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Private Fundraising and Partnerships: 2008 workplan and budget for private fund-raising**

Summary

The 2008 Private Fundraising and Partnerships (PFP) workplan and budget is presented to the Executive Board for approval.

In 2008, PFP will generate a projected sum of $746.4 million in net consolidated income, of which $395.3 million will be for regular resources and $351.1 million for other resources. This will be achieved with expenditures of $124.3 million.

The Executive Board is requested to adopt the draft decisions relating to the budget proposal contained in paragraph 36.

* E/ICEF/2008/1.
** Note: This document was submitted late due to the need for internal consultations.

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Contents

I. Overview

A. Introduction

1. Private Fundraising and Partnerships (PFP) incorporates the functions of the previous Private Sector Division, elements of fund-raising and National Committee for UNICEF support of the Regional Office for Europe, the entire Office of Public Partnerships, and management of the UNICEF International Goodwill Ambassador programme.

2. While core work regarding partnership and advocacy remains financed through the UNICEF Biennial Support Budget, (document E/ICEF/2008/1), this document presents the private fund-raising, sales and marketing budget of PFP for 2008.

3. In addition to this re-organization, a comprehensive review of the cards and gift business is being carried out in 2007 and early 2008 to identify alternative business models for sales and marketing, while retaining strategic functions within UNICEF.

4. For 2007, the total net consolidated income is estimated to surpass the original targets set in the 2007 approved budget by $5.8 million, to reach $694.9 million. This is compared to the 2006 actual results of $734.9 million that included the 2004 Indian Ocean tsunami emergency funds of about $50.0 million.

B. 2008 objectives

5. For 2008, the financial objective of PFP is to achieve a net consolidated income of $746.4 million, which is 7.4 per cent higher than the 2007 latest estimates. This net consolidated income comprises $395.3 million for regular resources (10.4 per cent higher than the July 2007 latest estimates) and $351.1 million for other resources (4.2 per cent higher than the 2007 latest estimates). See tables 1 and 1A.

6. Operationally, the phased integration of these various functions, the implementation of new country office fund-raising strategies, and the outcome of the cards and gifts review will be significant challenges in 2008. These will include defining new and/or revised work processes, structures and teams.

C. Consolidated income and expense projections for 2008

7. Two formats of the PFP income statement are included in the present workplan and budget document: table 1 — PFP income statement; and table 1A — Net income after allocation of operating expenses of private fund-raising by revenue-generating activity (Management statement — supporting table 1).

8. Table 1 reflects PFP results contained in the financial report that is submitted to and noted by the UNICEF Executive Board. This table is prepared in accordance with Executive Board requirements. Table 1A is a management statement showing the PFP operating results of its two revenue-generating activities, fund-raising and sales of cards and gifts. This statement allocates costs of central fund-raising, National Committee Relations and Country Support and support services between fund-raising and sales to measure the net contribution of each activity.

9. As indicated in table 1, the PFP net consolidated income for 2008 is projected at $746.4 million. It comprises net operating income from private fund-raising of $356.1 million and $60.6 million of card and gift sales, offset by the cost of investment funds of $21.4 million to support fund-raising and sales initiatives.

10. In 2008 (see table 1A), 83 per cent ($329.3 million) of the regular resources income is attributable to fund-raising activities, and 17 per cent ($66.0 million) to sales of cards and gifts.

11. In fund-raising, the net operating income (before investment funds) for regular resources for 2008 is projected at $347.3 million, compared to the 2007 latest estimate of $313.1 million, an increase of 11 per cent.(see table 1A).

12. In card and gift sales, for 2008, sales gross proceeds are projected at $168.0 million, a 4.7 per cent increase over the 2007 latest estimate (see table 1). Cards volume is projected at 96 million cards. This is an increase of 2.1 per cent over the 2007 latest estimate. After allocating operating expenses, the net operating income from card and gift sales (before investment funds) for 2008 is projected to be $69.4 million, compared to the 2007 latest estimates of $66.1 million (see table 1A).

13. Net proceeds from card and gift sales for 2008, after deducting the amounts ($59.9 million) retained by National Committees for UNICEF, commissions paid to consignees and direct expenses at UNICEF country offices, are projected at $108.1 million, $5.3 million (5.2 per cent) higher than the 2007 latest estimates. Other income for 2008 is also projected to grow, to $22.0 million, an increase of $4.0 million (22.2 per cent) over the 2007 latest estimates. This includes revenues on card sales in the United States market by Hallmark, as well as royalties from the sale of licensed gifts and National Committee products, donations generated from brochure and order forms, and bank interest.

14. Consolidated expenditure for 2008, as summarized in table 2, is projected at $124.3 million, which is $16.0 million (14.8 per cent), more than 2007 latest estimates. This increase comprises of increased cost of and new investment in fund-raising services, communication and National Committee support ($9.8 million) and increased operating expenses of support services (including common services support, policy and monitoring capacity) of $4.5 million. In addition, expenditure encompasses two other costs:

(a) Cost of goods delivered ($1.6 million), which grew by 5 per cent in line with projected sales growth;

(b) Marginal increase in costs of investment funds ($0.1 million).

15. In comparison to the 2007 approved budget, there is an increase of $13.8 million (12.4 per cent), proposed for the 2008 budget.

D. Human resources

16. A net increase of 11 posts is proposed for 2008, from 231 to 242. Included is a net decrease of 16 posts at country offices/regional support centres, which includes the transfer of 20 posts from the PFP budget to be covered from the fund-raising proceeds in the country offices, as per new country office strategies that are elaborated in the Business Plan.

17. Thus, the proposed staffing structure will comprise 159 posts at PFP headquarters (including 92 International Professional and 67 General Service posts) and 83 posts at the field level (including 13 International Professional, 24 National Professional and 46 General Service posts in regional support centres and country offices).

Table 1. PFP income statement — 2006 actual, 2007 approved budget, 2007 latest estimates and 2008 proposed budget

(In millions of United States dollars)

	2006 Actual	%	2007 Approved Budget a/	%	2007 Latest estimates	%	2008 Proposed	%	Variance 2008 vs. 2007 Latest estimates $	%
Gross proceeds - card and gift sales	147.0		160.4		160.5		168.0		7.5	4.7
Less: Retention/commissions and direct expenses at country offices	54.6	37.1	56.2	35.0	57.7	36.0	59.9	35.7	2.2	3.8
Net proceeds - card and gift sales	92.4		104.2		102.8		108.1		5.3	5.2
Less: Cost of goods delivered	27.1	18.4	31.9	19.9	31.8	19.8	33.4	19.9	1.6	5.0
Operating expenses	25.0	17.0	29.3	18.3	28.9	18.0	35.1	20.9	6.2	21.5
Provision for doubtful accounts	1.8		1.0		1.0		1.0		-	-
Add: Other income	18.1		15.0		18.0		22.0		4.0	22.2
Net operating income - card and gift sales	56.6	38.5	57.0	35.5	59.1	36.8	60.6	36.1	1.5	2.5
Net operating income - Private sector fund-raising	337.9		317.2		320.1		356.1		36.0	11.2
Less: Investment funds	17.2		21.4		21.3		21.4		0.1	0.5
Total net operating income	377.3		352.8		357.9		395.3		37.4	10.4
Less: Exchange rate adjustment	(15.3)									
Net income - regular resources	392.6		352.8		357.9		395.3		37.4	10.4
Add: PSFR other resources	342.3		336.3		337.0		351.1		14.1	4.2
Net consolidated income	734.9		689.1		694.9		746.4		51.5	7.4
										%
Card sales volume (millions)	*92*		*112*		*94*		*96*		*2*	2.1

PSFR = private sector fund-raising

a/ As approved by the Executive Board (decision 2007/2, paragraph 2)

Table 1A. Net income after allocation of operating expenses by revenue-generating activity — 2006 actual, 2007 approved budget, 2007 latest estimates and 2008 proposed budget: Management statement — supporting table 1

