions of UNICEF in 2011.

(f) The scaling-up and testing of digital channels and platforms will be a critical factor in the strategy to maximize private income for children. PFP aims to increase the overall percentage of income generated through internet and mobile platforms in 2011. This will be facilitated by working with National Committees to test various digital fundraising activities and build their overall digital knowledge and capacity through the strategic deployment of investment funds and the use of toolkits and training. Digital fundraising will become a priority channel that will support all aspects of fundraising for regular resources, brand equity and supporter engagement.

(g) Knowledge management is a crucial cross-cutting theme within the division's Strategic Plan for 2011-2013. PFP will create a global knowledge network, linking National Committees, country offices and PFP, so that all partners can learn from each other and enable the fast transfer of successes in one country to others. A PFP central knowledge portal will be at the core of this system, containing carefully selected knowledge related to each of the PFP strategic priorities.

(h) Communication for fundraising, advocacy and brand positioning in relation to the private sector is critical for achieving the results set out in the PFP Strategic Plan. The focus will be to develop a strategic framework for external communication and brand positioning in close coordination with the Division of Communication and, following development of the UNICEF internal global communication strategy, to provide leadership, practical support and guidance to National Committees on the development and management of brand equity. It will also respond to the communication needs of National Committees in emergencies and seek to improve internal communication in all areas related to private-income generation.

(i) PFP will develop integrated country-support plans as a tool to align the National Committee joint strategic plans and country office national fundraising plans with the PFP Strategic Plan. The plans will outline the overall strategic direction and support that PFP will deliver to each country to achieve results. The advocacy team in PFP will work closely with National Committees to realize the implementation of an advocacy framework in countries that have a National Committee presence.

C. Resourcing the strategy to deliver results

23. To deliver income growth, the strategy needs to be appropriately financed and PFP operational support structures need to be calibrated. Appropriate structures are critical for the implementation of cross-cutting strategies and optimal completion of the Cards and Gifts rationalization project that will ultimately result in reduced fixed costs and income growth.

24. The total projected PFP expenditure in 2011 is \$153.9 million, a \$28.4 million increase, in comparison to the 2010 approved budget. This increase includes investment funds amounting to \$17 million that are designed to increase future income. Excluding the investment funds, the PFP 2011 projected expenditure of \$111.9 million incorporates \$17 million for one-off costs planned for Cards and Gifts rationalization only in 2011 (see table 2). Despite the inclusion of these one-off costs, the expense to proceeds ratio (excluding investment funds) remains at the approved 2010 level of 10.8 per cent.

IV. Income and expenditure projections for 2011

25. As indicated in Table 1, PFP net consolidated income for 2011 is projected at \$854.6 million, which is \$93.2 million, or 12 per cent, higher than the 2010 approved budget. A total of \$44 million of this increase will derive from regular resources and the remaining \$49.2 million from other resources.

26. The gross proceeds for 2011 from the sale of cards and gifts are projected at \$109.1 million, from a sales volume of 55 million cards. The decrease in the volume is in line with the new operating model, whereby a number of countries will be transitioning to a licensing model.

27. Other income of \$9.2 million has increased by \$2.9 million, or 46 per cent, compared to the 2010 approved budget, resulting primarily from the alignment in the reporting of financial income by some National Committees.

28. Sales expenses of country offices are projected at \$5.7 million, and National Committee expenses for Cards and Gifts are projected at \$35.1 million. These expenses have decreased by \$0.6 million and \$8.8 million, respectively, compared to the 2010 approved budget, as a result of the Cards and Gifts rationalization.

29. Total expenditure for 2011 is projected at \$153.9 million, compared to \$125.5 million in the 2010 approved budget. This includes \$17 million for one-off costs for Cards and Gifts rationalization and \$42 million for investment funds.

