

RESOLUTION 24R-40

To request the RI Board and TRF Trustees to consider directing unrestricted net assets to be invested with reputable microfinance and/or community development institutions

Proposer(s): Rotary Passport Club South 7080, District 7080, Canada

1 WHEREAS, RI's unrestricted cash is used for working capital purposes, and the
2 primary purpose of the General Fund is to provide for the long-term financial
3 security of Rotary International, and

4
5 WHEREAS, the performance objective of the Fund is to achieve a rate of return
6 consistent with the expected return of the target allocation found in Rotary Code
7 of Policies subsection 70.010.15., and

8
9 WHEREAS, the assets of RI as of 30 June 2023 included more than US\$800
10 million of unrestricted funds (without donor restriction) which have been
11 invested in global markets to maximize the return on investment but have not
12 necessarily been considered for additional social impact initiatives, and

13
14 WHEREAS, Rotary Code of Policies subsection 70.010.20., Responsible
15 Investment Principles, states that RI and The Rotary Foundation act and invest
16 responsibly and create lasting, positive change, and

17
18 WHEREAS, investment opportunities exist within microfinance and community
19 development institutions with relatively low (and in some cases guaranteed) risk,
20 offering a reasonable rate of return, and at the same time, having significant
21 social impact by supporting sustainable global efforts to reduce poverty, and

22
23 WHEREAS, investing directly or indirectly means investing with microfinance
24 institutions (direct) and/or in microfinance investment funds (indirect), with
25 funds flowing into the microfinance sector through specialized financial
26 intermediaries (microfinance investment vehicles), and

27
28 WHEREAS, a reputable microfinance or community development institution
29 would be defined as one that is ranked as equal to or better than The Rotary
30 Foundation on a ranking platform like Charity Navigator. A reasonable rate of
31 return would be a return similar to that realized by The Rotary Foundation over a
32 previous five-year annualized summary for investments of similar risk profile,
33 and

34
35 WHEREAS, both the RI and The Rotary Foundation mission statements support
36 the furtherance of providing service to others and doing good in the world

1 IT IS RESOLVED by Rotary International that the Board of Directors of Rotary
2 International and the Trustees of The Rotary Foundation consider directing a
3 portion of the previous year’s annual unrestricted net assets to be invested
4 directly or indirectly with reputable microfinance and/or community
5 development institutions so as to generate a reasonable return on investment
6 while allowing the investment to have a greater positive social impact in global
7 communities.

(End of Text)

PURPOSE AND EFFECT

8 The purpose of this resolution is to encourage the RI Board and TRF Trustees to
9 invest a portion of the unrestricted net assets annually to actively promote
10 microfinance and other socially impactful projects while earning a reasonable
11 rate of return on their investments.
12

13 “Microfinance – ending poverty one small loan at a time” is an initiative that
14 offers people start-up opportunities in business or agriculture, enabling them to
15 earn their way out of poverty with dignity. Rotary is well positioned to expand
16 microfinance opportunities. Investment opportunities exist within microfinance
17 and community development institutions with relatively low (and in some cases
18 guaranteed) risk, offering a reasonable rate of return and, at the same time,
19 having significant social impact by supporting sustainable global efforts to reduce
20 poverty.
21

22 Currently, funds raised at club levels intended to support microfinance efforts
23 may often be too small and possibly directed towards the founding of new
24 support groups that offer small loans under the name of “microcredit.”
25 Unfortunately, without the supporting linkages and networks that make them
26 sustainable, these new groups may end up reinventing systems that may not be
27 proven and lack adequate training and oversight. By investing a small portion of
28 Rotary’s unrestricted funds in proven and experienced microfinance and
29 community development institutions that employ best practices, Rotary will not
30 only advance its socially responsible investment strategy but also empower
31 impoverished people and communities around the world.
32

33 It is suggested that a proposed “impact” investment subcommittee, together with
34 The Rotary Action Group for Microfinance and Community Development
35 (RAGM) and respective Rotary clubs in host countries, provide support and
36 oversight.
37

38 The effect of this action would be to demonstrate RI’s very real-world
39 commitment to innovative, socially responsible investment policies while
40 optimizing its global social impact.

FINANCIAL IMPACT

1 If implemented, this enactment could have a significant financial impact on RI
2 and The Rotary Foundation that cannot be determined at this time. The proposed
3 investments would likely have lower returns and higher fees than Rotary's
4 current investments.

5
6 A study would be required to determine the overall impact on each fund's risk
7 and return profile. Additional staff and the Investment Committee's time would
8 be required to identify appropriate investments, conduct due diligence, and
9 implement and monitor investments in these types of funds.