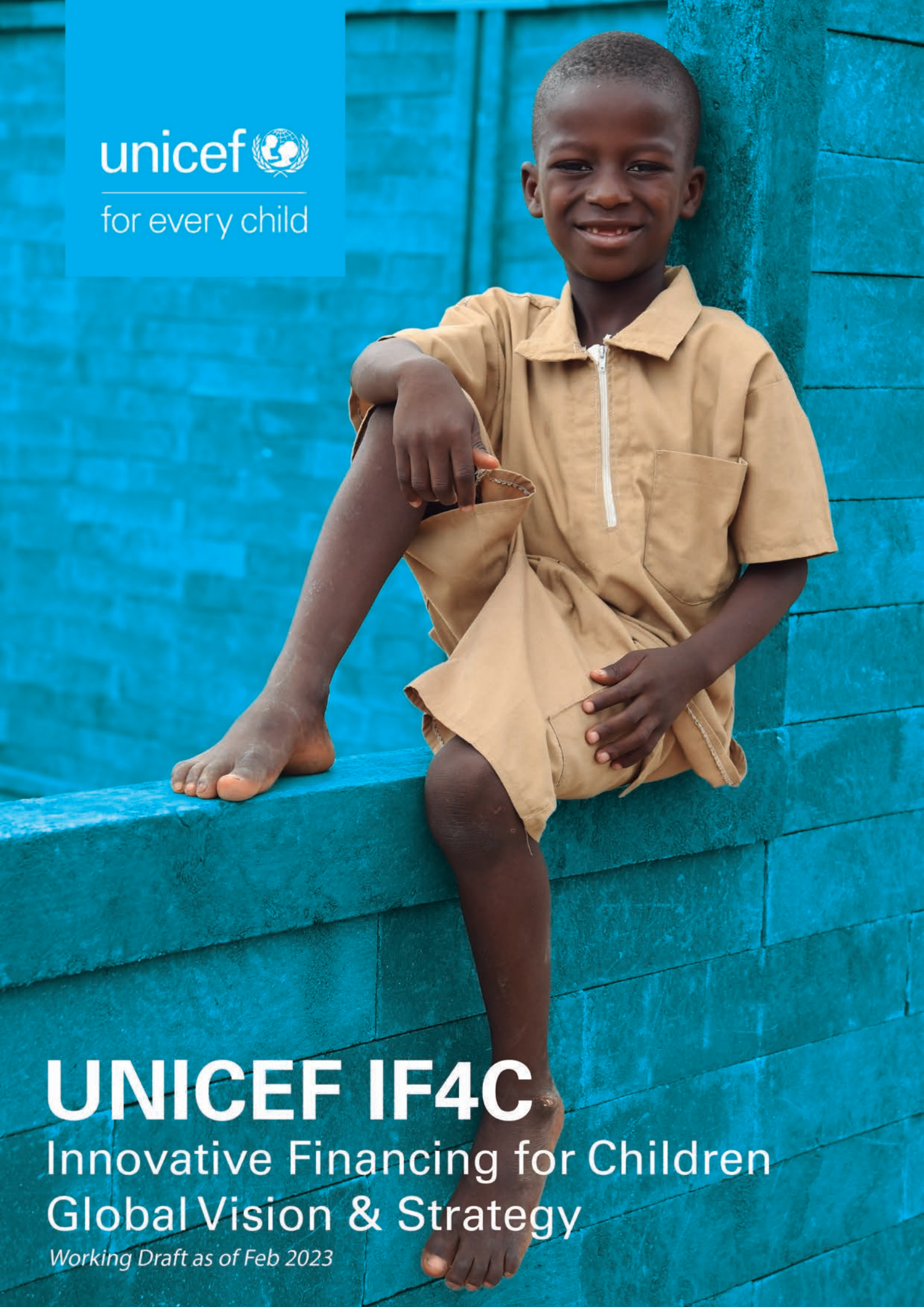
unicef

for every child



UNICEF IF4C

Innovative Financing for Children
Global Vision & Strategy

Working Draft as of Feb 2023

Acronyms

AUM	assets under management
DRR	Disaster Risk Reduction
ESG	environmental, social and governance
Gavi	Global Alliance for Vaccines and Immunization
IF	alternative/innovative finance
IFI	International Financial Institution
IF4C	alternative/innovative finance for children
HAC	UNICEF Humanitarian Action for Children
MCV	Mercy Corps' impact investing arm
ODA	official development assistance
PF4C	public financing for children
PPP	Public Private Partnerships
RACI	responsible, accountable, consulted, informed
ROI	return on investment
SDGs	Sustainable Development Goals
SRI	socially responsible investing
UNDP	United Nations Development Programme
WASH	water, sanitation and hygiene

