The Dynamo Revolving Fund for investment in private sector fundraising

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Item 11
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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**
  - Depends on the level of investment made in fundraising activities
  - 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

Dynamo Revolving Fund – administration

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CAPITALIZATION

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

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ALLOCATION & REPAYMENT

- 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

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MANAGEMENT & FIDUCIARY OVERSIGHT

- 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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RATIONALE FOR THE FINANCIAL INSTRUMENT

- **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

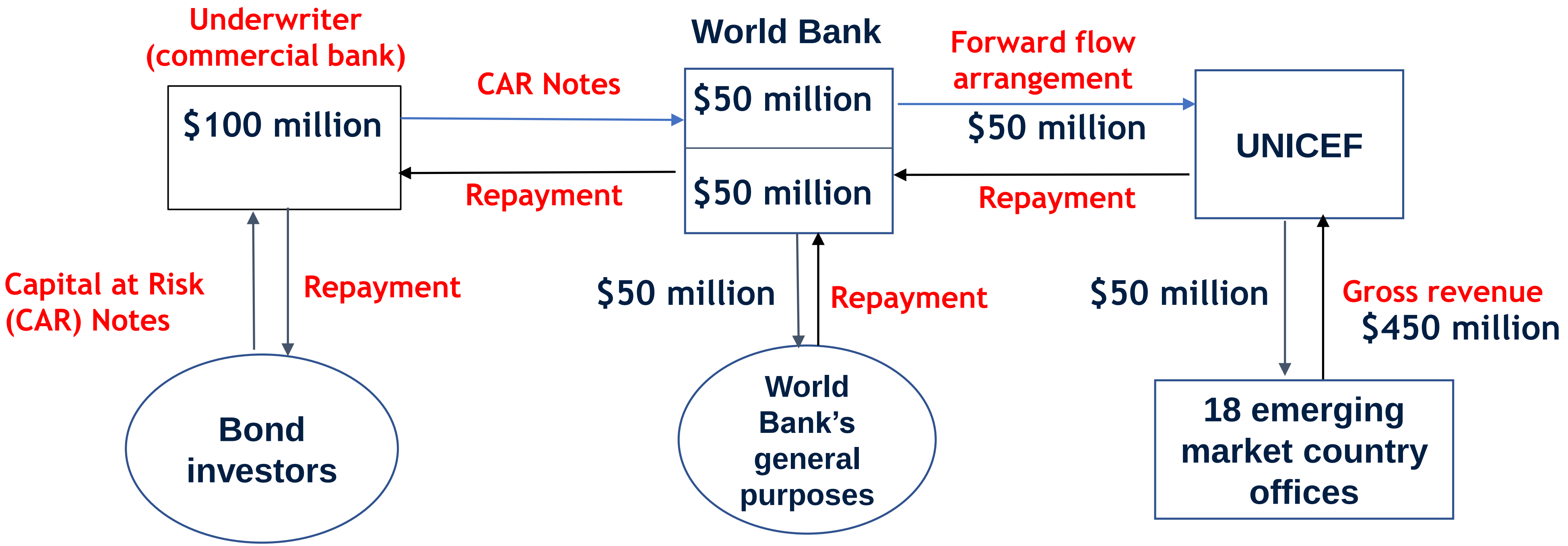
- **It will allow repurposing,** to National Committees and other private sector fundraising channels, of a greater proportion of PFP special purpose funds for investment in fundraising

- 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

Structure of the Financial Instrument



- 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.

Administration of the Financial Instrument

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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

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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

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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

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Thank you