30. The direct expenses, as shown in Table 1, include the following:

(a) The cost of goods and the inventory overhead budget is projected at \$15.2 million, or 14 per cent of gross proceeds, compared to 16 per cent of gross proceeds in the 2010 approved budget. The reduction of \$7 million in 2011 is a result of a decrease in projected gross proceeds from sales and card sales volumes, together with a decrease in the ratio of expenses to proceeds.

(b) The operations and support budget is projected at \$26 million, compared to \$11 million approved for 2010. The increase of 15 million is due to (i) the consolidation of logistics and distribution costs (\$2.7 million), which were previously incurred by National Committees and country offices, and (ii) transitional one-off costs (\$12.3 million) incurred for Cards and Gifts restructuring in 2011 (see table 2).

(c) The cost of promotional materials is projected at \$3.7 million, or 3 per cent, of gross proceeds, compared to 4 per cent of gross proceeds in the 2010 approved budget, representing a reduction of \$1.7 million.

(d) The fundraising budget of country offices remains, at \$3.4 million, broadly in line with the 2010 approved amount of \$3.5 million.

Table 2

Cards and Gifts expenditure budget (excluding allocated expenses)

(In millions of United States dollars)

	2009 actual	2010 approved budget	2010 latest estimates	2011 proposed budget	2011 one-off expenses	2011 Total Budget	Changes 2011 vs. 2010 approved (2011 excl. one-off expenses)	
Sales expenses								
Country office expenses:								
Commissions	1.2	1.6	1.4	0.5	0.5	0.5	(1.1)	-68.8%
Other direct sales expenses	4.4	4.7	5.0	2.6	2.6	5.2	(2.1)	-44.7%
National Committees expenses	37.7	43.9	35.6	35.1		35.1	(8.8)	-20.0%
Total sales expenses	43.3	50.2	42.0	38.2	2.6	40.8	(12.0)	-23.9%
Direct expenses								
Cost of goods and inventory overhead	17.7	22.2	15.5	15.2		15.2	(7.0)	-31.5%
Operations and support	8.6	11.0	12.7	13.6	12.3	25.9	2.6	23.4%
Promotional materials	3.7	5.4	3.8	3.7		3.7	(1.7)	-31.5%
Total direct expenses	30.0	38.6	32.0	32.5	12.3	44.8	(6.1)	-15.9%
Marketing (Cards and Gifts sales)*	3.7	9	8.9	7.3	2.1	9.4	(1.7)	-18.8%
GRAND TOTAL	77.0	97.8	82.9	78.0	17.0	95.0	(19.8)	-20.3%

* The one-off expenses of \$2.1 million include the one-off expenses of \$0.1 million for National Committees.

31. The indirect expenses, as shown in tables 1 and 3, include the following:

(a) The proposed budget for 2011 for the Director's Office, Communication and Finance is \$22.3 million, an increase of \$1.7 million over the 2010 approved budget. The main increases are in communication (\$1.2 million) and in administration and finance (\$0.5 million). The increase in the communication budget is derived largely from an additional five posts and an increased consultancy budget that is designed to enhance the capacity of the section to respond to National Committee communication needs in emergencies and to improve internal communication and knowledge management. The increase in the administration and finance budget is mainly due to an additional post for contract and legal advice, to enhance the organization's ability to engage with National Committees and with contracting partners, and an increase in consultancy and other staff costs to providing support to National Committee internal audits.

(b) The proposed 2011 budget of \$25.2 million for marketing and fundraising has increased by \$4.1 million, or 19 per cent, compared to the 2010 approved amount. The proposed budget of \$9.4 million for marketing has increased by \$0.4 million, compared to 2010 approved. The 2011 budget for marketing expenses includes \$2 million of one-off transitional-post costs for Cards and Gifts restructuring (table 2). Excluding these, there is an actual decrease of \$1.6 million in the 2011 budget for marketing. The proposed budget of \$15.8 million for fundraising has increased by \$3.7 million, compared to 2010 approved. This is mainly due to (i) an increase of seven posts to ensure projected revenues from pledge, corporate and digital fundraising; (ii) an increase in the consultancy budget, largely for the development and roll-out of the digital strategy and digital toolkits, to support cross-country digital marketing tests, to support country offices in the development and use of donor toolkits, to advise in the management and retention of pledge donors and activation and evaluation of major global alliances; and (iii) an increase in the budget for research and development to promote new initiatives.