UNICEF divisions

DFAM	Division of Finance and Administrative Management
EMOPS	Office of Emergency Programmes
Legal	UNICEF Legal Office
OOI	Office of Innovation
PFP	Private Fundraising and Partnerships
PG	Programme Group
PPD	Public Partnerships Division
SD	Supply Division

Contents

Summary & Introduction

**At UNICEF, we want to identify more innovative ways to finance and invest.
To accelerate, coordinate and achieve maximum impact for children.
To move the world.**

UNICEF DEFINES[1] INNOVATIVE FINANCE FOR CHILDREN (IF4C) AS ANY FINANCING APPROACH THAT:

Leverages additional resources for children through new financial structures or existing structures applied in a new way.

Makes resources for children more efficient[2] and/or makes resources for children more results oriented.

At its core, IF4C is a bridge between a problem and a solution that accelerates results for children.

The Problem

COVID-19 and its devastating consequences have upended decades of hard-won gains for children, exposing deep inequalities and fault lines that existed well before the deadly pandemic began.

Even before the negative health, social and economic effects of the coronavirus crisis took hold, the financing gap to achieve the Sustainable Development Goals (SDGs) in developing countries by 2030 was estimated to be $2.5 trillion per year.[3] Currently, the additional COVID-19 recovery funding needs of developing countries are expected to increase this gap by ≥$1 trillion according to some estimates,[4] with the latest estimation of an annual gap between $3.7 and $4.3 trillion[5], making the implementation of all 17 SDGs even more difficult.

With traditional funding efforts by governments and private philanthropic capital falling short amid economic uncertainty, an estimated 25 years of global gains for children associated with the SDGs have already been undone due to COVID-19-induced challenges, including an unprecedented loss of lives and livelihoods, strains on already-fragile health systems, disruptions to schooling and exponential increases in violence in the home.

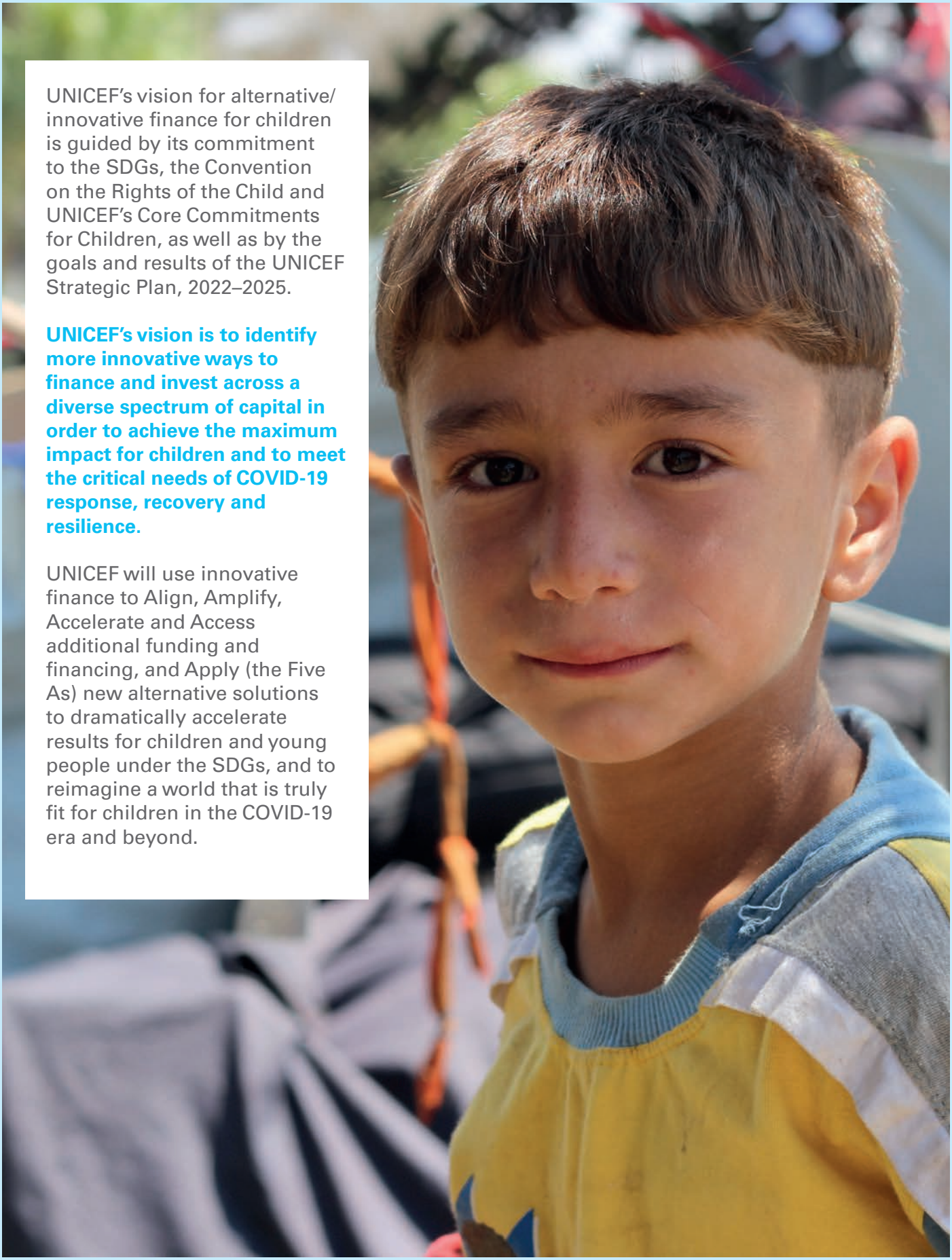
These are devastating setbacks that will continue to cost children's lives and blight their futures for years to come unless rapid and equitable access to new COVID-19 tests, treatment and vaccines can be sustained and results for children under the SDGs are dramatically accelerated.