(In millions of United States dollars)

	2006 Actual			2007 Approved Budget			2007 Latest estimates			2008 Proposed		
	Card and Gift Sales	Private Sector Fundraising	Total	Card and Gift Sales	Private Sector Fundraising	Total	Card and Gift Sales	Private Sector Fundraising	Total	Card and Gift Sales	Private Sector Fundraising	Total
Gross proceeds	147.0		147.0	160.4		160.4	160.5		160.5	168.0		168.0
Less: Retention/commissions and direct expenses at country offices	54.6		54.6	56.2		56.2	57.7		57.7	59.9		59.9
Net proceeds	92.4	351.6	444.0	104.2	337.5	441.7	102.8	339.0	441.8	108.1	383.1	491.2
Less: Cost of goods delivered	27.1		27.1	31.9		31.9	31.8		31.8	33.4		33.4
	65.3	351.6	416.9	72.3	337.5	409.8	71.0	339.0	410.0	74.7	383.1	457.8
Less: Marketing expenses	6.4	13.7	20.1	7.5	20.3	27.8	7.8	18.9	26.7	9.5	27.0	36.5
	58.9	337.9	396.8	64.8	317.2	382.0	63.2	320.1	383.3	65.2	356.1	421.3
Less: Support services	12.8	5.8	18.6	15.1	6.7	21.8	14.6	6.5	21.1	17.3	8.3	25.6
Provision for doubtful accounts	0.6	1.2	1.8	0.5	0.5	1.0	0.5	0.5	1.0	0.5	0.5	1.0
	45.5	330.9	376.4	49.2	310.0	359.2	48.1	313.1	361.2	47.4	347.3	394.7
Add: Other income	12.9	5.2	18.1	15.0		15.0	18.0		18.0	22.0		22.0
Net operating income before investment funds	58.4	336.1	394.5	64.2	310.0	374.2	66.1	313.1	379.2	69.4	347.3	416.7
Less: Investment funds	1.6	15.6	17.2	3.2	18.2	21.4	3.4	17.9	21.3	3.4	18.0	21.4
Total net operating income	56.8	320.5	377.3	61.0	291.8	352.8	62.7	295.2	357.9	66.0	329.3	395.3
Less: Exchange rate adjustment	(4.5)	(10.8)	(15.3)	-		-						-
Net income - regular resources	61.3	331.3	392.6	61.0	291.8	352.8	62.7	295.2	357.9	66.0	329.3	395.3
Add: Other resources		342.3	342.3		336.3	336.3		337.0	337.0		351.1	351.1
Net consolidated income	61.3	673.6	734.9	61.0	628.1	689.1	62.7	632.2	694.9	66.0	680.4	746.4
					-							

Operating expenses												
Marketing expenses	6.4	13.7	20.1	7.5	20.3	27.8	7.8	18.9	26.7	9.5	27.0	36.5
Support services	12.8	5.8	18.6	15.1	6.7	21.8	14.6	6.5	21.1	17.3	8.3	25.6
Provision for doubtful accounts	0.6	1.2	1.8	0.5	0.5	1.0	0.5	0.5	1.0	0.5	0.5	1.0
Investment funds	1.6	15.6	17.2	3.2	18.2	21.4	3.4	17.9	21.3	3.4	18.0	21.4
Total operating expenses and investment funds	21.4	36.3	57.7	26.3	45.7	72.0	26.3	43.8	70.1	30.7	53.8	84.5
% to total operating expenses and investment funds	37.1	62.9	100.0	36.5	63.5	100.0	37.5	62.5	100.0	36.3	63.7	100.0

TABLE 2. Summary of expenditures —
2006 actual, 2007 approved budget, 2007 latest estimates and 2008 proposed budget
(In millions of United States dollars)

	2006 Actual	2007 Approved budget a/	2007 Latest estimates	2008 Proposed	Variance 2008 vs. 2007 Latest estimates	
					$	%
MARKETING						
Commissions - country offices	1.1	1.8	1.7	1.7	-	-
Cost of goods delivered	27.1	31.9	31.8	33.4	1.6	5.0
Operating expenses	25.9	33.6	32.4	42.2	9.8	30.2
Subtotal	54.1	67.3	65.9	77.3	11.4	17.3
SUPPORT SERVICES						
Operating expenses	18.6	21.8	21.1	25.6	4.5	21.3
INVESTMENT FUNDS	17.2	21.4	21.3	21.4	0.1	0.5
TOTAL EXPENDITURES	89.9	110.5	108.3	124.3	16.0	14.8

a/ As approved by the Executive Board (decision 2007/2, para 2).

II. Fund-raising, National Committee Relations and Country Support, and Communication

A. Introduction

18. PFP is responsible for revenue-generation, in collaboration with National Committees and other partners, from fund-raising and sales initiatives. As of 2008, the area previously called Marketing comprises Central Fundraising Services, National Committee Relations and Country Support, and Communication. For ease of comparison with earlier years, the term ‘marketing’ is retained in the tables.

19. Fund-raising and Marketing units provide fund-raising and sales expertise and leadership. This group includes product development specialists, fund-raising services specialists, a centre for strategic market knowledge, a donor/programme matching team and an innovation unit. Corporate and foundation fund-raising is also part of the central fund-raising group.

20. The new National Committee Relations unit will be the first “port of call” for National Committees. Five teams, (current Brand Groups with amalgamated planning functions of the Geneva Regional Office), clustered by countries, will provide strategic support and resources to National Committees to reach common goals in fund-raising and sales, and will actively participate in Joint Strategic Planning (JSP) with one country team dedicated solely to managing emerging markets.

21. A new communication unit will support National Committees advocacy and fund-raising activities by serving as a liaison among National Committees, Country Offices and Headquarters for information management on regular programme activities and emergencies. The unit will also help to direct and manage effective positioning of the UNICEF brand in National Committee countries, and coherent messaging. A Strategic Review of the communication function within PFP is ongoing.

B. Objectives for 2008

22. The financial objectives for 2008 are to achieve:

(a) Net consolidated income from fund-raising of $680.4 million (including $329.3 million for regular resources and $351.1 million for other resources) and $66.0 million from sales of cards and gifts;

(b) Net proceeds from fund-raising for regular resources of $383.1 million (13.0 per cent higher than the 2007 latest estimates);

(c) Gross proceeds from product and gift sales of $168.0 million (4.7 per cent higher than the 2007 latest estimates), with a card sales volume of 96 million cards (2.1 per cent higher than the 2007 latest estimates).

C. Strategies for 2008

23. Private fund-raising income-generation strategies for 2008 are the following:

(a) Strengthening the specialist fund-raising services team with additional expertise in key areas. This will equip the team to respond to immediate opportunities, such as television fund-raising, as well as to address underdeveloped areas, such as major donors;

(b) Building the central fund-raising innovation team, which will combine technical fund-raising skills with programme content presentation to formulate new fund-raising offers;

(c) Creation of a proactive programme/donor matching team, responding to needs expressed by National Committees and supporting the increased emphasis on directing fund-raising from major donors, corporations and foundations in strategic sectoral and geographic areas;

(d) Evolving the scope of the current market research function to a strategic market knowledge team. This team will be strengthened by adding a market measurement resource focusing on market and competitive intelligence and trends;

(e) Expand and fully integrate corporate and foundation fund-raising with other areas of fund-raising, responding to needs and concerns expressed by National Committees;

(f) Finalize the strategic review of the cards and gifts business, identify and recommend alternative business models options to enhance its effectiveness and efficiency and start implementation;

(g) Support the streamlining of country office fund-raising. Identify and recommend approaches to streamlining private fund-raising by country offices;

(h) Ensure effective utilization of available synergies between fund-raising, advocacy/Education for Development and communication through the new "one stop shop" approach;

(i) Create new mechanisms for effective oversight and follow-up of Cooperation Agreements, strategic plans, profitability of investment funds and efficiency of collaborative tools between UNICEF and National Committees;

(j) Strengthen coherence of internal intranet-based tools in order to ensure consistent messaging for communication, fund-raising, sales, and advocacy activities.