(c) The National Committee Relations projected budget of \$6.9 million represents an increase of \$0.8 million, compared to the 2010 approved budget. In addition, the other increases are due to incurring one-off expenses for Cards and Gifts rationalization related to licence negotiations and rationalization in the Central and East European markets.

(d) The projected expenses for Regional Support Centres of \$2.5 million are marginally lower (\$0.2 million) than the 2010 approved budget as a result of rationalization of the Cards and Gifts business.

Table 3

Headquarters indirect expenses**2009 actual results, 2010 approved budget, 2010 latest estimates and 2011 proposed budget**

(In millions of United States dollars)

Expenditure type	Director's office, communication, finance and administration				Marketing and fundraising				National Committee relations				Regional support centres			
	2009 actual	2010 appr	2010 LE	2011 prop	2009 actual	2010 appr	2010 LE	2011 prop	2009 actual	2010 appr	2010 LE	2011 prop	2009 actual	2010 appr	2010 LE	2011 prop
Posts	4.1	6.7	6.0	7.9	7.5	13.7	10.2	15.8	2.9	5.0	4.6	5.4	1.2	1.7	1.8	1.8
Other staff costs*	1.3	0.7	1.6	0.8	2.7	0.5	3.5	0.4	0.5	0.2	0.3	0.2	0.2	0.3	0.3	0.3
Consultants	0.5	0.5	0.6	0.9	0.8	1.2	1.6	1.9	0.1	0.2	0.6	0.4	0.0	-	-	-
Travel	0.2	0.3	0.4	0.3	0.7	0.8	0.8	0.8	0.5	0.6	0.6	0.6	0.2	0.3	0.3	0.3
Operating expenses	10.4	12.3	12.2	12.3	0.5	0.8	0.8	1.1	0.1	0.2	0.2	0.4	0.1	0.1	0.1	0.1
Research and Development	-	0.1	-	0.1	2.3	4.2	3.9	5.2					0.3	0.3	-	-
Total	16.6	20.6	20.8	22.3	14.4	21.1	20.8	25.2	4.1	6.1	6.2	6.9	2.0	2.7	2.4	2.5

* Other staff costs includes staff training

LE: latest estimates

V. Investment funds

32. The total investment funds allocation is proposed to increase from \$25.6 million in 2010 to \$42 million in 2011. PFP is proposing to increase the allocation to the Fundraising Development Programme from \$23 million to \$40 million and reduce the Marketing Development Programme from \$2.6 million to \$2.0 million.

33. This increase will bring the level of investment as a percentage of PFP net consolidated income to the same level it was 10 years ago (5 per cent) and is a fundamental element of the strategy to grow pledge income. This additional allocation will enable UNICEF to invest strategically in attracting and retaining larger numbers of pledge donors, thereby generating a significant increase in predictable, longer-term and flexible funding.

34. Analysis indicates that the recommended \$17 million increase in investment funds will make a significant difference in generating longer-term unrestricted income and will support the development of the National Committee and country office fundraising markets. The assumption is that for every dollar of additional investment funding, a return of \$3.64 would be generated over a four-year period. The \$17 million would thus return a total of \$62 million to UNICEF. It is forecast that, over 10 years, the additional investment will generate over \$130 million. These projections are based on cost and income figures from 45 markets and have been verified by an external evaluation.

35. The investment funds will be allocated to National Committees and country offices on the basis of rigorous analysis of the countries' best expected return, absorption capacity and ability to capture market share, using a set of performance indicators.