For UNICEF, stepping up, scaling up and adapting to meet the changing circumstances of the COVID-19 world is an enormous undertaking. The importance of finding new, previously unexplored sources of support to fill this funding gap, spurring exponential investment in, access to and uptake of critical services for children at the global and national levels, and dramatically accelerating progress towards achieving the SDGs for children has never been greater.

But if UNICEF wants to bring real change for children by 2030, we also need to radically innovate in what we do and how we do it.

Doing this requires UNICEF to adopt an entirely new, strategic approach to leveraging more investment in children, from both traditional and non-traditional sources, than ever before in the agency's history.

A vision statement for IF4C at UNICEF



UNICEF's vision for alternative/innovative finance for children is guided by its commitment to the SDGs, the Convention on the Rights of the Child and UNICEF's Core Commitments for Children, as well as by the goals and results of the UNICEF Strategic Plan, 2022–2025.

UNICEF's vision is to identify more innovative ways to finance and invest across a diverse spectrum of capital in order to achieve the maximum impact for children and to meet the critical needs of COVID-19 response, recovery and resilience.

UNICEF will use innovative finance to Align, Amplify, Accelerate and Access additional funding and financing, and Apply (the Five As) new alternative solutions to dramatically accelerate results for children and young people under the SDGs, and to reimagine a world that is truly fit for children in the COVID-19 era and beyond.

THE SOLUTION: INNOVATIVE FINANCING FOR DEVELOPMENT

The ≥$3.7 trillion annual gap in funding for the SDGs is relatively small in relation to the overall scale of global finance, being equivalent to only 1 per cent of total global financial assets (currently valued at more than $378.9 trillion).[6] Financial intermediaries such as banks, institutional investors and investment managers actively manage an increasing share of these global financial assets that have grown at 5.9 per cent year on year since 2012.[7]

The sheer size of the global financial markets represents an enormous, untapped reservoir of potential support for achieving the SDGs. Currently, however, very little global financing is being channelled towards the needs of sustainable development/achieving the SDGs, or, more specifically, towards meeting the needs of children, and certainly not at the scale and speed necessary. We urgently need to unlock this vital potential area of support and investment for children if we are to achieve our global goals by 2030.

This new IF4C Global Vision & Strategy (hereinafter IF4C Strategy) proposes that UNICEF adopts and uses the tools of innovative finance to creatively tap the private domestic and international financial markets and the vast new opportunities they offer for generating exponential impact for children at the global and national levels.

Financing Gap to achieve the SDGs

≥$3.7

trillion per year.[8]

Innovative Finance
New Sources of Financing

Global financial assets

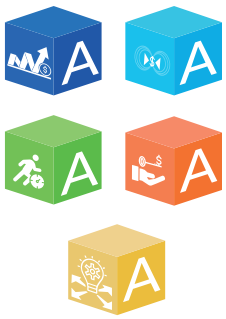
≥$378

trillion

THE STRATEGY AS A ROADMAP FOR IMPLEMENTING IF4C AT UNICEF

UNICEF's vision for IF4C is to identify and scale up best-in-class innovative approaches to funding, financing and investing in children across a diverse spectrum of public and private sector capital, including through UNICEF National Committees and in close coordination with UNICEF's public finance specialists and global and national partners on the ground.