D. Analysis of the 2008 proposed budget

24. Total operating expenses to support the fund-raising and sales activities in 2007 are projected at $42.2 million (see table 3), an increase of $9.8 million (30.4 per cent) compared to the 2007 latest estimates. This is due to several factors: (a) the increase in the number of regular posts at PFP headquarters, provision for termination indemnities for staff on abolished positions, filling the vacancies on existing posts, and inflation ($5.8 million); (b) an increase in the expenses of UNICEF country offices and regional support centres ($2.4 million), mainly due to the strengthening of fund-raising and sales activities, especially in the markets with high potential, such as Brazil; (c) higher travel costs due to a higher number of staff, business expansion, previous-year travel savings due to vacancies, and the oil price hike impact on air fares ($0.6 million); (d) additional consultancy support to National Committees in the area of communication and fund-raising, e.g., new media and television ($0.5 million); (e) expansion of research and development in the most promising initiatives of National Committees ($0.4 million); and (f) other operating expenses ($0.1 million).

25. For 2008, investment funds amounting to $21.4 million are proposed, a figure that is at the level of the 2007 approved budget. The investment funds proposed for 2008 reflect the funding requirements for supporting implementation by National Committees and UNICEF country offices of new fund-raising and sales initiatives which, if successful, could give above-average returns on investment.

Table 3. Marketing: expenses for 2006 actual, 2007 approved budget, 2007 latest estimates and 2008 proposed budget

(In thousands of United States Dollars)

Expenditures	2006 Actual	2007 Approved budget	2007 Latest estimates	2008 Proposed budget	Changes 2008 vs. 2007 Latest estimates	
					$	%
Commissions - country offices	1,137	1,816	1,666	1,709	43	2.6
Operating expenses						
International posts	5,299	7,902	6,264	10,433	4,169	66.6
Local posts	1,764	2,060	2,010	3,025	1,015	50.5
Other post related costs a/	424	317	317	1,005	688	217.0
Staff training	62	156	151	36	(115)	(76.2)
Other staff costs b/	1,555	1,958	2,295	2,362	67	2.9
Consultants	224	770	866	1,335	469	54.2
Travel	1,014	1,367	1,293	1,853	560	43.3
Other operating expenses c/	441	741	887	1,037	150	16.9
Furniture and equipment d/	84	101	100	127	27	27.0
Research and development	3,065	4,057	3,752	4,162	410	10.9
Country office expenses - product sales	3,948	4,833	4,667	4,738	71	1.5
Country office expenses - PSFR	4,889	6,683	7,022	8,795	1,773	25.2
Regional support center expenses	1,298	1,633	1,756	2,318	562	32.0
Provision for doubtful accounts	1,850	1,000	1,000	1,000	-	-
Subtotal operating expenses	25,917	33,578	32,380	42,226	9,846	30.4
Total expenses	27,054	35,394	34,046	43,935	9,889	29.0

a/ Terminination indemnity and reimbursement of taxes.
b/ Short-term assistance, staff welfare and overtime.
c/ Contractual services, rent and maintenance of premises, rental and maintenance of furniture, equipment, communications, supplies and materials, hospitality and miscellaneous services.
d/ Office equipment, computer equipment and computer software.
PSFR = private sector fund-raising.

III. Support services

A. Introduction

26. The Support Services group provides support to the activities of PFP and includes the Office of the Deputy Director, Operations Support Services, Finance, and Policy and Monitoring. These functions directly support PFP income-generating activities and are funded from the PFP budget.

27. Human Resources, Administration, and Information Technology functions are provided through Geneva Common Operations Services (COS). The COS Administration and IT functions report to the PFP Office of the Deputy Director. PFP is charged an apportioned part of the Common Services costs.

B. Objectives for 2008

28. Support Services plans to achieve the following objectives:

(a) Maintain cost of goods within approved levels while delivering industry-standard customer service levels to sales partners;

(b) Harmonize and enhance strategic planning, budgeting and business analysis procedures and systems to provide more robust financial and analytical support to National Committees and country and technical teams;

(c) In Governance, coordinate and monitor policies and processes for optimizing resources and outcomes within the responsibilities of PFP;

(d) Improve forecasting of fund-raising and sales projections through periodic reviews with National Committees;

(e) Assume financial monitoring responsibilities on all private fund-raising activities and reported funds due to UNICEF from National Committees (regular resources and other resources) and harmonize and streamline relevant procedures.

C. Strategies for 2008

29. The following are strategies to achieve the above objectives:

(a) Create an agile supply chain to maximize efficiency at the lowest possible cost, and evaluate alternative operations and distribution models, including outsourcing;

(b) Focus on long-term arrangements and standardization of promotional sales materials and displays to better support ever more complex retail initiatives;

(c) Define and implement the new strengthened structures and new processes for planning and budgeting, including support to Joint Strategic Planning preparation and new systems;

(d) Review and monitor cash remittance forecasts from National Committees; closely monitor and follow up all receivables, leading to timely collection of all dues to UNICEF;

(e) Enhance financial procedures, monitoring mechanisms and guidelines to support fund-raising strategies and activities in UNICEF country offices;

(f) Promote fraud prevention and risk management through the use of self-assessment and audit principles, in collaboration with National Committees and UNICEF regional offices;

(g) Streamline all financial and marketing practices to be in accordance with the International Public Sector Accounting Standards (IPSAS) by 2010.

D. Analysis of the proposed budget for 2008

30. Total expenses for support services are projected at $25.6 million (see table 4), an increase of $4.5 million (21.3 per cent) compared to the 2007 latest estimates. This is primarily due to a decreased post vacancy rate and one-time staff separation costs ($1.7 million), an increase in the PFP share of UNICEF Common Services due to the integration of the two Geneva-based units into one entity ($2.0 million), an increase in administrative costs of regional support centres ($0.5 million) and inflation increases ($0.3 million).

Table 4. Support services: expenses for 2006 actual, 2007 approved budget, 2007 latest estimates and 2008 proposed budget

(In thousands of United States Dollars)

Expenditures	2006 Actual	2007 Approved budget	2007 Latest estimates	2008 Proposed budget	Changes 2008 vs. 2007 Latest estimates	
					$	%
International posts	4,603	5,536	4,733	5,746	1,013	21.4
Local posts	2,891	3,615	3,455	3,838	383	11.1
Other post related costs a/	444	444	444	521	77	17.3
Staff training		5	5	130	125	2,500.0
Other staff costs b/	979	1,146	1,466	1,709	243	16.6
Consultants	112	107	191	152	(39)	(20.4)
Travel	271	386	391	461	70	17.9
Other operating expenses c/	8,641	9,453	9,441	11,606	2,165	22.9
Furniture and equipment d/	66	234	202	99	(103)	(51.0)
Research and development		200	140	200	60	42.9
Regional support center expenses	589	682	632	1,123	491	77.7
Total expenses	18,596	21,808	21,100	25,585	4,485	21.3

a/ Termination indemnity and reimbursement of taxes.
b/ Short-term assistance, staff welfare and overtime.
c/ Contractual services, rental and maintenance of premises, rental and maintenance of furniture, equipment, communications, supplies and materials, hospitality and miscellaneous services.
d/ Office equipment, computer equipment, computer software and plant equipment.

IV. Regional Support Centres and UNICEF Country Offices

A. Outlook for 2007

31. Gross proceeds generated by UNICEF country offices from PFP activities in 2007 are projected at $54.1 million (see table 5) plus $0.1 million raised as other income, with costs estimated at $25.5 million, resulting in a net operating income of $28.7 million. This is an increase of $3.5 million over the 2006 results, mainly driven by growth in private fund-raising activities ($3.4 million). The net operating income increase in sales of cards and gifts is $0.1 million.