36. Future pledge-acquisition activity will be focused on replicating established recruitment techniques, where investment performance can be measured and monitored with confidence. This enables the organization to act quickly to scale up investment where there is an opportunity or, equally, to rectify unfavourable performance.

VI. Human resources — post changes

37. The total number of proposed posts for 2011 will be 225, compared to 275 for the 2010 approved budget, 174 of which will be in PFP headquarters and 51 in country offices. This represents an overall net reduction of 24 posts in PFP headquarters and 26 posts funded from the PFP budget in country offices (see annex I).

38. Within PFP, the restructuring of Cards and Gifts foresees the abolishment of a net 37 posts. In other PFP sections, one post is proposed to be abolished and 14 established.

39. A new, significantly leaner and more effective sales organization for the Cards and Gifts business is proposed for 2011. The new structure will gradually be implemented during 2011, with the objective of having it fully in place by the end of 2011. The new Cards and Gifts organization will see a reduction of posts, from 122 to 66, during 2011, including in PFP and country offices.

40. The number of cards and gifts posts at headquarters, in Geneva, New York and Huningue, will be reduced, from 84 in 2010 to 47 in 2011 and to 46 posts in 2012. This is a significant transformation of the PFP organization, driven by the need to outsource activities currently performed in-house that can be performed more efficiently or effectively by third parties. The transformation requires new sets of skills and competencies in many areas of work, thus requiring the abolishment of 73 posts and the establishment of 36 posts.

41. PFP-funded posts to support sales activities in country offices will decrease, from 38 in 2010 to 19 in 2011.

42. The majority of the other 14 new posts are proposed in the Central Fundraising and Communication sections to support delivery of the income growth strategy. None of the new functions are currently being performed in PFP. Some of the new functions require new sets of skills to support the roll-out of the income-generation strategy: pledge stewardship, digital know-how, specialists to drive the roll-out of the toolkits that are critical to increasing less restricted other resources, and knowledge and brand management capacity to lead National Committee efforts in these areas. Other posts are critical to ensure PFP capacity to manage new and emerging issues and those related to growing other-resources income: contract and legal advice to support the move towards licensing and cause-related marketing, corporate support to ensure appropriate service to corporate clients as well as global private foundations, and media in emergencies in support of income-generation activities of National Committees.

Table 4

Strategic Plan financial projections

2009 actual results, 2010 approved budget, 2010 latest estimates, 2011 proposed budget and 2012-2013 projections

(In millions of United States dollars)

	2009 actual results	2010 approved budget	2010 latest estimates	2011 proposed budget	2012 projection	2013 projection
Net proceeds from operating revenues						
Sale of UNICEF cards and gifts	88.6	90.1	71.6	68.3	75.7	78.2
Private fundraising - regular resources	385.2	383.4	403.7	475.3	559.0	678.0
Private fundraising - other resources	395.8	400.8	575.0	450.0	480.0	484.0
Net proceeds	869.6	874.3	1,050.3	993.6	1,114.7	1,240.2
Direct expenses						
Cost of goods and inventory overhead	17.7	22.2	15.5	15.2	15.8	16.4
Operations and support	8.6	11.0	12.8	26.0	14.0	14.6
Promotional materials	3.7	5.4	3.8	3.7	3.8	4.0
Country office expenses - fundraising	5.3	3.5	2.8	3.4	3.5	3.7
Total direct expenses	35.3	42.1	34.9	48.3	37.2	38.7
Investment funds	19.6	25.6	26.9	42.0	49.0	55.0
Direct contribution from operations	814.7	806.6	988.5	903.3	1,028.5	1,146.5
Indirect expenses						
Director's office, communication, finance and administration	16.6	20.6	20.8	22.3	23.2	24.1
Marketing and fundraising	14.4	21.1	20.8	25.2	26.2	27.3
National Committee relations	4.1	6.1	6.2	6.9	7.2	7.5
Regional support centres	2.0	2.7	2.4	2.5	2.6	2.7
Bad debts expense	1.0	1.0	1.0	1.0	1.0	1.0
Total indirect expenses	38.1	51.5	51.2	57.9	60.2	62.5
Income before non-operating items	776.7	755.1	937.3	845.4	968.3	1,083.9
Non-operating items						
Other income	15.2	6.3	8.5	9.2	9.6	10.0
Foreign exchange gains (losses)	(16.6)	-	(25.0)	-	-	-
Net income for the period	775.2	761.4	920.8	854.6	977.9	1,093.9