By implementing UNICEF'S new IF4C Strategy in fulfilment of this vision, we will Align, Amplify, Accelerate and Access the additional funding, financing, support, and partnerships, and Apply the alternative solutions that are needed to dramatically accelerate progress towards the SDGs for children.



IF4C is an extremely important tool for UNICEF's strategic mission and one which, used in combination with other current approaches, could change the entire scale and speed of achieving UNICEF's goal of a world that is truly fit for children by 2030.

The Five As of alternative/innovative finance at UNICEF

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 existing standards.

Uses the scale afforded by **Amplify, Accelerate** and **Access** to influence the direction and total amount of global capital towards the needs of children.

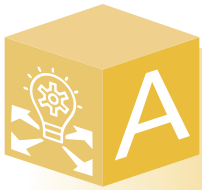
AMPLIFY the impact of proven approaches with a track record of successfully achieving progress under the SDGs for children, through the application of innovative financing instruments driven by UNICEF and its National Committees.

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

Further fuels efforts under **Align** and **Amplify** by offering specific UNICEF-themed impact fund partnerships to catalyze innovation and **Accelerate** results.

ACCESS global insurance and climate finance solutions for social protection for the most vulnerable via flexible forms of capital in the ways that children need most.

Extends the impact of **Align, Amplify** and **Accelerate** by **Accessing** capital and offsetting risk to provide protection and build resilience for children against emergencies and threats including those increasingly posed by Climate Change.



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

Seeds, incubates and develops innovative high-impact Global Social Good constructs that tap into new sources of sustainable funding, financing and social impact for children worldwide.

This IF4C Strategy articulates a road map for implementing, replicating and scaling up successful approaches to IF4C at UNICEF, to achieve the ambitious goals and cumulative targets outlined in the following sections of this Strategy during the timeframe of the Strategic Plan, 2022-2025.[9]

By applying the organizing framework of the Five As to key thematic areas of the UNICEF Strategic Plan, 2022-2025, and by proactively fostering an enabling environment for IF4C within UNICEF, including in the 33 UNICEF National Committees, this IF4C Strategy can unlock unprecedented resources at scale. This would not just save lives and build back better in the wake of COVID-19, but reimagine a more resilient world that addresses all children's most urgent needs, in services, systems, economies, climate action, and connectivity.

What to expect from this new IF4C Strategy

The UNICEF IF4C Strategy does:

- Propose a global shared vision for IF4C in UNICEF.
- Outline a framework and harmonized approach to IF4C for UNICEF.
- Define for UNICEF the added value and impact of IF4C.
- Explain IF4C mechanisms, tools, a theory of change, and process for using IF4C to problem solve.
- Formulate a set of strategic goals and roadmap for the way forward.
- Articulate additional roles UNICEF could play in IF4C.
- Operationalize the Strategy with clear targets and concrete actions for implementation.
- Emphasize using IF4C to problem-solve, rather than provide products or solutions.

This UNICEF IF4C Strategy does not:

- Cover public financing for children (PF4C). While IF4C intends to complement PF4C, this strategy focuses only on IF4C.
- Prescribe the 'one and only' approach to IF4C.
- Provide detailed recommendations on IF4C project design within programmatic areas.
- Set a limit on the role that UNICEF will play within the global IF4C landscape.
- Set out a detailed operational plan to unlock enablers for IF4C at UNICEF (e.g., the capacity and resources needed, streamlined governance structure), a key next step in the organization-wide rollout.

The new UNICEF IF4C Strategy is a living document that will be regularly reviewed and updated to reflect new tools, approaches and guidance for IF4C practitioners at UNICEF. The strategy will be implemented through divisional operational plans.