B. Objectives for 2008

32. The following are the objectives for 2008:

(a) Total operating income of $39.2 million, including $36.6 million from fund-raising and $3.7 million from sales;

(b) Net proceeds from private fund-raising of $55.2 million (34.3 per cent higher than the 2007 latest estimates);

(c) Gross proceeds from card and gift sales of $14.3 million (10.0 per cent higher than the 2007 latest estimates), with a card sales volume of 11.8 million cards (6.3 per cent higher than the 2007 latest estimates).

C. Strategies for 2008

33. The following are strategies to achieve the above objectives:

(a) Establish priority countries based on agreed criteria to bring more strategic focus of resources on achieving income targets;

(b) Support private fund-raising and sales activities at country offices to ensure that the results are achieved based on key performance indicators;

(c) Establish a new regional support centre for the Middle East and North Africa region;

(d) Research and test donor interest at country offices in donating UNICEF global regular resources compared to national other resources programmes.

D. Analysis of the 2008 proposed budget

34. Total operating expenses for UNICEF country offices and PFP regional support centres in 2008 are projected at $17.0 million, an increase of $2.9 million, or 20.6 per cent, over the 2007 latest estimates. This increase is mainly due to the significant expansion of the donors' network and related increases in costs pertaining to house-list maintenance ($0.8 million), larger investments in research and development in countries with high potential, such as Argentina, Malaysia and South Africa ($0.7 million), increased use of short-term assistance ($0.7 million), and inflation ($0.7 million). Investment funds used for respective programmes at country offices will increase over the 2007 latest estimates by 37.9 per cent, to $9.5 million.

Table 5. Regional support centres and UNICEF country offices
income and expenditures for 2006 actual, 2007 approved budget,
2007 latest estimates and 2008 proposed budget
(In thousands of United States dollars)

	2006 Actual				2007 Approved Budget				2007 Latest estimates				2008 Proposed budget				Changes 2008 vs. 2007 Latest estimates	
	C&G sales	PSFR	O&F	Total	C&G sales	PSFR	O&F	Total	C&G sales	PSFR	O&F	Total	C&G sales	PSFR	O&F	Total	$	%
Volume of card sales (in millions)		-	-	-	13.5	-	-	13.5	11.1		-	11.1	11.8	-	-	11.8	0.7	6.3
Gross proceeds (RR + OR)	11,923	32,216		44,139	14,086	37,943		52,029	13,002	41,067		54,069	14,300	55,210		69,510	15,441	28.6
Less: Commissions paid to consignees	1,137			1,137	1,816			1,816	1,666			1,666	1,709			1,709	43	2.6
Net proceeds	10,786	32,216	-	43,002	12,270	37,943	-	50,213	11,336	41,067	-	52,403	12,591	55,210	-	67,801	15,398	29.4
Costs of goods delivered	3,211			3,211	2,326			2,326	2,837			2,837	3,003			3,003	166	5.9
Operating expenses:																		
International posts	545	339	234	1,118	489	783	402	1,674	404	757	396	1,557	520	1,253	669	2,442	885	56.8
Local posts	1,613	1,932	59	3,604	1,741	2,350	72	4,163	1,841	2,459	68	4,368	1,908	1,791	88	3,787	(581)	(13.3)
Other post related costs a/	4			4	168			168	153			153	4			4	(149)	(97.4)
Staff training	17	75	43	135	106	193	59	358	116	198	59	373	106	239	65	410	37	9.9
Other staff costs b/	662	900	1	1,563	909	1,311	10	2,230	876	1,374	10	2,260	991	1,914	71	2,976	716	31.7
Consultants	90	32		122	98	81		179	93	81		174	99	111		210	36	20.7
Travel	169	285	54	508	192	350	52	594	189	379	13	581	182	462	23	667	86	14.8
Other operating expenses c/	1,348	1,030	38	2,416	1,523	1,537	58	3,118	1,537	1,571	57	3,165	1,611	2,515	136	4,262	1,097	34.7
Furniture and equipment d/	149	63	161	373	54	88	29	171	75	88	29	192	84	121	71	276	84	43.8
Research and development	176	705		881	218	957		1,175	204	1,051		1,255	230	1,709		1,939	684	54.5
Total operating expenses	4,773	5,361	590	10,724	5,498	7,650	682	13,830	5,488	7,958	632	14,078	5,735	10,115	1,123	16,973	2,895	20.6
Other income	70	-	-	70	80	-	-	80	126	-	-	126	157	-	-	157	31	24.6
Net operating income before investment funds	2,872	26,855	(590)	29,137	4,526	30,293	(682)	34,137	3,137	33,109	(632)	35,614	4,010	45,095	(1,123)	47,982	12,368	34.7
Percentage of gross proceeds	24	83		66	32	80		66	24	81		66	28	82		69		
Less: Investment funds	74	3,810	-	3,884	169	6,203	-	6,372	256	6,619	-	6,875	263	8,496	-	8,759	1,884	27.4
Net operating income after investment funds	2,798	23,045	(590)	25,253	4,357	24,090	(682)	27,765	2,881	26,490	(632)	28,739	3,747	36,599	(1,123)	39,223	10,484	36.5
Percentage of gross proceeds	23	72		57	31	63		53	22	65		53	26	66		56		
Summary of expenditures:																		
Commissions	1,137	-	-	1,137	1,816	-	-	1,816	1,666	-	-	1,666	1,709	-	-	1,709	43	2.6
Cost of goods delivered	3,211	-	-	3,211	2,326	-	-	2,326	2,837	-	-	2,837	3,003	-		3,003	166	5.9
Total operating expenses (international posts, local posts, staff training, other staff costs, travel, other operating expenses, furniture and equipment, research and development, bad debts)	4,773	5,361	590	10,724	5,498	7,650	682	13,830	5,488	7,958	632	14,078	5,735	10,115	1,123	16,973	2,895	20.6
Investment funds	74	3,810		3,884	169	6,203		6,372	256	6,619		6,875	263	8,496		8,759	1,884	27.4
Total Expenditure	9,195	9,171	590	18,956	9,809	13,853	682	24,344	10,247	14,577	632	25,456	10,710	18,611	1,123	30,444	4,988	19.6

PSFR = Private Sector Fund-raising; O&F = Operations and Finance; C&G sales = Card and Gift sales;
RR = regular resources; OR = other resources

a/ Termination indemnity.
b/ Short-term assistance, staff welfare and overtime.
c/ Contractual services, rent and maintenance of premises, rental and maintenance of furniture, equipment, communication supplies and materials, hospitality, information support services and miscellaneous services.
d/ Office equipment, computer equipment and computer software.

V. PFP medium-term plan, 2009-2012

35. Table 6 presents the medium-term plan for PFP for the period 2009-2012. The plan is based on market trends, the previous years' financial results, and strategic plans developed and implemented in cooperation with National Committees and UNICEF country offices in PFP priority countries.

36. PFP objectives, as per the medium-term plan, are to achieve, by 2012:

(a) Net consolidated income for UNICEF from PFP of $952.0 million, comprising $502.0 million in regular resources and $450.0 million in other resources;

(b) Net operating income from private fund-raising of $450.0 million for regular resources;

(c) Net operating income from private fund-raising of $450.0 million for other resources;

(d) Net operating income from sales of cards and gifts of $77.0 million for regular resources;

(e) Gross proceeds from card and gift sales of $198.0 million;

(f) Card sales volume of 104 million.