Table 5
Range of budgeted income and expenditure
1 January-31 December 2011

(In millions of United States dollars)

	<i>I</i> <i>low</i> <i>projection</i>	<i>II</i> <i>medium</i> <i>projection</i>	<i>III</i> <i>high</i> <i>projection</i>
Net proceeds from operating revenues			
Sale of UNICEF Cards and Gifts	61.5	68.3	73.1
Private fundraising - regular resources	427.8	475.3	522.8
Private fundraising - other resources	405.0	450.0	495.0
Net proceeds	894.2	993.6	1,090.9
Direct expenses			
Cost of goods and inventory overhead	14.0	15.2	16.3
Operations and support	24.7	26.0	27.8
Promotional materials	3.4	3.7	4.0
Country office expenses - fundraising	3.2	3.4	3.6
Total direct expenses	45.3	48.3	51.7
Investment fund expenditures	39.9	42.0	44.9
Direct contribution from operations	809.0	903.3	994.3
Indirect expenses			
Director's office, communications, finance and administration	21.2	22.3	23.9
Marketing and fundraising	23.9	25.2	27.0
National Committee relations	6.6	6.9	7.4
Regional support centres	2.4	2.5	2.7
Bad debts expense	1.0	1.0	1.1
Total indirect expenses	55.0	57.9	62.0
Income before non-operating items	754.0	845.4	932.3
Non-operating items			
Other income	8.6	9.2	9.8
Foreign exchange gains (losses)		-	
Net income for the period	762.6	854.6	942.2

VII. Draft decisions

43. The draft decisions relating to the Private Fundraising and Partnerships budget for 2011 are presented below for Executive Board approval.

A. Private Fundraising and Partnerships budgeted expenditures for 2011 season

The Executive Board

1. *Approves* for the fiscal year 2011 (1 January to 31 December) budgeted expenditures of \$153.9 million, as detailed in the table below and summarized in column II of table 5 to document E/ICEF/2011/AB/L.1.

(In millions of United States dollars)

Country office expenses — sales	5.7
Cost of goods and inventory overhead	15.2
Investment funds	42.0
Direct expenses (excluding cost of goods)	33.1
Indirect expenses	57.9
Total expenditures, consolidated	153.9

2. *Authorizes* UNICEF

(a) To incur expenditures, as summarized in column II of table 5 to document E/ICEF/2011/AB/L.1, and to increase expenditures, up to the level indicated in column III of the same table, should the apparent proceeds from fundraising or cards and gifts sales increase to the levels indicated in column III; and accordingly, to reduce expenditures below the level indicated in column II, to the extent necessary, should the net proceeds decrease;

(b) To redeploy resources between the various budget lines (as detailed in paragraph 1 above), up to a maximum of 10 per cent of the amounts approved;

(c) To spend an additional amount between Executive Board sessions, when necessary, up to the amount caused by currency fluctuations, to implement the 2011 approved workplan.

B. Budgeted income for the 2011 season

The Executive Board

Notes that for the period 1 January to 31 December 2011, Private Fundraising and Partnerships net proceeds are budgeted at \$993.6 million, as shown in column II of table 5 in document E/ICEF/2011/AB/L.1.

