The Dynamo Revolving Fund for investment in private sector fundraising

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UNICEF Executive Board
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Item 11
Reference document: E/ICEF/2021/AB/L.1/Add.1
Dynamo Revolving Fund – rationale and benefits

Decision 2020/23 (E/ICEF/2020/AB/L.8)

RATIONALE

• Sizeable percentage of private sector income in UNICEF comes from emerging markets in Asia, Latin America and Europe

• Long-term growth of private sector income in these markets
  o Depends on the level of investment made in fundraising activities
  o Contributes to catalytic transformation in delivery of programme results and drives achievement of SDGs

• The Revolving Fund is an innovative solution for investing in private sector fundraising activities in uncertain funding environment in which expectations that UNICEF meets the growing needs for children are ever-higher

BENEFITS

• The Revolving Fund will
  • Provide sustainable financial capacity for investment in private sector fundraising for UNICEF country and regional offices
  • Provide for additional and predictable investment in private sector fundraising for UNICEF country and regional offices
Potential sources of capitalization include:

- The special purpose budget allotted to PFP (as seed)
- United Nations System partners, such as the international financial institutions (IFIs)
- Other public and private partners

Financing depends on potential and commitment of country and regional offices to pay back.

Activities eligible for financing will be part of regional investment strategies and embedded into country private sector plans.

All types of fundraising activities will be eligible.

Repayment period will be, at a minimum, 36 months, or as determined appropriate by the Comptroller with the Director, PFP.

Comptroller will have fiduciary oversight and ensure compliance with UNICEF Financial Regulations and Rules.

Accountability for the management will be delegated to Director PFP, in collaboration with Regional Directors.

Risks will be managed at the country office level, with overall guidance from PFP.
World Bank financial instrument to facilitate sustained investment in private sector fundraising

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• Challenging global environment, combined with increased demand to deliver more due to the COVID-19 pandemic, requires supplemental sources to accelerate fundraising investment for income growth

• Addresses the need for additional and alternative source of investment in fundraising in emerging markets to complement investment funds available from regular resources (RR), given the projected reduction in RR

• The instrument proceeds will be utilized strategically to retain existing donors, acquire new donors and replace those lost through natural attrition and widen the donor base

• The instrument will support UNICEF’s growth and programmes by leveraging the capital markets’ appetite to invest in the Sustainable Development Goals
**Benefits of the Financial Instrument**

- **Raises funding of approximately $50 million**, which, together with existing and new monthly pledge donors in emerging markets, yields $450 million over the 5-year maturity period.

- **It will allow repurposing**, to National Committees and other private sector fundraising channels, of a greater proportion of PFP special purpose funds for investment in fundraising.

- Successful and matured country PSFR supports country programme delivery and **contributes to regular resources (RR)** for the global programme activities of UNICEF.

- **Alleviates the pressure to thinly spread** the PFP special purpose funds for investment without tapping the maximum potential of the fundraising markets.

- **First time this opportunity is offered by the World Bank** to a United Nations system entity to use this financial instrument in addressing a global challenge.
- World Bank issues bond to investors through its Capital at Risk Notes programme for $100 million and retains $50 million for its own purpose.

- UNICEF will repay the $50 million with the overall income from pledge donors in emerging markets with $450 million projected income by 2025.

- UNICEF will repay the interest coupons and principal from gross income as first or senior payment before other costs.
1. **PRINCIPAL AND INTEREST REPAYMENT**
   - Country offices receiving funds are expected to start interest repayment from the **third year**.
   - Offices are expected to be generating sufficient resources to start setting aside funds from the **third year** for repayment of principal at the end of the **fifth year**.
   - Interest payments for the first two years will be made from PFP’s special purpose budget.

2. **ALLOCATION**
   - Proceeds will be allocated based on fundraising market potential and commitment by country and regional offices.
   - The offices’ capacity to invest these resources in fundraising is higher than this $50 million. Since 2010, an ROI of 3:1 has resulted from investing in fundraising.
   - A detailed fundraising plan will accompany the allocated funds and implementation will be closely monitored by PFP.

3. **MANAGEMENT AND FIDUCIARY OVERSIGHT**
   - The Comptroller will have fiduciary oversight and ensure compliance with UNICEF Financial Regulations and Rules.
   - Accountability for the management will be delegated to Director, PFP, in collaboration with Regional Directors.
   - An annual update will be provided to the Executive Board up to the period of redemption of the instrument.

**ADMINISTRATION OF THE FINANCIAL INSTRUMENT**
Thank you