Table 6. PFP medium-term plan:
2006 actual, 2007 approved budget, 2007 latest estimates, 2008 proposed budget and 2009-2012 projections

(In millions of United States dollars)

	2006 Actual	2007 Approved Budget a/	2007 Latest estimates	2008 Proposed	2009	2010	2011	2012
					Medium-term projections			
Gross proceeds - card and product sales	147.0	160.4	160.5	168.0	175.0	182.0	189.0	198.0
Less: Retention/commissions and direct expenses at country offices	54.6	56.2	57.7	59.9	61.3	62.8	64.3	66.0
Net proceeds - product sales	92.4	104.2	102.8	108.1	113.7	119.2	124.7	132.0
Less: Cost of goods delivered	27.1	31.9	31.8	33.4	34.1	35.1	36.2	38.0
Operating expenses	25.0	29.3	28.9	35.1	36.6	37.9	40.0	42.0
Provision for doubtful accounts	1.8	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Add: Other income	18.1	15.0	18.0	22.0	23.0	24.0	25.0	26.0
Net operating income - PFP card and product sales	56.6	57.0	59.1	60.6	65.0	69.2	72.5	77.0
Net operating income - Private sector fund-raising	337.9	317.2	320.1	356.1	380.0	402.0	425.5	450.0
Less: Investment funds	17.2	21.4	21.3	21.4	22.0	23.0	24.0	25.0
Net operating income	377.3	352.8	357.9	395.3	423.0	448.2	474.0	502.0
Less: Exchange rate adjustment	(15.3)							
Net income - regular resources	392.6	352.8	357.9	395.3	423.0	448.2	474.0	502.0
Add: PSFR other resources	342.3	336.3	337.0	351.1	372.0	394.0	422.0	450.0
Net consolidated income	734.9	689.1	694.9	746.4	795.0	842.2	896.0	952.0
Card sales volume (millions)	*92*	*112*	*94*	*96*	*98*	*100*	*102*	*104*

PSFR = private sector fund-raising

a/ As approved by the Executive Board (decision 2007/2, paragraph 2)

Table 7. Range of budgeted income and expenditures for the fiscal year 1 January-31 December 2008

(In millions of United States dollars)

	I Low projection	II Medium projection	III High projection
Budgeted income			
Gross proceeds - product sales	164.7	168.0	171.4
Deduct: National Committees' retention a/	53.0	53.5	54.0
Net proceeds	111.7	114.5	117.4
Add: Other income - net (table 1A)	21.0	22.0	23.0
Net proceeds - product sales	132.7	136.5	140.4
Private sector fund-raising - regular resources (table 1A)	373.0	383.1	393.0
Total net proceeds - regular resources	505.7	519.6	533.4
Budgeted expenditures			
Commissions - country offices	1.6	1.7	1.8
Cost of goods delivered	32.8	33.4	34.0
Marketing expenditures	41.2	42.2	43.2
Support Services	25.1	25.6	26.1
Investment funds	20.5	21.4	22.5
Total expenditures - consolidated (table 2)	121.2	124.3	127.6
Net consolidated income - regular resources (table 1)	384.5	395.3	405.8
Add: Other resources - private sector fund-raising (table 1)	342.3	351.1	360.0
Net consolidated income - regular resources and other resources	726.8	746.4	765.8

a/ Excludes country office commissions - budgeted in expenditures.

VI. Draft decisions

37. The draft decisions for Executive Board approval relating to the PFP budget for 2008 are presented below.

A. Private Fundraising and Partnerships: budgeted expenditures for the 2008 season for private fund-raising

The Executive Board

1. *Approves* for the fiscal year 1 January to 31 December 2008 budgeted expenditures of $124.3 million as detailed below and summarized in column II of table 7 to document E/ICEF/2008/AB/L.3:

	(In millions of United States dollars)
Commissions — field offices	1.7
Cost of goods delivered	33.4
Fund-raising, National Committee Relations and Communication	42.2
Support services expenditure	25.6
Investment funds	21.4
Total expenditures, consolidated	**124.3**

2. *Authorizes* UNICEF:

(a) To incur expenditures as summarized in column II of table 7 to document E/ICEF/2008/AB/L.3 and to increase expenditures up to the level indicated in column III of the same table should the apparent proceeds from fund-raising and/or card and gift 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 2008 approved workplan.

B. Budgeted income for the 2008 season

The Executive Board

Notes that for the period 1 January to 31 December 2008, Private Fundraising and Partnerships net proceeds are budgeted at $519.6 million (regular resources) as shown in column II of table 7 in document E/ICEF/2008/AB/L.3.

C. Policy issues

The Executive Board

1. *Renews* investment funds with $21.4 million established for 2008;

2. *Authorizes* UNICEF to incur expenditures in the 2008 fiscal period related to the cost of goods delivered (production/purchase of raw materials, cards and other products) for the 2009 fiscal year up to $34.1 million as indicated in the Private Fundraising and Partnerships medium-term fund-raising plan (see table 6 of document E/ICEF/2008/AB/L.3);

3. *Approves* an interim one-month allocation for January 2009 in the amount of $11.0 million, to be absorbed in the annual PFP budget for 2009.

D. Medium-term plan

The Executive Board

Approves the Private Fundraising and Partnerships medium-term fund-raising plan as reflected in table 6 to document E/ICEF/2008/AB/L.3.

Annex I

PRIVATE FUNDRAISING & PARTNERSHIPS: SUMMARY OF POST CHANGES PROPOSED FOR 2008

Detail	Posts level D2	D1	P5	P4	P3	P2	P1	Total IP	NO	GS	Grand total
Base PAT 2007	1	4	8	28	30	16	0	87	27	117	231
Establish and abolish											
Marketing			7	-2	9	2		16		10	26
RSCs and UNICEF country offices			2	1	3	-3		3	4	-3	4
PSFR country offices*					-1			-1	-7	-12	-20
Total establish and abolish, PFP	0	0	9	-1	11	-1	0	18	-3	-5	10
Reclassifications, PFP											
Support Services				1	2	-3		0		1	1
Total reclassification, PFP	0	0	0	1	2	-3	0	0	0	1	1
Total changes, PFP	0	0	9	0	13	-4	0	18	-3	-4	11
Total, Proposed 2008	1	4	17	28	43	12	0	105	24	113	242

IP = international Professional; NO = national officer; GS = General Service;
PAT = post authorization table; RSCs = regional support centres.
* Not final as of November 2007. This is a best estimate.

Annex II

PRIVATE FUNDRAISING & PARTNERSHIPS COMPARISON OF POSTS: 2007 APPROVED BUDGET VERSUS 2008 PROPOSED BUDGET

	Posts level							Total			Grand
	D2	D1	P5	P4	P3	P2	P1	IP	NO	GS	total
Marketing											
Approved 2007		3	3	16	17	6		45		19	64
Proposed 2008		3	10	14	26	8		61		29	90
Change	0	0	7	-2	9	2	0	16	0	10	26
Support Services											
Approved 2007	1	1	3	8	12	6		31		37	68
Proposed 2008	1	1	3	9	14	3		31		38	69
Change	0	0	0	1	2	-3	0	0	0	1	1
Total, PFP headquarters											
Approved 2007	1	4	6	24	29	12	0	76	0	56	132
Proposed 2008	1	4	13	23	40	11	0	92	0	67	159
Change	0	0	7	-1	11	-1	0	16	0	11	27
RSCs and UNICEF country offices											
Approved 2007			2	4	1	4		11	27	61	99
Proposed 2008*			4	5	3	1		13	24	46	83
Change	0	0	2	1	2	-3	0	2	-3	-15	-16
Total, PFP headquarters, RSCs and UNICEF country offices											
Approved 2007	1	4	8	28	30	16	0	87	27	117	231
Proposed 2008	1	4	17	28	43	12	0	105	24	113	242
Change	0	0	9	0	13	-4	0	18	-3	-4	11

IP = international Professional; NO = national officer; GS = General Service; RSCs = regional support centres

* Not final as of November 2007. This is a best estimate.