C. Policy issues

The Executive Board

1. *Renews* investment funds, with \$42 million established for 2011;
2. *Authorizes* UNICEF to incur expenditures in the 2011 fiscal period related to the cost of goods and inventory overhead (production and purchase of raw materials, cards and other products) for the 2012 fiscal year, up to \$15.8 million, as indicated in the Private Fundraising and Partnerships Strategic Plan 2011-2013 financial projections (table 4 of document E/ICEF/2011/AB/L.1);
3. *Approves* an interim one-month allocation for January 2011 in the amount of \$15.4 million, to be absorbed in the annual Private Fundraising and Partnerships budget for 2011.

Annex I

Summary of post changes proposed for 2011

Detail	Post levels							Total IP	NO	GS	Grand total
	D2	D1	P5	P4	P3	P2	P1				
Base PAT 2010 approved	1	4	20	37	41	16	0	119	25	131	275
Final after changes in 2010 LE*	1	4	20	37	41	16	0	119	21	127	267
PFP headquarters											
Approved 2010	1	4	17	32	39	16	0	109	0	89	198
Establish and abolish in 2011								0			0
Fundraising				3	3			6		1	7
Cards and Gifts			-1	2	6	-5		2		-39	-37
Communication				1	2			3		2	5
Operations and Finance				1		-1		0		1	1
Proposed 2011	1	4	16	39	50	10	0	120	0	54	174
Change vs. 2010 approved	0	0	-1	7	11	-6	0	11	0	-35	-24
RSCs and UNICEF country offices											
Approved 2010	0	0	3	5	2	0	0	10	25	42	77
2010 LE	0	0	3	5	2	0	0	10	21	38	69
Establish and abolish in 2011	0	0	0	1	-1	0	0	0	0	-18	-18
Proposed 2011	0	0	3	6	1	0	0	10	21	20	51
Change vs. 2010 approved	0	0	0	1	-1	0	0	0	-4	-22	-26
TOTAL PFP											
Approved 2010	1	4	20	37	41	16	0	119	25	131	275
2010 LE	1	4	20	37	41	16	0	119	21	127	267
Proposed 2011	1	4	19	45	51	10	0	130	21	74	225
Change vs. 2010 approved	0	0	-1	8	10	-6	0	11	-4	-57	-50

IP: international professional; NO: national officer; GS: general service staff; LE: latest estimates;

PAT: Post authorization table; RSCs: Regional support centres.

* Posts charged to regular resources budget of country offices were reduced.

Annex II

Executive summary of the PFP Strategic Plan 2011-2013

Introduction

1. The Executive Board, in decision 2002/6, requested the Private Sector Division to submit, as part of its workplan and budget proposal for 2003, a comprehensive business plan to be updated annually, detailing the division's contribution to the UNICEF medium-term strategic plan (MTSP) of UNICEF.

2. For the period 2011-2013, the Division has developed a three-year strategic plan in consultation with key stakeholders, including the National Committees, country offices and Headquarters divisions. The plan, developed during the period October 2009 to November 2010, also addresses the recent Executive Board request that the Division provide a longer-term perspective to income generation from private-sector donors, including National Committees and corporate partners. The present document outlines the PFP business plan, and is a summary of the Strategic Plan for 2011-2013.

I. Challenges

3. Externally, private fundraising has become increasingly competitive globally. The environment is rapidly evolving, with an increase in the number and type of professional not-for-profit organizations and new media channels for advocacy, marketing and fundraising. Private donors and supporters are faced with a vast range of options and at the same time they increasingly scrutinize the organizations to which they contribute.

4. Within this context, it is critical for UNICEF to increase its public support. In addition to ensuring the best use of resources, there is a need to develop new and innovative channels for resource mobilization, including digital and new media, and continue investment in acquiring pledge donors.

5. Internal challenges include the need to drive synergy and alignment in all areas — fundraising, cards and gifts, advocacy, communication and corporate engagement. PFP, National Committees and country offices will need to work in close alignment when formulating target groups and channels in annual resource mobilization plans, campaigns and emergency efforts.