Chapter 1

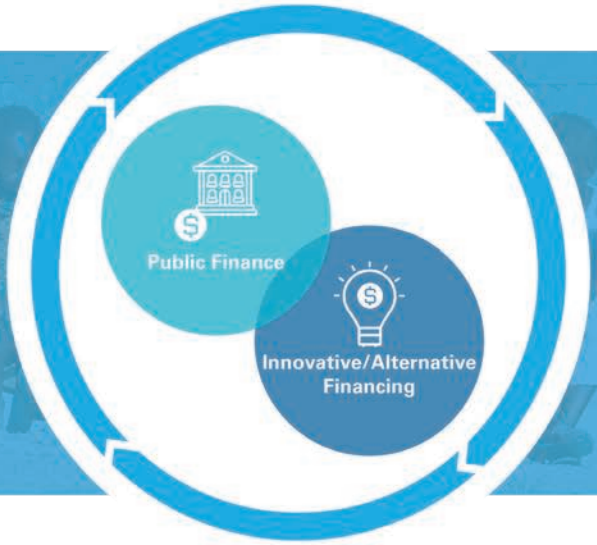
Why?
UNICEF's unique added value for the global alternative/ innovative finance

Public finance and alternative/innovative finance: Mutually reinforcing investments for the SDGs

Sources of funds to meet the SDGs will come from two mutually reinforcing channels: public finance and private domestic/international capital.

Public and private finance must work together towards social outcomes.

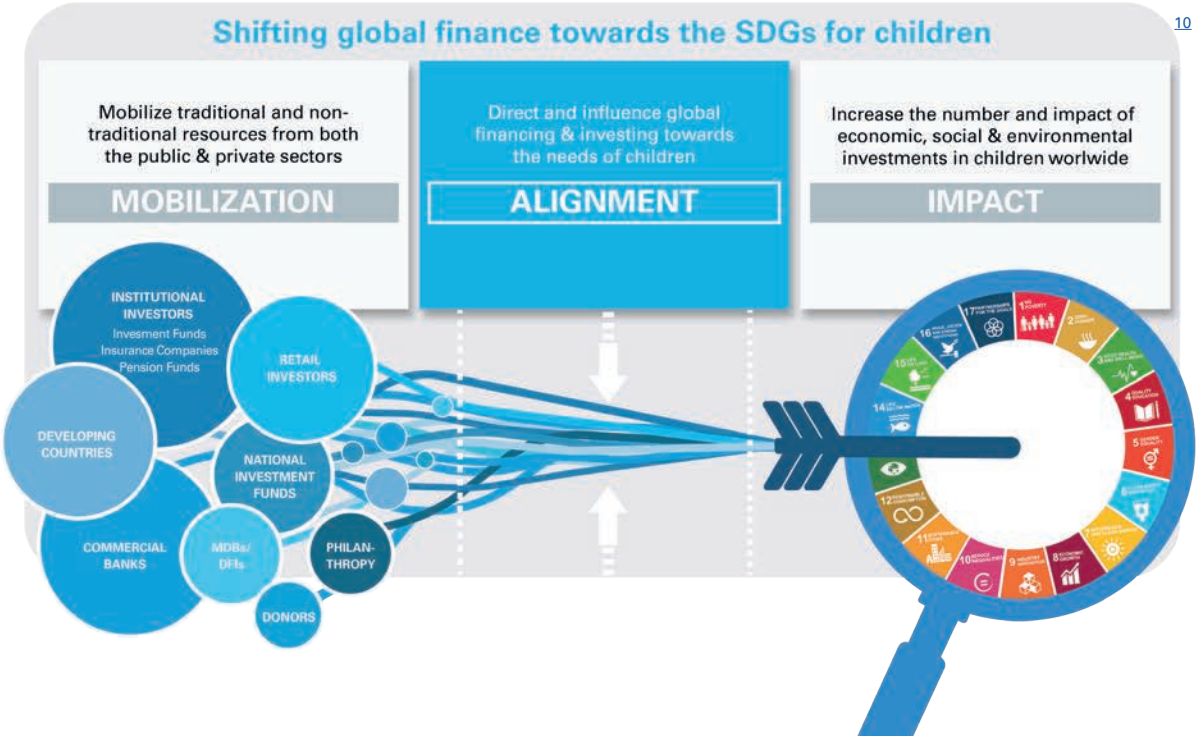
Innovative financing can amplify, accelerate and align financing and funding for international development.



Public finance is the key driver of funding and financing for international development.

As the global economy becomes more stretched, traditional sources of international development and humanitarian aid will continue to shift in volume and scope, with more earmarking and less flexibility. UNICEF's ability to leverage additional sources of public and private finance, in conjunction with tapping private sector capacity and expertise, will be essential for the achievement of the SDGs.

Together, public finance and IF4C for international development will mobilize, amplify and align greater sources of financing and funding for sustainable development:



Public Finance

An essential element of development financing instruments and public-private partnerships through concessional loans, grants, and/or public sector subsidies.

