INNOVATIVE FINANCE FOR CHILDREN

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UNICEF Executive Board
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UNICEF innovative and alternative financing strategy
- ODA can, at most, cover only **half of this gap**

- Need to shift or align part of the **total financial assets** (USD 378.9 Trillion) towards SDGs and children

- **UNICEF growth** mostly from ORR and ORE with RR only representing **17%** increasing the risk of becoming a project-driven organization

- **RR growth** come from **private sector**, but only if we keep investing in it

- **Capital markets and philanthropic capital** - at low or no interest rate - are currently untapped to accelerate growth (including RR) and mitigate constraints around upfront funding using regular resources reserves
UNICEF innovative and alternative financing strategy

**Align**
a greater share of the global private capital markets towards the SDGs for children by creating new child-aligned global standards and/or influencing current standards.

**Amplify**
the impact of proven approaches with a track record of successfully achieving progress under the SDGs for children, through the application of innovative financing instruments driven by UNICEF and its National Committees.

**Accelerate**
the alignment and growth of global private capital that specifically prioritizes the SDGs for children by developing new impact investing opportunities.

**Access**
global insurance and insurance-linked securities (ILS) to protect the most vulnerable, especially children, from the negative impacts of unforeseen events, including natural hazards and catastrophes.

**Apply**
alternative innovative solutions by using fintech and cutting-edge technologies to leverage new resource channels for children.

**Goals**

- $20 billion of the ESG market aligned towards investments for children.
- $2 billion of innovative financing transactions implemented by UNICEF and its National Committees.
- $1 billion SDG/ESG child-aligned impact investment partnerships developed.
- 100 million+ beneficiaries will have access to SDG-focused insurance products and insurance-linked securities instruments.
- 10 products featuring new innovative Global Social Goods constructs developed by 2025.
Examples of IF4C
01. Vaccine Independent initiative

- Facilitated **accelerated availability** of $308 million in **essential supplies**

- **Nutrition**: to face unpredictability of funding for countries to procure RUTF and RUTF suppliers’ constraints with liquidity and working capital, established various mechanisms including
  
  - **Nutrition Match Fund** to incentivizes greater domestic resources allocations to nutrition supplies by matching government’s allocations on 1:1 basis ($22.3M funds from BMGF, CIFF and others)
  
  - **RUTF Nutrition Window** (*just launched*): pre-funded window to provide guarantee against advance payment to RUTF suppliers ($50M from BMGF and UNICEF US Bridge Fund)
02. World Bank instrument to support PSFR

- The World Bank issued a bond, for a total of $100 million via capital markets, of which $50 million to support UNICEF fundraising in emerging markets.

- **Awarded deal of the year as Most innovative instrument** by the World Bank and IFLR in 2021.

- UNICEF **met its full repayment** as emerging-market countries had exceeded $50 million in 2021.

- As of September 2022, 24 emerging markets using funding from the World Bank instrument had cumulative pledge donations of **$179 million**.
Today and Tomorrow

• Launched at COP27, first child-focused climate risk financing solution to address climate change risks and in particular the impact of cyclones in 8 at risk countries: Haiti, Comoros, Madagascar, Mozambique, Fiji, Solomon Islands, Vanuatu, Bangladesh.

• Build on longer-term climate resilience, disaster risk reduction and preparedness efforts (Today) while leveraging an innovative risk transfer financing (Tomorrow) via a parametric insurance policy, whose pay-outs are triggered by a set of triggers in a cyclone event. The expected premium cost for up to 100M cyclone insurance risk coverage secured via funding facility of the World Bank that has been capitalized by the German and UK governments.
04. National Committees and Bridge Fund

- The National Committees are key resource alternative/innovative finance for children initiatives.

- **Bridge Fund** runs through a subsidiary organization of the United States Fund for UNICEF with the legal, operational, and financial infrastructure to raise capital from impact investment markets that is used to bridge the timing gaps that emerge between funding commitments and receipt of cash.

- It has a 10-year track record with more than $540 million to accelerate programs and supplies for children. The capital base is currently $98 million, financed by 32 different private sector sources and board representation from impact investing institutions such as the Gates Strategic Investment Fund.
In addition to those mentioned, we are focusing on developing an **outcome funding** mechanism for **polio**, finalizing a **climate resilience financing facility** in Eastern and Southern Africa, leveraging **greening and climate financing**, developing **child lens investing criteria** in partnership with DFIs (Development Finance Institutions) and private managers.
IF4C impact examples

Vaccine Independent Initiatives

91 million doses to children in 23 countries faster than would have otherwise been possible

VII Nutrition Sidecar

Accelerate the production of ~$200M worth of ~4.5M RUTF to treat over 5M children suffering from severe malnutrition

World Bank Instrument

24 UNICEF COs in middle income countries able to raise sufficient local resources to finance response to COVID 19 and being self sustainable while saving $50M RR
Financing gap for Sustainable Development Goals