Annex III

Private Fundraising and Partnerships: Private fund-raising business plan, 2008-2010

1. The Executive Board, at its first regular session of 2002, requested PSD to submit, as part of its workplan and budget proposal for 2003, a comprehensive business plan to be updated annually (decision 2002/6, E/ICEF/2002/8/Rev.1), detailing the Division's contribution to the UNICEF MTSP. The current update of the business plan covers the years 2008-2010.

I. Introduction

2. This business plan for 2008-2010 incorporates a series of strategic reviews that took place within PFP's Private Fundraising workplan and budget preparation. Strategies and projections have been fine-tuned in the context of the re-profiling of the current private fund-raising and related functions of the Private Sector Division and the Geneva Regional Office and the Joint Strategic Planning (JSP) process, into one division. The business plan is based on:

(a) The **MTSP** and the **Millennium Development Goals**, which determine the overall organizational and strategic priorities of UNICEF. The MTSP ultimately guides private fund-raising and National Committee fund-raising activities in terms of financial targets, investment priorities, advocacy support and brand development-related communication with the general public and institutional and private sector donors;

(b) The **global private fund-raising strategy for 2007-2010**, which addresses the global donor community within the private sector, including individual donors, corporations and organizations. The two main roles of cards and gifts are as a source of unrestricted income and as a powerful public engagement tool able to reach millions of individuals and companies each year. Importantly, at the time this document is being written, a thorough strategic review of the Cards and Gifts business is in progress to assess the effectiveness of the current business model, whether alternative models could improve cost efficiency and competitiveness, and the ability to expand the reach of the UNICEF brand through wider distribution channels;

(c) The strengthened **JSP process**, by adding capacity in the areas of strategic direction and partnership management with National Committees. The JSP is a forward-looking strategic action plan and assessment tool for each National Committee in terms of income-generation, leadership, advocacy/Education for Development, communication and management of financial contributions. For income-generation through sales and fund-raising, the JSP provides insight into the strengths of each National Committee, relative to the state of the market and business development. The process then identifies and assesses specific areas for revenue growth/building under different assumptions related to the external environment and available human and financial resources;

(d) Streamlining **Country Office Private Fundraising (COFR)**. Following a meeting in January 2007 with Deputy Executive Directors, Divisional and Regional Directors, there was an agreement to further develop a COFR strategy by identifying and establishing priority markets with greatest income potential to the organization, based on the strategic long-term intent of all private fund-raising to increase the level of regular resources;

(e) The **brand model for UNICEF**, launched in 2003. The brand model defines the vision, positioning, values and essence of UNICEF. It provides the framework for the relationship among the brand properties, the MTSP, communication and the fund-raising strategies.

II. Fund-raising

A. Introduction

3. The year 2006 was a good year, with substantial growth in regular resources income mostly as a result of successful conversion of new tsunami donors to regular monthly giving. For the first time ever, private fund-raising raised more funds on monthly giving than from one-off cash donations.

4. The year 2007 has so far been without any major media-driven emergency. As a consequence, one-off cash donations will be below the average of recent years, and the number of new donors limited.

5. UNICEF country offices are bringing in positive results, and are likely to deliver a 30-per-cent increase over the previous year, with net proceeds amounting to $40 million, almost tripling what was raised in 2004 pre-tsunami.

6. From a private fund-raising perspective, additional funding proposals are needed by Committees to approach major donors, foundations and companies on Unite for Children, Unite against AIDS. During 2007, a promising fund-raising vehicle for the campaign has been launched: an earmarked monthly gift scheme called “It is time to draw the line”. This web-based initiative targets a slightly younger audience. Three Committees piloted this campaign during the year with promising results, and others are planning to join in.

7. A third “actor” on the private fund-raising scene is UNICEF headquarters. In a connected world, given global brand awareness, UNICEF can successfully address the global marketplace, tapping into cross-country opportunities as they arise. Currently this is done through corporate alliances, but there remain potential openings in new media, in television networks and the entertainment community. To reach the global marketplace, PFP will have to exploit the opportunities while respecting revenue-sharing principles among participating National Committees. A new focus area is venture philanthropy, attracting potential donors who want to bring their skills in venture capitalism to bear on their philanthropic interests. Feasibility studies have been carried out during 2007 to better understand this group of donors.

8. With high ambitions for income growth, PFP will work with National Committees and country offices alike to engage in-depth expertise in key areas of fund-raising within UNICEF, such as major gifts/legacies and new media (internet, messaging services such as SMS/MMS, digital television, etc.). Staff with such dedicated expertise have been recruited during 2007, and more will follow during 2008.

9. PFP must become more innovative and creative, and develop new fund-raising ideas, offers and products, building on UNICEF Unique Selling Propositions. To this end, a dedicated fund-raising development unit has been established in 2007 to identify, test and roll-out such new fund-raising ideas. This will be a particular effort to continue to accelerate growth in unrestricted income.

10. As a step to developing a more appropriate business model for Country Office Private Fundraising, PFP will migrate at least 20 private fund-raising staff and related ongoing costs to Country Offices. This arrangement was agreed upon with Regional Directors in January 2007. At the same time, additional capacity will be added within PFP to tap into growing economies with high potential donor reach, especially in India, the Middle East and North Africa. A process of review of the performance of existing COFR programmes is under way to guide strategic investment decisions from 2008 onwards. This will also inform the selection criteria for new countries that have potential for private fund-raising.

B. The global private fund-raising strategy

11. The year 2006 saw the adoption of a global private fund-raising strategy. Its aspirational goal was an ambitious target of delivering, from private sources, $1 billion net to UNICEF for its programmes by 2010, drawing on all sources of private income (all regular plus other resources, including emergencies, global AIDS campaign and net income from sales). This strategy was the highlight of the annual Fundraising Forum.

12. To achieve the bold target, PFP will have to deliver in four key areas that epitomize the strategy: Expansion, Direction, Innovation and Satisfaction.

13. **Expansion**. A target has been set to bring in 10 million supporters of UNICEF by 2010. This will be a real challenge, since by end of 2006 the number was 4.4 million compared to 5.2 million a year earlier, due to the loss of one-time tsunami donors.

14. **Direction**. The global private fund-raising strategy requires expansion in several directions, both geographically and thematically. In this pursuit, the strategy provides clear goals. One aim is to triple income from UNICEF country offices. Originally, it was expected that the vast majority of that income would be generated in the BRIC countries (Brazil, Russian Federation, India and China). Recent experience, however, has taught not to pin all hopes on those four countries. A number of other countries have shown more promising results.

15. The focus continues to be on regular monthly giving, corporate partnerships, legacies and major donors, as in the 2003-2005 private fund-raising strategy, but one-off cash appeals have also been added as a result of the tsunami experience. In addition, the strategy recognizes the importance of reaching out more effectively to a younger audience.

16. **Innovation**. The main function of PFP is to support National Committees and UNICEF country offices. But PFP also has a role in implementing fund-raising programmes, both in asking for money and in innovation. The private fund-raising strategy emphasizes the need for PFP to assume a leading role in creating new fund-raising “products”, ensuring that UNICEF stays on the cutting edge in the development of attractive offers, making the most of UNICEF Unique Selling

Propositions. There is also a need to creatively tackle the issue of raising more regular resources funds.

17. To meet the needs of an ever-competitive market, the earlier mentioned fund-raising innovation and development unit will research, test and cultivate new fund-raising offers and products, and roll them out to National Committees and UNICEF country offices. A strengthened Market Research and Market Knowledge unit will provide important input to this process.

18. **Satisfaction**. A key component of the private fund-raising strategy is listening to private sector donors, and in particular to private individuals who support UNICEF. The aim is to better understand their needs and demands and better provide them the “products”, as well as to report to donors about UNICEF to retain their loyalty. UNICEF will need to be increasingly donor-friendly and donor-focused, without becoming donor-driven.