IF4C Finance

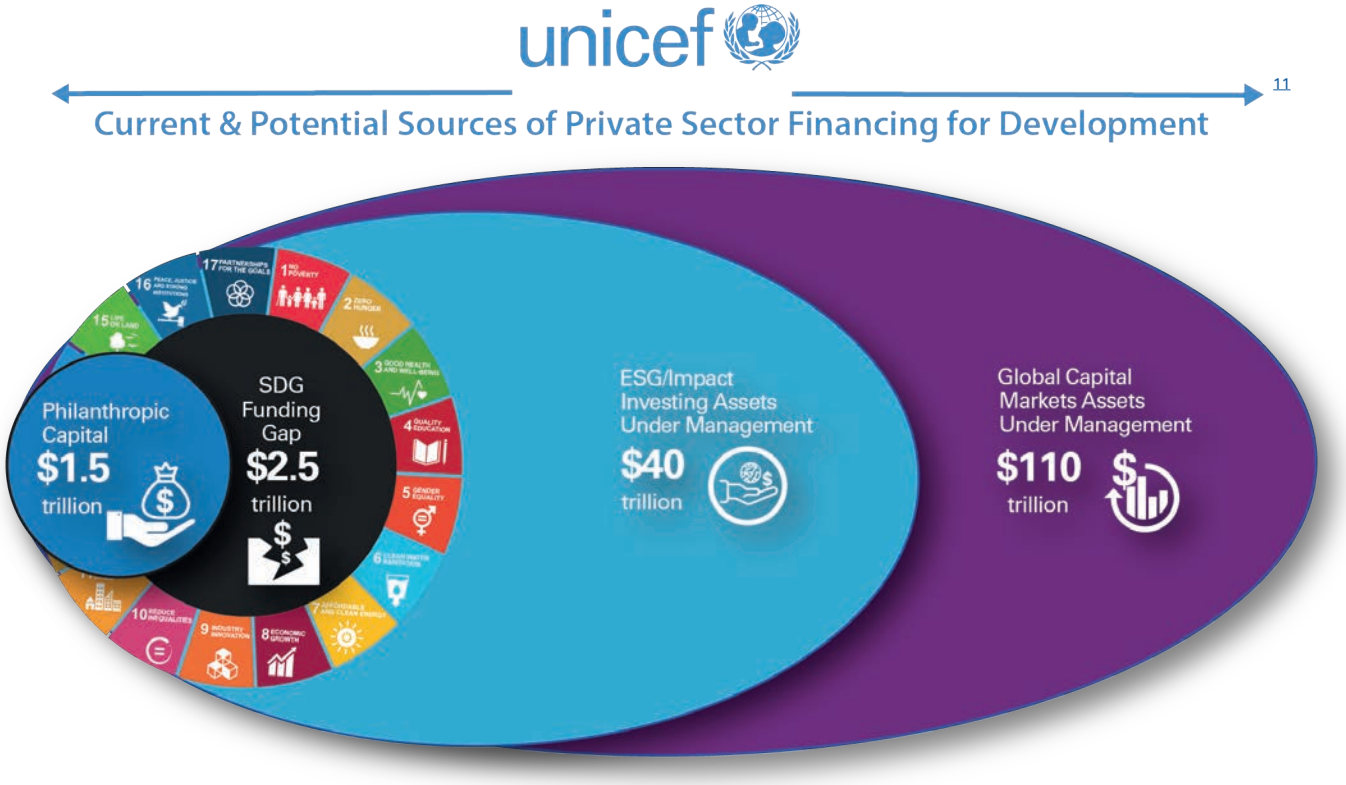
Crowds in new forms of catalytic private capital for social impact, e.g., impact bonds, guarantees, philanthropic private credit/equity funds, cryptocurrency.

Leveraging private sector financing for the SDGs

As the diagram below shows, continued reliance upon traditional funding from private philanthropic capital to fill the growing SDGs funding gap is unsustainable as these efforts are falling short by an average of $1.5 trillion each year.

By contrast, the global financial markets, in particular the $40 trillion environmental, social and governance (ESG)/impact investing sector, represents an enormous alternative, untapped reservoir of potential support for achieving the child-related SDGs by 2030.

UNICEF urgently needs to unlock the $40 trillion ESG/impact investing market of innovative funding and financing to dramatically accelerate results for children under the SDGs.



*Note: The US$110 trillion Assets Under Management (AUM) figure above is a sub-set of the US$348 trillion Total Global Financial Assets figure on page 6. The term AUM refers specifically to private capital managed by financial firms to provide a return for investors.

