United Nations Children’s Fund
Executive Board
Annual session 2022
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Update on the World Bank instrument to facilitate sustained investment in private sector fundraising

Summary

The present update on the World Bank instrument to facilitate sustained investment in private sector fundraising provides information to the Executive Board on the investment allocation by fundraising market, the preliminary impact of the investment and the ongoing performance review of the new instrument.

UNICEF executed the new 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/2022/9.
I. Overview

1. In accordance with Executive Board decision 2021/5, the present document provides an update on the investment allocation, the preliminary impact of the investment and an ongoing review of its performance.

II. Introduction

2. At its first regular session of 2021, in its decision 2021/5, 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 the financial performance and the attainment of goals and corresponding costs and capacities.

3. UNICEF updated the Executive Board at its annual session of 2021 on the following: (a) the results of the UNICEF consultations with the 18 emerging-market countries as well as other relevant actors of the United Nations system; (b) an updated, comprehensive risk management matrix; (c) information on the opinion of the United Nations Office of Legal Affairs on the agreement with the World Bank; (d) information on the principal amount, interest costs and other associated fees; (e) a written assessment of the need to update the UNICEF Financial Regulations and Rules; and (f) an affirmation that the conditions of the instrument had been made fully transparent to potential investors.

4. At the first regular session of the Executive Board in 2022, UNICEF updated the Board on the financial performance of the new instrument, the attainment of goals and costs, as well as capacities associated with the new financial instrument.

III. Investment allocation by fundraising market

5. Following a risk-informed approach to planning for and allocating the funds received from the World Bank in the context of the coronavirus disease 2019 (COVID-19) pandemic, UNICEF has fully allocated the $50 million to emerging-market countries through two rounds of allocations (30.8 per cent in June 2021 and 69.2 per cent in December 2021).

6. The criteria used for the allocation decision-making process included quality of fundraising plans for which funds were requested; compliance with other relevant repayment schedules; and analysis of the expected return on investment and potential risks associated with the utilization and return of borrowed funds.

7. Nearly half (49 per cent) of all funds were allocated to countries in Latin America and Caribbean, followed by South Asia (34 per cent), East Asia and the Pacific (15 per cent) and Europe and Central Asia (2 per cent). The top five receiving countries include Brazil, Chile, Colombia, India and Mexico.
8. Funds have been absorbed by emerging-market countries to support a variety of fundraising channels to maximise the return on investment and overall fundraising results. The majority of funds have been invested to support private sector fundraising market plans and localized fundraising activities that bring in flexible and predictable income.

9. The investment of $50 million has been managed using a robust governance system put in place for the funds received from the World Bank, which includes a new policy; clear planning, application, allocation, monitoring and repayment processes; and robust decision-making and oversight mechanisms in headquarters, regional and country offices.

IV. Preliminary impact of the investment

10. By the time of the annual session of the Executive Board in June, during which the current report will be presented, UNICEF will have completed a first preliminary impact report, in compliance with the requirements under the forward flow agreement with the World Bank. The report will include a financial analysis of revenue generated in beneficiary countries and its distribution for programmes at the national, regional and global level. It will also illustrate the relevance and impact of UNICEF programmes on children’s lives in beneficiary countries and their contribution to the advancement of the Sustainable Development Goals and the overall COVID-19 response. UNICEF can provide an oral update on the preliminary impact of the investment during the annual session of the Executive Board.

11. Preliminary results reported to the World Bank indicate revenue of $177.1 million generated by emerging markets for the period from March to December 2021. This has triggered the UNICEF obligation to repay the borrowed funds, in accordance with the forward flow agreement with the World Bank, thus eliminating the risk of default for the investors.

12. Out of the above-mentioned revenue of $177.1 million, UNICEF has already paid a cumulative amount of $0.95 million in interest costs to the World Bank.

V. Ongoing performance review of the new instrument

13. By the time of the 2022 annual session, UNICEF will have commenced a performance review of the new instrument and taken stock of lessons from its implementation in emerging-market countries. The review includes an analysis of the ongoing and projected performance of the investment and its overall impact on
UNICEF fundraising growth in emerging markets. It will also review UNICEF internal processes and procedures related to the management and implementation of the new instrument, as well as the investment’s contribution to meeting UNICEF fundraising and programmatic goals. UNICEF can provide an oral update on the ongoing performance review of the new instrument during the annual session of the Executive Board.

VI. Conclusion

14. UNICEF has fully invested funding from the new financial instrument into a diverse pool of fundraising activities in order to maximize the return on investment and overall fundraising results. The organization has also completed a preliminary impact report and a performance review of the new instrument is ongoing.