Negative consequences of COVID-19, inflation, War in Ukraine

Expected shifts in volume and scope of traditional sources of aid

Background

Alternative/Innovative finance examples

World Bank Instrument ($100 million, with $50 million to UNICEF)

Vaccine Independence Initiative ($234.7 million)

Bridge Fund with the US Fund for UNICEF (currently $83 million)

UNICEF Today and Tomorrow (Pilot $100M parametric risk insurance coverage for cyclone risk)

ESARO with Development bank of South Africa (e.g., leverage climate financing to support infrastructure climate disaster based on children's risks)

Alternative/Innovative Finance

Way forward

Operationalizing vision and strategy

Align $20 billion in environmental, social and governance (ESG) investments towards child-centred priorities during 2022–2025

Leveraging an additional $3 billion towards investments in UNICEF-driven alternative/innovative finance solutions (about $500 million flowing through UNICEF)

Implementation considerations

• Seek the approval of the General Assembly as per the opinion of the United Nations Office of Legal Affairs;
• Reinforce an agile, streamlined internal governance and operational framework
• Increase IF4C technical capacity in key teams, particularly DFAM and Legal
• Establish an innovative finance hub within the Office of Innovation
<table>
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<th>Risk Categories</th>
<th>Risk Description &amp; Consideration</th>
<th>Risk Mitigation Measures &amp; Strategies</th>
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<tr>
<td>Governance, Feasibility and Return on Investment (ROI)</td>
<td>Unrealistic financial expectations resulting in loss in donor contribution; set-up &amp; running costs of financial instruments may exceed benefits; some instruments may best be used in combination with other instruments and/or for scale-up or considering grant alternatives. Inadequate Governance structure leading to political fallouts and/or loss in donor revenue.</td>
<td>A streamlined Governance structure with IF4C Director Group led by the ODEs Innovation and Partnerships together with the IF4C convenor to have a clear “go / no go” decision point, via a streamlined process for IF4C approval with four steps that have to verify the feasibility and ensure an appropriate ROI. (Please see full four step process here.)</td>
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<td>Financial Risk</td>
<td>Financial risk where UNICEF can lose Regular Resources (RR) or other donor money, being in default or be held financially accountable by donors or investors; transaction fit for purpose; sustainability of instruments.</td>
<td>Any IF4C initiative will be within the existing financial rules &amp; regulations (RR); the approval process of future transactions also requires three different due diligence including one on financial integrity of partners; in any case, financial products or partnerships must have no direct or indirect financial liability for UNICEF.</td>
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<td>Legal / Regulatory Risk</td>
<td>Breach on contractual obligations or financial market rules and regulations of different countries including transparency and communication to investors, as well as various other types of internal / UN / UNICEF rules &amp; regulations risks that need to be considered.</td>
<td>Any legal arrangement must reflect the specific legal framework and RR of UNICEF and the UN, including the privileges and immunities clauses. Specific legal templates to partner with external asset managers be developed; ensure that appropriate disclosures to investors in line with national regulations are in place; use of outside legal counsel, as needed.</td>
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<td>Reputational Risk</td>
<td>Risk of reputational negative impact based on the performance of specific financial instrument associated with UNICEF, including potential blue washing, SDG-washing or investment in controversial sectors and companies.</td>
<td>In addition to specific due diligence in place to screen private sector partners, a new policy and procedure detailing modalities to engage with asset and fund managers is being developed. Including a clear definition on how to use the UNICEF brand. In any case, clear non-endorsement of financial products and entities must be communicated to public. A clear communication strategy and Q&amp;A will be developed for each instrument; clarity how impact will be measured; a cross divisional child lens working group to develop global child aligned impact standards.</td>
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*Various of these risks are crosscutting and to be considered in more than one context. Additionally, this is not an exhaustive table. Many risks are highly dependent on projects and context and are too specific to be included here. They should be discussed with IF4C oversight.
Enablers & risk management

01. IF4C resourcing and capacity-building

02. An organizationally-aligned funding and financing strategy

03. The IF Committee have a streamlined process and Senior leadership – at DEDs level – and EB have oversight on key risk parameters management, and mitigation measures.
IF4C, public-private partnership and innovation

01. Leverage new source of funding and finance through partnership with DFIs and IFIs

02. Crowd in new sources of private capital with public funds as anchor or guarantee

03. Engage new type of private donors and investors (HNWIs, foundations, sovereign wealth funds, etc.)

04. Strategic space to pilot and test innovation on scale and efficiency of programs and different modalities to deliver
How Member states can support IF4C

a) **Guarantees** for existing and new IF4C and blended public/private instruments

b) **Financial support** for new and existing IF4C fast track initiatives (VII, nutrition, T&T, etc.)

c) **Support EB** request to UNGA to authorize the use of financial instruments

d) **Facilitate DFIs/ IFIs** to work closer with UNICEF on investment opportunities

e) **Encourage private and public investors** (e.g., pension funds) to support investing for children in partnership with UNICEF

f) **Provide IF expertise and resources**
Thank you