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For information

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Update on the World Bank instrument to facilitate sustained investment in private sector fundraising

Summary

This update on the World Bank instrument to facilitate sustained investment in private sector fundraising provides information to the Executive Board on the financial performance, attainment of goals, costs and capacities associated with the new financial instrument.

UNICEF executed the financial instrument in partnership with the World Bank, in compliance with Executive Board decision 2021/5, which authorized UNICEF to access additional financing for investment in private sector fundraising as a pilot project limited to the amount of $50 million.

* E/ICEF/2024/1.

I. Overview

1. In accordance with Executive Board decision 2021/5, this document provides an update on the execution by UNICEF of the financial instrument in partnership with the World Bank, specifically the financial performance, attainment of goals and corresponding costs and capacities.

2. UNICEF adopted a risk-informed approach to planning and allocating funds from the World Bank financial instrument to 24 (initially 18) emerging-market countries. The full allocation of funds to markets was completed in October 2021.

3. The costs related to the World Bank instrument between its inception in February 2021 and September 2023 totalled $2.5 million. These include initial set-up costs (underwriting costs and administrative expenses) and cumulative interest costs paid until September 2023.

4. UNICEF has established a robust governance system for managing and administrating funds received from the World Bank with full integration into the country and regional financial fundraising plans. Further, rigorous risk management specific to the World Bank instrument has been embedded in the current private sector fundraising financial systems to ensure effective oversight at UNICEF headquarters, regional and country offices. This is done through fundraising planning and constant monitoring and reporting on progress of those plans.

II. Introduction

5. In its decision 2021/5 adopted at the first regular session of 2021, the Executive Board authorized the UNICEF Executive Director, with the advice of the Comptroller, to execute a financial instrument in partnership with the World Bank to raise additional financing for investment in private sector fundraising, as a pilot project limited to an amount of $50 million. This financial instrument leverages the expertise of the World Bank in financial markets and UNICEF private sector fundraising operations in emerging markets. The Executive Board also requested that UNICEF report to the Board annually at its first regular session on the financial instrument with the World Bank, specifically on the financial performance and the attainment of goals and corresponding costs and capacities.

6. During the 2022 annual session, the Executive Board concluded that a preliminary assessment of the implementation of the World Bank instrument would be undertaken, and a report was made available to the Executive Board at its 2023 annual session.

III. Preliminary assessment of the financial instrument

7. UNICEF engaged KPMG to undertake a preliminary assessment of the financial instrument and the review was concluded in the second quarter of 2023, with a key findings report presented to the Executive Board at its 2023 annual session.

(a) The review focused on assessing the impact of the instrument on fundraising activities, performance against key terms of the agreement with the International Bank for Reconstruction and Development, risk management, drawing on the experiences of analogous organizations and providing recommendations on the instrument' usefulness in financing private sector fundraising for UNICEF.

(b) Overall, key findings on the instrument were positive as it was assessed as providing key financing to UNICEF country offices, which has been vital to their fundraising operations. The report highlighted enhanced fundraising and an increased number of donors or donor income, which has enabled UNICEF to maintain or grow its market share in the target countries. In addition, the report highlighted UNICEF conformance with the key terms of the agreement, including requirements for payment and reporting, and the organization's management of the key risks related to the instrument. The assessment noted a few improvement points that appeared to be relatively minor and do not appear to have compromised the overall quality of, and receptiveness to, the enhanced fundraising capabilities enabled by the instrument.

IV. Costs and capabilities

8. The interest costs paid to the World Bank in 2023 totalled $954,500. This brought the total accumulated World Bank instrument-related costs to $2.5 million since its inception in February 2021 to September 2023. The costs include initial set-up costs of $112,500 (underwriting costs of $62,500 and administrative expenses of $50,000) and interest costs paid until September 2023, amounting to $2.4 million. The last instalment payment for interest costs of $477,250 was paid to the World Bank on 18 August 2023, with the next falling due in the first quarter of 2024.

9. UNICEF continues to implement strong governance and risk management systems for the funds received from the World Bank. These include robust tools for planning, monitoring, reporting and repayment processes, and clear decision-making and oversight mechanisms at headquarters, regional and country offices.

V. Financial performance

10. As at the end of September 2023, the 24 countries using funding from the World Bank instrument had cumulative pledge donations of $315.8 million. This would not have been possible without the World Bank funds complementing the country offices' own direct investment. Cumulative donations from the target emerging-market countries exceeded expectations in 2021, 2022 and 2023 (January to September). By meeting its full repayment obligation to the World Bank under the agreement, UNICEF – and the private sector fundraising strategies it has deployed – has earned the confidence of the World Bank and its financial investors.

11. As an example, the injection of the World Bank funds in the Chile Country Office allowed the fundraising programme to diversify its channel mix to advance and build capacity in direct response television and digital fundraising. The success of both of these channels ensured a future-proofed, sustainable fundraising model. This helps to ensure a fully funded programme while also accelerating the country office contributions to global regular resources.

12. The World Bank funds also helped the establishment of an innovative centralized fundraising model in Latin America across country offices that had demonstrated potential for growth. Multi-year World Bank investment allowed six country offices, led by a cost-effective, centralized resource, to introduce good global practices, with a focus on digital fundraising. As a result, the six country offices, some of which are in countries converting to high-income countries, established regular private sector fundraising income sources contributing towards their funding gap, using this cost-effective model.

VI. Conclusion

13. UNICEF has invested the funds received from the World Bank in private sector fundraising in 24 emerging-market countries, in accordance with the financial instrument. The implementation aligns with the planned expectations since its inception. UNICEF looks forward to providing further annual updates to the Executive Board on the financial performance and the attainment of goals and

corresponding costs and capacities, in accordance with Executive Board decision 2021/5.