II. Functions, expected results and strategies

6. The PFP Strategic Plan 2011-2013 sets the strategic direction for mobilization of private-sector support for the implementation of the MTSP priorities until the end of 2013. The aim is also to consolidate current strategies and approaches at the global level in order to contribute to creating a common vision and a framework for private-sector resource mobilization and leveraging at all levels of UNICEF. This includes working closely with the Public-Sector Alliances and Resource Mobilization Division on a one-country approach to partnering and working with donor countries that have a UNICEF National Committee presence and with the

Division of Communication on external communication and brand positioning in National Committee countries.

7. Underpinning the PFP Strategic Plan is the recognition that PFP adds greatest value to National Committees and country offices by advancing a number of transformational priorities consistently and proactively across all countries. The strategic plan lays out the strategic choices made for the next three years: (a) growing income in line with MTSP funding targets; (b) focusing on strategic communication and brand positioning; (c) expanding use of digital culture and knowledge management as cross-cutting priorities; (d) ensuring strategic guidance and support; and (e) balancing choice and integration.

A. Growing income in line with the MTSP funding targets

8. The major objective will be to maximize the quality of private-sector income raised by National Committees, PFP and country offices. The focus will be on unrestricted regular resources and on better quality and less restricted other resources. PFP will also tackle the challenge of proactively expanding pledge income and transforming its private-sector income-generation to a digital model.

9. For the first time, PFP will develop a fully integrated income-generation strategy that brings together individual private-sector fundraising at global and country levels, corporate and private-foundation fundraising and cards and gifts sales within a common strategic approach. The new cards and gifts sales and marketing model and the strategic framework for fundraising in country offices will be integral parts of the strategy.

10. Maximizing regular resources will be the focus for all income streams. There will be four elements to this strategy:

- (a) Become a global leader in pledge fundraising;
- (b) Increase regular resources from other key income streams already contributing significant levels of regular resources;
- (c) Increase the proportion of regular resources from donors generally focused on other resources;
- (d) Maximize the use of 'pathways' to pledge through the systematic conversion of other individual supporters, particularly those initiating support during emergencies.

11. PFP will work together with National Committees and country offices to transform the other-resources fundraising landscape, especially in highly competitive markets where donors require customized country-level proposals and reports that provide them with tangible, downstream activities but incur high transaction costs at headquarters and field levels.

B. Focusing on strategic communication and brand positioning

12. To strengthen brand equity with UNICEF supporters, PFP will continue to support both the short-term communication work of National Committees and long-term targets in brand positioning.

13. Within the framework of the global communication strategy that the Division of Communication will finalize by mid-2011, PFP will develop and implement a strategic framework for external communication and brand positioning in National Committee countries. The strategic framework will look at the wider aspect of National Committee positioning of the brand.

14. The UNICEF brand book that provides clear guidance on the use of the UNICEF brand needs to be accompanied by practical support and guidance to National Committees on the development and management of brand equity. Specifically, PFP has identified the need to implement a standard UNICEF brand-equity template comprising the following elements:

- (a) A standard UNICEF brand-equity scorecard;
- (b) An on-going equity study adding to the current 'barometer' studies;
- (c) An annual equity review by country;
- (d) A PFP team that serves as an advisory group to help National Committee countries use equity tools and techniques to build a stronger UNICEF brand.

C. Expanding use of digital culture and knowledge management

15. Two major new initiatives will commence during the 2011-2013 period:

- (a) PFP will support transformation and use of a digital culture for private-sector engagement, enabling UNICEF to build the capacity of National Committees and country offices to expand interactions with private supporters, further build brand equity and grow income;
- (b) PFP will support establishment of a structured knowledge management system to proactively share best practices and learning between countries generating private-sector income. An important outcome will be a much closer alignment with National Committees and country offices through shared strategic frameworks, a global approach to the development of country support plans, digitization and expanded knowledge management practices.

