

# INNOVATIVE FINANCING FOR THE ELIMINATION OF HARMFUL PRACTICES

## GLOBAL REVOLVING FUND AS A TOOL TO ELIMINATE HARMFUL PRACTICES



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### 01 | BACKGROUND

UNICEF has conducted scoping exercises to explore promising innovative financing models that would support gender equality and the empowerment of girls. These exercises were undertaken in collaboration with the female genital mutilation (FGM) Donor Working Group (DWG) and a global advisory group of experts from

institutions, such as The Wallace Global Fund, World Bank, Swiss Agency for Development and Cooperation, Better Finance, UBS Optimus Foundation and the Swedish International Development Cooperation Agency (Sida). One of the options that emerged during the scoping exercises and ensuing consultations was to develop a special purpose fund to support the global efforts in ending harmful practices, including FGM and child marriage. This note provides an analysis of the special purpose fund mechanism (revolving fund) and outlines how UNICEF may use this instrument in financing efforts towards ending harmful practices in line with the UNICEF Child Protection Strategic Plan 2021–2030.

## 02 | INTRODUCTION AND CONTEXT

### WHAT IS A REVOLVING FUND?

Revolving funds are legal entities entrusted with financial resources whose proceeds are used for funding charitable activities. A revolving fund enjoys full legal subjectivity and is legally and financially separated from the organizations/institutions whose charitable activities it financially supports, or they may be integrated within the organizations/institutions with their funds being ring-fenced (i.e., restricted). Revolving funds have a successful history in financing public (government) and third sector (not-for-profit) entities.

### HOW IS REVOLVING FUND ESTABLISHED?

Revolving funds may be established to serve a single purpose for a defined period of time, and then be closed ('winded down'), or they may be established as a going concern and have unlimited duration. The revolving funds may manage restricted financial assets, and they have to be used for the defined purpose. As a rule, revolving fund grants, financial resources that have to be repaid, with some return. Proceeds are reinvested, with some portion of the financial proceeds covering the administrative and other related costs of the fund, so the beneficiary may use the resources without conditions attached to them. Revolving funds, as a rule, do not operate in financial markets (beyond standard active treasury management activities) and do provide financial resources directly to the beneficiaries or may partner to co-finance projects or programmes.

The revolving fund receives the funds for purposes that have been identified, and do not have time limit attached to the spending horizon. Even if used in the public sector context, they are authorised to spend resources beyond the fiscal year and are not obliged to return unspent resources at the end of the fiscal year. The money granted will have to be repaid (usually together with a usage fee) and the net revenues from such activities will be added to the fund assets, together with the money paid back. Revolving funds may also be expanded through additional appropriations from the founders, or from other resources. If they are registered for charitable purposes, they may effectively attract donations and other philanthropic resources.

## 03 | GLOBAL (REVOLVING) FUND FOR ENDING FGM AND CHILD MARRIAGE

Elimination efforts of both FGM and child marriage have largely been supported through the two UNFPA-UNICEF global programmes, as well as the EU-UN Spotlight Initiative, with the EU financial commitment of €500 million, to address gender-based violence (GBV). Both programmes were delivered in phases that were given positive evaluations. The programmes show that there is a small group of international donors who are committed to ending FGM and child marriage and have regularly contributed to the programmes, although the annual commitments have varied year-on-year. The EU remains the largest single donor so far, followed by the others the United States, Canada and the Nordic countries. In the recent years, other donors have been showing more interest in supporting the agenda of eliminating harmful practices.

The experiences of the two global programmes and their attractiveness to established bilateral donors suggests that the global endowment financing option may be viable. Whilst the global programmes must manage and spend the allocated resources within an agreed time frame, a global endowment would be able to invest resources and direct proceeds into the elimination of FGM and child marriage projects. A global (revolving) fund may be incorporated as a **hybrid funding mechanism**, wherein the pre-defined proportion of annual funding is allocated to be invested into the creation of innovative financing mechanisms (such as social impact bonds – SIBs, and/or development impact bonds – DIBs) and other more traditional financial instruments supporting the development efforts. Another fraction of annual allocations is used for operational purposes and invested immediately into ending FGM and child marriage projects, ideally through co-financing with the national and sub-national governments in 31 target countries<sup>2</sup>, contributing immediately to the desired positive outcomes towards ending FGM and child marriage in those countries.