This growing ESG/impact-focused subset of the global financial markets is starting to develop inventive, non-traditional structures and approaches to channel more resources towards various social causes, ranging from 'green' and 'blue' financing for the environment to newer IF4C structures such as recoverable loans and private credit/equity funds for social impact.

Championed by leading actors in both the public and private sectors, e.g., private foundations, government-backed development finance institutions, ultra-high-net-worth individuals and investment firms, many of these new IF4C approaches go well beyond what UNICEF and many of its sector peers are used to using.

Realizing UNICEF's vision, i.e., enabling significantly increased private sector funding and financing to flow to where it will make the greatest difference for children, requires a radical re-think about how we can create new initiatives, partnerships and solutions in order to creatively harness the capital formation power of impact-focused private sector investment.

To succeed, the current UNICEF mindset must expand in order to proactively, creatively and deliberately engage the global financial markets and the ESG/sustainable investing sector. This will complement and extend the impact of public sector funding and align the large flows of potential impact-focused capital towards the needs of children for the first time.

Funding versus financing

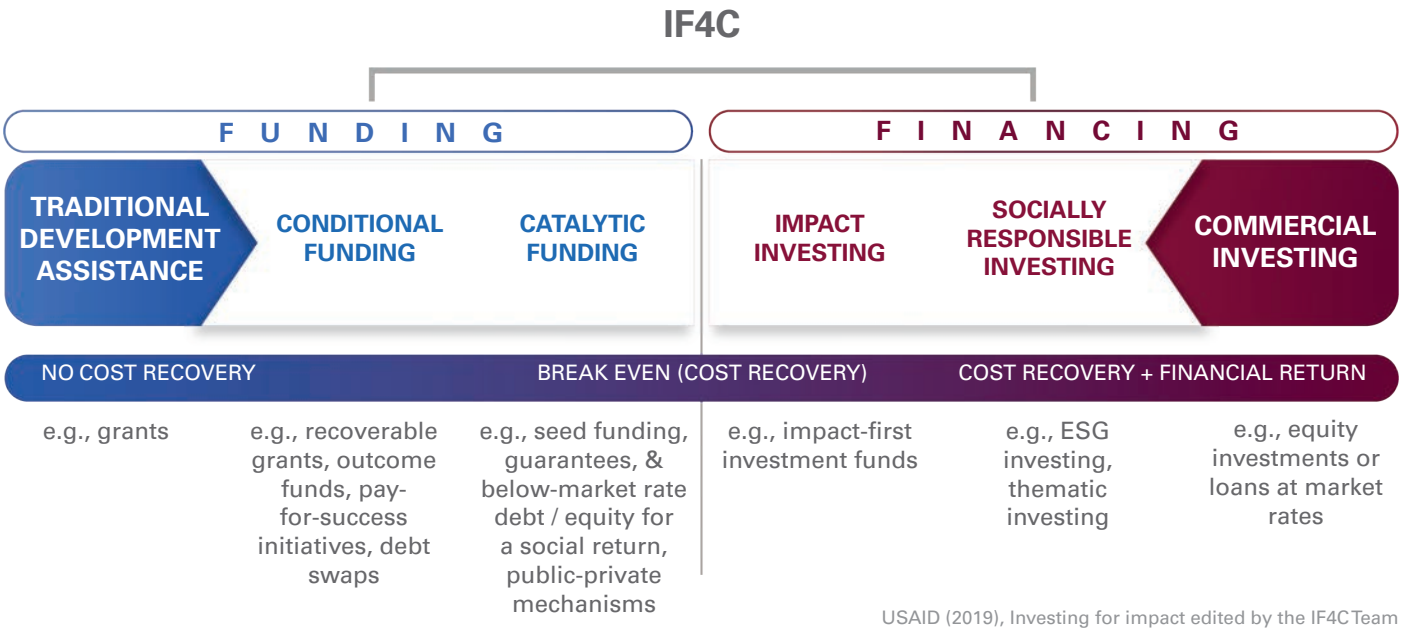
Funding = Monies that are given and are not expected to be repaid. These include forms of traditional donor funding such as grants.

Financing = Monies that are invested in a financing mechanism and are expected to be repaid by that vehicle plus accumulated interest or as a return on an investment.

Innovative finance refers to any project inside or outside UNICEF that combines financing and funding, e.g., blended transactions that combine private sector loans, equity, etc., with domestic government resources, user fees and/or grant funding.