C. Fund-raising techniques

19. Private fund-raising aims to reach its targets by applying the techniques described below.

20. **Cash appeals**. Direct mail remains the foremost method used by UNICEF to raise funds from individuals who give small, one-off donations. In 2006, 28 per cent of gross fund-raising proceeds were raised through cash appeals sent to more than 4 million donors. In the future, online donations will form an increasing share of this cash appeal income, as will donations for emergencies.

21. **Regular monthly giving**. Monthly committed gifts made by automatic funds transfer (“pledge income”) are receiving increasing investment attention, as they represent a prioritized source of revenue growth. In this pledge share of income, UNICEF still lags behind some child sponsorship agencies and others, particularly in some countries. In 2006, regular monthly donations generated $242 million, a steep increase from $167 million the year before. This equals 28 per cent of fund-raising proceeds, a figure projected to increase further, exceeding 30 per cent of the total income by 2010. New recruitment methods include face-to-face fund-raising in city centres (now practised by more than 15 National Committees and country offices) and television, both Direct Response Television and telethons.

22. **Major gifts**. Major gifts represent an important growth area to fund-raising income. In 2006, 4 per cent ($35 million) of net contribution came from major gifts given by private individuals. Only two National Committees have a fully developed and properly staffed major gifts programme in operation. In 2008, PFP will recruit a dedicated expert in major donor fund-raising, helping more Committees and Country Offices to benefit from this source of income.

23. **Legacies**. The fund-raising strategy calls for increased investment in legacies in key National Committee markets where opportunities have been identified. In 2006, $66 million was raised. This is an income stream that tends to vary substantially between years, depending upon the occurrence of major legacies that come into UNICEF.

24. **Corporate fund-raising**. Capacity-building among National Committees and selected country offices will remain a high priority in the pursuit of successful

fund-raising alliances with the corporate sector. PFP, through its corporate fund-raising section, will work with key markets to grow existing national-level relationships into more lucrative regional or global partnerships. Corporate fund-raising proceeds were $106 million, or 12 per cent of the total income, in 2006.

25. In recognition of the increasing importance of Corporate Social Responsibility (CSR), in 2008 PFP will launch a new unit focusing on helping National Committees and Country Offices to develop and maintain fruitful CSR partnerships.

26. **Collections**. Collections, or donations that do not generate a name and address allowing follow-up with renewed appeals, form an important complementary source of income. Collections represent roughly 10 per cent of net contributions, are not a priority strategy, and have the share of income that is expected to decrease to 6 per cent in 2010.

27. **Foundations/non-governmental organizations (NGOs)**. This category incorporates grant-giving foundations and NGOs as well as service clubs such as Rotary International and Lions Clubs — $32 million was raised during 2006.

28. **National Committee Relations and Country Support**. The amalgamation of the current four Brand Groups and the Geneva Regional Office Planning function into five Country Support Teams, and the addition of strategic direction and a National Committee secretariat, will provide Committees with one entry point for support in fund-raising, sales, advocacy/Education for Development, communication, capacity-building and long-term planning of financial and non-financial goals. The new “fifth” Country Team will allow for more activity and attention to emerging markets in middle-income countries and nascent National Committees so as to not miss out on short-term and long-term private fund-raising gains and potential.

29. **Communication**. The integration of the Geneva Regional Office Communication unit into the new PFP structure will support both short-term communication work of National Committees and long-term targets in terms of brand positioning. The visibility of child-related issues and UNICEF activities in emergency situations are crucial to secure optimal fund-raising results. The Communication unit will seek to ensure that Committees are provided with timely and appropriate information. The Communication support to the JSP process will ensure effective positioning of the UNICEF brand in National Committee countries and build capacity among Communication staff in the committees themselves. A Strategic Communication Review will provide further recommendations with regard to the integration and role of the Communication function in PFP.

III. Marketing and sales overview

A. Introduction

30. In accordance with the global cards and gifts strategy, the long-term objective is to grow the absolute amount of regular resources generated by developing unique and distinctive products and broader distribution.

31. The goals are to attain $198 million in gross proceeds, $77 million of net operating income and 104 million cards sold by 2012. These correspond to an

average annual growth of 4 per cent in gross proceeds, and 5 per cent in net operating income. Card sales volume is expected to grow at a lower rate (2 per cent), reflecting market conditions.

32. The above targets are lower than what was originally planned in the 2005-2010 global cards and gifts strategy and reflect: (a) the increasing competitiveness of the greeting cards market, which is overall stable and in some countries in contraction; (b) the lower net income deriving from the UNICEF partnership with Hallmark in the United States; (c) the increasing de-prioritization of sales activities in favour of fund-raising operated by several National Committees and country offices; and (d) in light of the business review exercise, the difficulty in filling key vacant positions. Despite the above, UNICEF cards and gifts business remains one of the most profitable businesses in the cards industry, with a net income at around 40 per cent of sales, compared with the industry average of 4 to 8 per cent.

33. The Cards and Gifts Strategic Review will help to identify business and organizational opportunities to build on historical strengths (global presence, high quality perception, distinctive product offer of cards and gifts) and remove obstacles that are currently preventing growing sales and net income. Recommendations from the Strategic Review will be available at the beginning of 2008 and will likely have a significant impact on the way the business will be run in the future, including organizational structure. The plan is to maintain the current set-up pending the outcome of the review. Preliminary work to date has included a wide variety of competitive and market analyses to map out potential partners, evaluation of synergies between PFP and Supply Division, and consideration of alternative business models for creative and product development, logistics, distribution, marketing and sales.

B. Marketing and sales strategies

34. PFP Private Fundraising, National Committees and UNICEF country offices will together achieve the above goals by following the key business and organizational strategies described below.

Business strategies

(a) **Cards represent the bulk of UNICEF sales and net income today**. This segment is also recognized as a UNICEF asset to preserve in the future. In a stable greeting cards market, UNICEF has to increase its share of the market to grow sales. There is evidence that this can be done successfully by increasing the availability of the UNICEF offer in new channels, as well as in new segments of the market, such as “special occasion” cards and digital e-cards.

(b) **Turn gifts into a profitable additional source of growth**. In line with previous years, in 2006 the gifts business performed significantly better than cards, registering double-digit sales growth, and exceeding global strategy goals for the year. This trend is expected to continue because UNICEF is constantly upgrading the quality and appeal of its gifts collection, and because gifts have a wider audience reach than cards, primarily including women aged 45 to 65 and younger groups, who are core buyers of gifts. The development of partnerships with leading gifts manufacturers and brands will be an important source of growth, as joint branding and expertise help to create unique products in the marketplace and expand distribution potential. For example, in 2007, a child's game called "Immuno-set", which helps children to discover UNICEF immunization work, was developed with Brio, a leading manufacturer of high-quality wooden toys. Early sales results and market research suggest that this strategy is appreciated by consumers and should be further amplified over the next years.

(c) **Leverage the combination of product innovation and the UNICEF brand**. The unique blend of innovation and UNICEF values allow for products that are quite distinctive and relevant in the market, and that can outperform competition. This is key in order to survive and grow in a market where a growing number of humanitarian and environmental organizations are entering, attracted by the desire of consumers to buy cards and products that not only satisfy a functional need but also let the buyer "make a difference" by supporting a cause. The Brio "Immuno-set" product is just one example that confirms this as an effective strategy.

(d) **Significantly broaden distribution via retail and internet**. An expansion of sales channels is key to future sales growth. Compared with that of the rest of the industry, the retail channel of UNICEF is still underdeveloped. This can be attributed to factors such as: (a) the lack of relevant expertise at headquarters, National Committees and country offices; (b) the current logistics and distribution system that is not designed to deliver the level of responsiveness required by retailers and e-buyers; and (c) the high profit margin requirement that sometimes prevents Committees and country offices from negotiating a competitive trade margin with retailers. Internet is another channel with strong upside potential for UNICEF, as it is a cost-effective way to reach consumers and develop a relationship with them. The Strategic Review will assess the current structure and the desirable/needed profit target that would make UNICEF more competitive in these channels. Pilot partnerships with Hallmark (United States) and Karto (Finland), suggest that UNICEF can achieve significant distribution expansion in retail as well as entry into new market segments if a lower profit margin is accepted.