Global revolving funds should be established as a perpetual facility, and following FGM and child marriage eradication, the global revolving fund would focus on eliminating other harmful practices and (hazardous) social norms, and ultimately be devoted to strengthening the general child protection efforts.

## 04 ESTABLISHING THE GLOBAL REVOLVING FUND FOR ELIMINATING FGM AND CHILD MARRIAGE

To establish the global revolving fund the following steps should be taken:

**STEP 1:** Approach existing donors to ending FGM and child marriage, primarily steering committee, DWG members – bilateral and multilateral, public and private. Based on the experience of other FGM and child marriage global initiatives, between US\$30 and 70 million may have been spent by the donors on the ending harmful practices programmes/project to date. Public bilateral donors are the most active, followed closely by the opportunities to be explored with international philanthropic donors. The hybrid model can be elaborated, offering donors the chance to not only support global (revolving) fund growth and ensure the long-term support for ending the harmful practices, but also to immediately support larger projects through a syndicalisation mode; essentially however the dual, hybrid (and unique) nature of the global revolving fund permits.

**STEP 2:** Following the collection of support pledges from traditional public donors, major industries may be approached to explore building a long-term relationship. In these instances, the global revolving fund may be facilitated through the long-term corporate social responsibility (CSR) based partnerships.

**STEP 3:** In parallel with securing additional commitments and support, activities should be undertaken to set up the global revolving fund legally, ensuring that it meets all legal requirements.

**STEP 4:** Is to facilitate further activities and growth of the global revolving fund, measures should be implemented that ensure it is a data-driven operation, as well as ensuring that FGM and child marriage activities' data are collected, stored and analysed, disseminated and utilized in reprogramming. This will support the overall ability of the global revolving fund and its founders to follow evidence-based policies and see that outcomes may be developed reasonably easily, supporting engagement with other IF mechanisms (products).

## 05 POTENTIAL AND NATURAL PARTNERS FOR THE GLOBAL REVOLVING FUND

The natural and potential partners for the global fund would be:

- 1 International public sector donors (starting with the members of FGM and child marriage steering committees and DWGs)
- 2 Private sector (through their CSR activities); and
- 3 Foundations and charities (international, regional and national).

The most natural (founding) partners may be **international public sector donors** who have already shown a high level of commitment to supporting ending FGM and child marriage. As already stated, the major contributors have been the EU, the United States and the Scandinavian countries. France, Italy, Ireland and other traditional OECD DAC donors have shown intermittent interest in FGM and child marriage in the past, although may be active in supporting the general gender equality (and/or GBV) agenda. Although non-

Some of those most committed are members of the FGM DWG, and they may also serve as advocates and approach other potential foundations/charities on behalf of the fund.



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DAC member countries have not been active in gender equality, it may be worth exploring their interest and offering them an opportunity to contribute with defined annual contributions commensurate with their financial capacity and programme priorities. Securing the commitment from the FGM and child marriage DWG and scoping other potential donors should provide initial seed funding and annual revenues that would ensure minimum functionality of the fund.

A second important partner is the **private sector**. At present over 90 per cent of Forbes 500 companies report on CSR and spent over US\$20 billion on CSR in 2017.<sup>3</sup> Financial and fashion sector companies may be a natural partner, although the experience of some other industries suggests that any multinational company may, in fact, be a very good partner (e.g., Coca-Cola, MasterCard, Nike and so on). The fashion industry has

traditionally been geared towards women and women are the major customer group. Support for other, less fortunate women who are subjected to the harmful practices, may make an appealing CSR investment case. The financial industry has been active in CSR/ impact investing and is already a very good partner, but this industry is simultaneously approached by other UN agencies and areas of development focus (such as climate change, environmental protection, etc.).

A third natural partner may be **grant giving charities** that may wish to improve their own impact footprint. They can do that through contributing to the global revolving fund, either through a one-off donation or through a recurrent annual contribution. Some of those most committed are members of the FGM DWG, and they may also serve as advocates and approach other potential foundations/charities on behalf of the fund.