D. Ensuring strategic guidance and support

16. PFP will provide support to National Committees and country offices to conduct integrated strategic planning for private-sector income-generation, including through specialist expertise and targeted investment funds.

17. Moreover, engagement with National Committees will be strengthened through the new Cooperation Agreement and joint strategic plans that will be aligned with the PFP strategic plan. Joint strategic plans will be developed and signed with each National Committee.

18. PFP will continue to support National Committees in improving performance and governance structures and related mechanisms, with a focus on the following aspects:

(a) Fostering an open relationship based on mutual respect and trust with National Committees and country offices, acting as a preferred and trusted source of guidance and advice on private-sector partnerships and income-generation;

(b) Supporting and being available to advise the boards and senior staff of National Committee on UNICEF policies and priorities as well as in identifying and addressing constraints to effective fundraising, good governance and brand positioning;

(c) Facilitating and supporting effective governance structures in National Committee countries to enable delivery of planned outcomes and joint strategic plan commitments.

19. Assessments will be made in all countries of opportunities to deliver joint strategic priorities and of the capacity of National Committees and country offices to deliver on the planned results. PFP will develop integrated country support plans and additional resources and investment funds will be allocated based on country assessments.

20. The implementation of a strategic framework for private fundraising by country offices will define the future direction of country-office private-sector fundraising and has the long-term intent of increasing the share of regular resources. To this end, private-sector investments in country offices will be increasingly focused on raising regular resources and investments, and technical support from PFP will be increasingly focused on key markets.

21. PFP will also work to support a globally integrated approach by developing and encouraging linkages between National Committees and country offices in areas of common interest within advocacy and education for development, external communication and brand positioning strategies.

E. Balancing “choice” and “integration”

22. While National Committees and country offices have many opportunities, PFP has limited resources to support their delivery. Choices will need to be made to ensure optimal use of available private-sector resources to deliver the 2011-2013 priorities.

23. A major driver of integration will be prioritization of PFP actions and deployment of private-sector resources against an integrated country support plan for each country that takes into account the full range of needs, opportunities and risks. From 2011 onwards, every National Committee and every country office will continue to receive an assured support package for each relevant area of PFP responsibility, as well as the strategic targeting of additional staff resources and investment funds towards major market opportunities that deliver the priorities outlined in the Strategic Plan 2011-2013.

24. The new approach of prioritization of support actions is expected to result in the reduction of transaction costs, increased efficiency gains and additional cost savings. It is also expected to have a positive impact on the way PFP will work to provide support to countries. This combination of focus and choice will enable the Division, working with National Committees, country offices and wider UNICEF community, to ensure more consistent and strategic direction in the areas under its purview.

F. Management and operations

25. In order to implement the strategic plan, PFP will develop a detailed workplan, to be reviewed and updated annually, that will set priorities, define key results, related actions and timelines for delivery. Roles and responsibilities will be clearly identified.

26. The PFP workplan will be complemented by an annual management plan — an internal divisional management tool that will detail the management strategy and performance indicators, management and coordination mechanisms, as well as staff accountabilities to support implementation of the workplan. Management will focus on the following priorities:

(a) Continue to improve organizational effectiveness and performance management in order to support implementation of the above strategies and achievement of planned results;

(b) Implement relevant changes to the United Nations accounting standards to comply with International Public Sector Accounting Standards and changes driven by the Virtual Integrated System of Information — One Enterprise Resource Planning;

(c) Strengthen internal communication by further developing systems and mechanisms for coordination and internal communication within PFP, including through the PFP intranet portal;

(d) Promote staff learning and career development through PFP participation in the Leadership Development Initiative and other key learning and development investments in support of staff. Special support will be provided to Cards and Gifts staff during the implementation of the business rationalization process.

27. A number of information technology improvements are also planned, including the application of the Cognos Enterprise Planning software in the areas of joint strategic plans, budgeting and electronic investment fund processing and reporting. Information technology support and services will continue to be provided to PFP through UNICEF Common Services.