(e) **Change the supply chain**. In 2005, the Global Strategy had identified the need to radically improve the entire logistics and distribution chain to support ambitious growth targets. In 2007, DHL, a strategic partner of UNICEF, conducted a pro bono preliminary review of this part of the business and confirmed the need for a comprehensive analysis to identify solutions that would improve efficiency and effectiveness of the supply chain. The current Strategic Review will produce recommendations in this area.

Organization

35. In order to implement the strategies described above, it is vital to ensure that the appropriate structure, capabilities and work processes are in place. These efforts will involve several elements:

(a) Drive synergy and integration in all areas: sales, fund-raising, corporate alliances and communication. While progress in this area is slowly being made, it is clear that PFP, National Committees and UNICEF country offices will need to work in closer alignment when formulating target groups and channels in annual resource mobilization plans, campaigns and emergency efforts. Additionally, cross-selling activities between customers and donors need to be increased so that more UNICEF card and gift buyers will make donations, and more donors will buy cards and gifts;

(b) Ensure shared objectives and direction across the entire organization. As was done in 2007, an annual review/renewal process of the global strategies will take place with the involvement of the entire organization, the aim being to reinforce widespread commitment to the strategies and to agree on any corrective action needed to ensure achievement of goals;

(c) Increase organizational capacities. PFP will continue management training while also developing a functional training curriculum for the organization. In addition, for both UNICEF and the National Committees, investment will continue to be made in the hiring of people with capabilities in strategically important business areas;

(d) Foster leadership/ownership skills and encourage teamwork. This will be accomplished through the training programme, clear expectation-setting in individual workplans and performance evaluation reviews, and role-modelling by supervisors;

(e) Build expertise and foster a "search and re-apply" culture. The biannual strategic marketing meetings will continue to serve as venues for sharing best practices and knowledge through "share and compare" sessions. In addition, the re-launched Marketing Knowledge Centre online sales site will enrich efforts to share good practices internationally. The feasibility of introducing the Global Initiative for Fundraising Technique (GIFT) training clinics for sales — already a successful practice in fund-raising — will be evaluated.

IV. Strategic emphasis for operations and finance

A. Operations support services

36. Pending the outcome of the ongoing review of the Cards and Gifts business, the Geneva-based Operations and international Professional staffing and support structure will remain unchanged. Meanwhile, the cost of goods is maintained at a maximum level of 20 per cent of total sales, despite continued increases in transportation costs, raw material prices and the trend of offering more sophisticated products.

37. The unit will continue to focus on producing and delivering consumer and corporate collections, samples, and catalogues to sales partners and National Committees and country offices on time and at the lowest cost. Retail deals for new partners, in particular hypermarkets and post offices, will be supported. New initiatives will be carefully evaluated to ensure focus on core activities pending the outcome of the Strategic Review. To reduce inventory levels of finished product in Huningue, additional marketing and clearance activities are under way.

38. In the New York office, as part of the continued winding down of operations in Secaucus following the outsourcing of activities in the United States to Hallmark, one post will be abolished. Collating, warehousing, and distribution in North America will be fully outsourced by Q3 2008. Utilization of the warehouse in the United States will be fully phased out by December 2008, and efforts are being undertaken to terminate the facility lease that runs through June 2009.

B. Finance and administration

39. The Geneva-based Finance Section is being restructured to better support business processes and to provide more robust financial and analytical support to country and technical teams, and strengthened forecasting and monitoring of private sector remittances.

40. Currently, the Finance Section is divided into three units: Accounts, Budget, and Business Analysis. In 2008, two of the units, Business Analysis and Budget unit, will merge into one unit, Budget and Analysis. The unit will prepare, manage and control the PFP budget, and will provide financial management support for planning and monitoring of partners' performance. Key responsibilities also include preparation, management and dissemination of financial information to facilitate informed and effective decision-making.

41. The above-mentioned responsibilities of the Budget and Analysis unit will be carried out within a strengthened structure aiming to streamline and harmonize the financial planning, analysis and budgeting process and to improve services provided to internal clients. Added attention will be given to providing financial support to the Joint Strategic Planning and the annual planning and monitoring and to the coordination with the National Committees Relations teams and regional support centres.

42. The Accounts unit will have full responsibility and accountability for all financial accounting, cost accounting for cards and gifts, and preparation of the financial report for the Executive Board. The unit will also monitor all amounts due UNICEF, an area in which a gap has been consistently noted by the auditors. As a result, the receivable and remittance monitoring role will be strengthened. The unit responsible for the general ledger accounting, cost accounting and accounts payable will also be strengthened, as the integrity of the financial data and relevant reconciliations in a more complex and demanding business entity demand a solid structural and procedural base.

43. By 2010, PFP will implement relevant changes to the United Nations accounting standards that are driven by International Public Sector Accounting Standards. Elevated targets and improved fund-raising strategies for field offices are also creating the challenge of establishing for better financial control and monitoring of fund-raising strategies and activities in country offices. Enhanced processes, procedures and new systems must be identified, agreed upon and implemented to support and monitor these activities.

C. Policy and Monitoring Unit

44. One clear outcome of the Organizational Review, the 2006 Internal Audits, the PricewaterhouseCoopers Governance study, and feedback from the National Committees was the recommendation to create a unit in PFP to focus on governance and monitoring issues. The role of the new unit will be to coordinate and monitor policies and processes that provide a framework for PFP stakeholders to optimize resources and outcomes within their areas of responsibilities.

45. The Policy and Monitoring unit will provide support both within PFP and externally, working with National Committees and other key UNICEF stakeholders.

Increased accountability, transparency, best-practice sharing, and improved compliance are expected outcomes of this new unit.

46. The new unit will have a number of main responsibilities: (a) to serve as divisional focal point for coordinating and addressing specific and chronic issues, including National Committee Board composition, and transparency in reporting; (b) play a lead role in ensuring that issues associated with risk management and fraud prevention, both with National Committees and within the PFP, are addressed, and develop a programme to anticipate and address potential crisis situations, including identification of early warning indicators; (c) administer and monitor the status of Cooperation Agreements, which outline the legal basis of the UNICEF/National Committee relationship; and (d) coordinate PFP responses to internal audit recommendations and ensure that appropriate legal assistance and counsel is available, either internally or through external resources.

D. Human resources

47. Human resource management and staff relations were strengthened in 2006 through the securing of a full-time post for the Geneva Regional Office Common Services. This post is responsible for the training and learning activities of all staff in Geneva, bringing in necessary resources for this important function. These functions are still secured in PFP, and are funded under UNICEF Common Services.

E. Information technology

48. An enhanced system for information transfer between Private Sector Division and National Committees, COGNOS Enterprise Planning, was implemented in 2007. This system provides improved information-gathering methods and transparent reporting both in collection, submission and consolidation of revenue and expenditure information from all offices, as well as the use of an electronic remittance advice (notification), a more effective way of monitoring all receivables. Additional areas for COGNOS implementation during the plan period are joint strategic planning and budgeting, and electronic investment fund processing and reporting.

49. A number of IT-supported projects are planned in 2008. The transparency project with National Committees aims to identify information and reporting needs for our private/corporate donors. For knowledge management, the intranet pages will be further streamlined and improved for internal communication, as well as for sharing of best practices with National Committees. A Market Knowledge Centre provides the updates on latest research data, while the document management focuses on the update of key private sector documents. The goal is to create institutional knowledge that can be shared online. Interactive collaboration is also facilitated by the development of “intelligent” National Committees directories.

50. An IT training programme is part of the new staff induction process, and all IT support and services are provided to PFP through UNICEF Common Services.