UNICEF Executive Board Informal Briefing:
Private sector fundraising investment funds
Agenda

1. Background to private sector fundraising investment funds

2. Private Fundraising and Partnerships Plan 2014-2017 and the contribution of pledge fundraising

3. Monitoring and evaluation of investment performance

4. Questions
Background to private sector fundraising investment funds

- UNICEF invests in growing private sector fundraising (PSFR) through National Committees and country offices with structured private sector fundraising operations.

- These investment funds are not used to purchase financial assets or instruments. They are used to increase the scale and scope of UNICEF’s fundraising appeals to private individuals, businesses and institutions.

- These investment funds are managed, deployed and monitored by the Private Fundraising and Partnerships Division (PFP) as part of its accountability to grow private sector income for UNICEF programmes.

- The objective is to generate sustainable, unrestricted income with an return on investment of at least 3:1 over 36 months.

- The PSFR investment funds are primarily invested in growing pledge fundraising, i.e. regular - usually monthly - donations, by individuals through automatic payment such as direct debit or credit card.
Private sector income has increased nearly three-fold since 2000

Greeting card sales has become less significant but more than replaced by other private sector fundraising channels

Humanitarian funding highly dependent on high profile and sudden onset emergencies
Private Fundraising and Partnerships Plan 2014-2017
Private Fundraising and Partnerships Plan 2014-2017

Goal 1. Maximize income from the private sector for UNICEF programmes

UNICEF will seek to increase annual net proceeds from private individuals, business and foundations to UNICEF programmes to $1.75 billion, including $960 million in Regular Resources by the end of 2017.

The global market for private giving to international aid and development is estimated as US$ 25 billion and growing. UNICEF’s ability to grow is not limited by market size but by capacity to grow, in particular investment funding.

The Plan forecasts an increase in gross income of US$ 970 million between 2012 and 2017. This will be achieved by increasing income across five income streams with the largest contribution coming from pledge fundraising.

The vast majority of funds will be raised by the National Committees although private sector fundraising in UNICEF country offices will grow very quickly, and is forecast to double between 2014 and 2017.
Private Fundraising and Partnerships Plan 2014-2017 - gross proceeds by channel

2012 (Prov RER) 2017

- Gross Proceeds by Channel
  - Other: 186, 188
  - Major Donors: 48, 150
  - Legacies: 76, 200
  - Non Profit: 128, 210
  - Non Profit: 136, 219
  - Cash: 175, 289
  - Corporate: 186, 1014
  - Pledge: 556

23-Aug-13
Long term private sector income channel performance and forecast
External validation of private sector income potential and dependency on investment

“The achievable growth potential for Private Fundraising and Partnerships income is substantial. Various approaches and methodologies have been used during the review by KPMG and PFP to estimate growth potential. The fact that different approaches yield comparable results lends credibility to the order of size of the estimates.”

“Universal recognition is given to the obvious fact that fundraising success depends on the availability of investment funds. The mechanisms of fundraising, their costs and the ROI are well known in some areas such as pledge. In other areas, investment is required to research and test methods which have a potential for monumental success (e.g. digital), but where experience is still scarce. Overall there is a very high degree of confidence that attractive returns can be achieved if the necessary investment funds are identified.”
Investment absorption capacity of National Committees and UNICEF country offices – lost opportunities over the last 24 months

<table>
<thead>
<tr>
<th>Investments 2012</th>
<th>US$ millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment proposed at ROI of 3:1 or greater:</td>
<td>48.3</td>
</tr>
<tr>
<td>Investment funds available:</td>
<td>37.6</td>
</tr>
<tr>
<td>Opportunities missed:</td>
<td>10.7</td>
</tr>
<tr>
<td>Income for children over 3 years lost:</td>
<td>36.4</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Investments 2013</th>
<th>US$ millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment proposed at ROI of 3:1 or greater:</td>
<td>50.3</td>
</tr>
<tr>
<td>Investment funds available:</td>
<td>36.1</td>
</tr>
<tr>
<td>Opportunities missed:</td>
<td>14.2</td>
</tr>
<tr>
<td>Income for children over 3 years lost:</td>
<td>48.3</td>
</tr>
</tbody>
</table>
A study of over 1 million pledge donors acquired from 2001 onwards shows that over half are still giving 10 years after they started supporting UNICEF and that long term retention rates are very consistent. Range across different acquisition years 68%-60% and Range across different acquisition years 58%-55%.
Cumulative value of pledge donors

36 month cut off point for measuring pledge investment ROI – minimum 3:1

Estimated long term ROI at least 10:1 and +50% of donors still giving
PSFR and pledge revenue analysis

US$ millions

(Source - 2007-2012 Final RER, Investment Funds (IF) as per Reports)

Note: 2011 Japan has been normalized to exclude change in fiscal year.
Actual gross pledge proceeds vs. estimated pledge proceeds without investment funds

Source: Actual Pledge GP: Final RER, Pledge GP no investment funds: Income Model
Actual pledge vs. estimated pledge without investment funds - Malaysia

