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**For information**

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## **United Nations Children's Fund**

Executive Board

**First regular session 2022**

8–11 February 2022

Item 11 of the provisional agenda\*

### **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 financial performance; attainment of goals; costs; and capacities associated with the new financial 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.

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\* E/ICEF/2022/1.

## **I. Overview**

1. In accordance with Executive Board decision 2021/5, the present document provides an update on the execution of the financial instrument in partnership with the World Bank, specifically the financial performance, attainment of goals as well as corresponding costs and capacities.
2. UNICEF adopted a risk-informed approach to planning for and allocating the funds received from the World Bank financial instrument to the 18 emerging-market countries in the context of the coronavirus disease 2019 (COVID-19) pandemic. Decisions on funds allocation were finalized in two rounds, in May and October 2021, to help to ensure that the emerging-market countries had the ability to absorb the funds fully and effectively.
3. The cumulative donations to UNICEF from the private sector pledge donors in the target emerging-market countries had exceeded \$50 million in the period March to June 2021. The donation milestone triggered the full repayment obligation by UNICEF, as required by the financing agreement with the World Bank upon maturity.
4. The costs related to the World Bank instrument in 2021 totalled \$589,750. These include \$112,500 paid in March 2021 comprising underwriting costs of \$62,500 and World Bank administrative expenses of \$50,000, as well as a first interest instalment payment of \$477,250, made in August 2021.
5. UNICEF has established a robust governance system for the funds received from the World Bank, which includes the following: new policy; clear planning, application, allocation, monitoring and repayment processes; and robust decision-making and oversight mechanisms in headquarters, regional and country offices.

## **II. Introduction**

6. At its 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 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. In its decision 2021/5, the Executive Board 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.
7. 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) affirmation that the conditions of the instrument had been made fully transparent to potential investors.

## **III. Planning and allocation of funds**

8. In accordance with the financing agreement between UNICEF and the World Bank, finalized in February 2021, UNICEF in March 2021 received \$50 million to invest in private sector fundraising in 18 emerging-market countries.

9. Given the significant impact on fundraising operations in emerging-market countries caused by the COVID-19 pandemic, UNICEF developed a risk-informed approach to planning for and allocating the funds received from the World Bank. Fund allocations to emerging-market countries were finalized in two rounds, in May and October 2021, to help to ensure that the countries possessed the ability to absorb the funds fully and effectively. The World Bank instrument was oversubscribed by \$4.6 million, or 13 per cent more than the available funds, and UNICEF had therefore to prioritize fundraising projects in countries with the strongest track records in fundraising. The unfunded needs will be covered through the Dynamo Revolving Fund in early 2022.

#### **IV. Related costs and capacities**

10. The costs related to the World Bank instrument in 2021 totalled \$589,750. These include \$112,500 paid in March 2021 comprising underwriting costs of \$62,500 and World Bank administrative expenses of \$50,000, as well as a first interest instalment payment of \$477,250, made in August 2021.

11. UNICEF has established a robust governance system for the funds received from the World Bank, which includes development of the following: new policy; clear planning, application, allocation, monitoring and repayment processes; and robust decision-making and oversight mechanisms in headquarters, regional and country offices.

12. UNICEF has also modified its financial management information system to allow for complete, accurate and timely reporting of the allocation and utilization of the funds received from the World Bank, as well as the cumulative donations raised in the emerging-market countries.

13. The need for further capacities is not anticipated at this time.

#### **V. Financial performance**

14. In September 2021, UNICEF informed the World Bank that the amount of UNICEF cumulative donations from the target emerging-market countries had exceeded \$50 million in the period March to June 2021. The donation milestone therefore triggered the full repayment obligation by UNICEF as required by the financing agreement with the World Bank upon maturity.

15. Further financial reporting on the partnership with the World Bank and the financial performance of the investments made in emerging markets will be available in 2022 following the financial year-end closure and preparation of the UNICEF financial statements for 2021. UNICEF will also provide an impact report on the use of the funds to the World Bank and its financial investors in April 2022.

16. While the financial instrument is still in its early gestation period, preliminary results and assessment so far point in the right direction. While cumulative donations from the target emerging-market countries exceeded expectations in the period March to June 2021, it has not yet been ascertained how much of the donation milestone is attributable to the World Bank instrument. Year-end results will provide more detail for a further update to be given to the Executive Board at the informal consultation scheduled for January 2022. By meeting its full repayment obligation to the World Bank under the agreement, UNICEF and its private sector fundraising strategies will earn the confidence of the World Bank and its financial investors.

## **VI. Conclusion**

17. UNICEF has invested the funds received from the World Bank in private sector fundraising in 18 emerging-market countries in accordance with the new financial instrument. The organization has established a robust governance system to manage, monitor and report on the World Bank funds, emerging-market investment activities and attainment of private sector fundraising goals and looks forward to providing further updates to the Executive Board in line with its decision 2021/5.

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