Source: Actual Pledge GP: Final RER, Pledge GP no investment funds: Income Model
Actual pledge vs. estimated pledge without investment funds – Republic of Korea

Source: Actual Pledge GP: Final RER, Pledge GP no investment funds Income Model
Actual pledge vs. estimated pledge without investment funds – France

Source: Actual Pledge GP: Final RER, Pledge GP no investment funds: Income Model
Pledge as a driver of Regular Resources – National Committee pledge income

Source: Final RER except 2012 USA - 2012 Provisional as per 2011 Final Breakdown

91% of net pledge income is RR

Direct Expenses  Net RR  Net OR-R  Net OR-E

2007  2008  2009  2010  2011  2012
Monitoring and evaluation of investment performance
Investment fund reporting process

**Key question:** is the activity performing as planned?

**Key question:** has the activity delivered as forecast?

**Key question:** has long term income been achieved?
Investment fund – 6 month reports

- 2013 is the first full year of the implementation of the new reporting process, supported by the new work flow management system
- In June 2013, the first six month reports received for activity funded in the first quarter of 2013
- All 35 reports due were received. Two reports require further details, and in one the data is being further validated
- The investment performance to date shows a slight (2 per cent) positive variance in the projected return
- Of the 33 complete reports received, five show a negative variance, 11 show a positive variance and the remaining 18 are performing as planned
- Countries reporting a negative variance of 10 per cent or more against the projected first year ROI will not receive any further payments until remedial action has been taken to improve performance
Investment fund performance over time

- **2008**: 76 Projects, PFP Support in million US$ 3.83, 3-year reported ROI +18%
- **2009**: 106 Projects, PFP Support in million US$ 17.6, 3-year reported ROI +39%
- **2010**: 107 Projects, PFP Support in million US$ 24.5, 3-year reported ROI +65%
- **2011**: 99 Projects, PFP Support in million US$ 40.5, 3-year reported ROI -7%
- **2012**: 86 Projects, PFP Support in million US$ 37.8, 3-year reported ROI -4%
- **2013 LE**: 67 Projects, PFP Support in million US$ 38.1
Country segmentation informs investment allocation and usage

<table>
<thead>
<tr>
<th>The number of people in the country with an income of US$2,000 a month or more</th>
<th>&lt;$10 million</th>
<th>&gt;$10 million</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt;10 million</td>
<td>Individual country support from UNICEF based on country potential</td>
<td>High individual country support from UNICEF</td>
</tr>
<tr>
<td>Tailored package of support designed to unlock long term potential e.g. build capacity, address political issues, test and invest</td>
<td>Individual country support from UNICEF required to deliver 2014-2017 income</td>
<td>FDP investment targeted to high return and low risk activity</td>
</tr>
<tr>
<td>Core support</td>
<td>Limited investment</td>
<td>Targeted specialist support</td>
</tr>
<tr>
<td>Limited specialist support</td>
<td>General support assets e.g. Forum, intranet and fundraising products such as Schools for Africa, Inspired Gifts, content</td>
<td></td>
</tr>
<tr>
<td>&lt;$10 million</td>
<td>$ Growth in income 2012-2017</td>
<td>&gt;$10 million</td>
</tr>
</tbody>
</table>
The number of people in the country with an income of US$ 2,000 a month or more

<table>
<thead>
<tr>
<th>&gt; $10 million</th>
<th>&lt; $10 million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany, Canada, India, Netherlands, Poland, Indonesia</td>
<td>USA, China, Japan, France, UK, Italy, Brazil, Spain, Mexico, Republic of Korea, Turkey, Gulf Area Office, Australia,</td>
</tr>
<tr>
<td>South Africa, Greece, Austria, Switzerland, Czech Republic, Chile, Colombia, Hong Kong, Israel, Venezuela, Hungary, Denmark, Philippines, Slovakia, Ireland, Serbia, New Zealand, Nigeria, Bulgaria, Lithuania, Ecuador, Uruguay, Estonia, Andorra, Luxembourg, Iceland, Slovenia, Portugal, Peru, Croatia</td>
<td>Argentina, Belgium, Thailand, Sweden, Norway, Finland, Malaysia</td>
</tr>
</tbody>
</table>

$ Growth in income 2012-2017
PSFR investment funds summary

- UNICEF provides funding to National Committees and selected country offices to invest in expanding private sector fundraising income.
- The investment primarily goes into funding the growth in pledge fundraising which is the largest single source of private sector income, has grown strongly over recent years and is forecast to reach US$1 billion by 2017.
- Pledge has proved to be recession-resistant and delivers a very high proportion (91% from NCs) of unrestricted income.
- PSFR investments are driving faster pledge growth than would be possible with the resources of the National Committees or country offices.
- The performance of PSFR investments are consistently above the minimum return on investment of 3:1 over 36 months.
- UNICEF has put in place improved performance monitoring and allocation systems over the last two years which has enabled the investment funds to increase while performance has been sustained.
- External analysis has validated the potential for future growth in PSFR income and the requirement to invest more if this increase in income is to be secured.
Questions?
Thank you