Although funding and financing are distinct financial terms as well as separate sources of support for children, both are vital for innovative finance. In fact, many IF tools make use of traditional funding to catalyse support for innovative financing approaches, attract additional investment from new audiences, or de-risk by providing guarantees of repayment when the market is unwilling or unable to provide funds at cost effective rates or invest equitably in services for children.

How is alternative/innovative finance different from traditional sources of funding and aid?



USAID (2019), Investing for impact edited by the IF4C Team

IF4C is not intended to replace UNICEF's existing traditional sources of funding support, e.g., donations, grants and official development assistance (ODA), but to amplify, supplement, and increase their sustainability, efficiency and scale to produce improved results for children.

Instead, IF4C approaches can help achieve either or both of the following key objectives:

Diversifying existing sources of funding and aid and using them more efficiently to accelerate programmatic results and solve problems due to the timing or unpredictability of funds, lack of public or private sector incentives, high cost of capital, and the need to guarantee repayment.

Leveraging new, additional sources of capital across a diverse spectrum, ranging from traditional philanthropic donors to investors seeking both social and financial returns on their investment.

Beyond helping to fill the growing gap between UNICEF's current level of financial resources and the exponential scale required to achieve the child-related SDGs by 2030, some key questions arise:

Given that there is already a multitude of other public and private sector actors who are either actively pursuing IF4C approaches or are considering doing so, why should UNICEF engage in IF4C? What comparative strengths can UNICEF offer, and where do these fit within the global innovative finance landscape?

Where UNICEF sits within the global alternative/innovative finance landscape[12]

UNICEF's leadership role in driving the agenda for children worldwide, its global scope and extensive country presence, and ability to develop and deliver results for children at scale across the humanitarian and development spectrum suggest that there is a unique role for the organization in the rapidly evolving global landscape of alternative/innovative finance.

By applying its distinctive child lens to alternative/innovative finance mechanisms, UNICEF will evaluate and determine where IF4C can help facilitate better, faster solutions for children, and then couple this approach with its other key strategic advantages: its strong country presence, holistic cross-cutting programming, and, crucially, its exceptional ability to mobilize the catalytic capital needed to create, launch and scale up radical new initiatives through its large global network of partnerships.

To effectively deploy these comparative advantages, UNICEF will reimagine its approach to how it funds, finances and enhances programming, as needed, within an IF4C framework. This will systematically bring together private sector stakeholders and governments to encourage the formation of new collaborative capital for sustainable funding at scale, return of principal to investors, and re-alignment of global capital to the needs of children.

UNICEF's comparative advantage for engaging in alternative/innovative finance

UNICEF's core strengths are highly advantageous for developing innovative financing mechanisms.

The breadth and depth of **UNICEF's technical expertise** and **policy role in children's rights,** its **presence in 190 countries** and **strong government and private sector relationships**, as well as its **strong global brand,** are all invaluable assets for developing innovative finance that can offer both social and financial returns.

UNICEF has the following additional advantages that are relevant for IF4C:

- **A highly effective distribution network** for partnering with foundations, international financial institutions, ultra-high-net-worth individuals, and many other critical partners that can supply financial and technical resources and backing at scale to achieve IF4C goals and outcomes.
- Access to multiple channels of communications, advocacy and influence to **amplify its top global brand and messaging.**
- Recognized global role as a **leading procurement agent and market shaper.**

The largest private sector resource mobilization network in the United Nations system, including:

33 National Committees that bring specialized knowledge and a strong presence within their respective private sector markets.

UNICEF's new Innovative Finance Hub (Finland), an incubator and feeder system for new field-facing IF4C projects around the world.

24 in-country, private sector fundraising support units in UNICEF country offices.

Plus a network of strong partnerships with public finance bodies, international financial institutions (IFIs) and governments, including the 36 member states participating in UNICEF's Executive Board.

Thanks to all of these advantages and more, UNICEF's access to highly diversified sources of funding, financing, visibility and partnerships gives it a truly unique ability amongst its peers to generate the additional financial support and visibility that is essential to the success of its innovative finance initiatives for children under the SDGs.

Bringing UNICEF's unique 'child lens' to global alternative/ innovative finance

Today's biggest challenges will shape children's lives for years to come. Clean water and air, access to quality health care and education, and addressing the root causes of inequality are all essential to ensuring a child's right to survive and thrive.

Central to UNICEF's mandate is ensuring that the voices of children are heard and their needs are met, in all sectors and domains where decisions are made that affect children. Currently, however, the needs of children are not considered when investment decisions are taken. To address this, UNICEF proposes a breakthrough multi-faceted approach: Child Lens Investing.

Child lens investing

By strategically applying a child lens to all areas of global finance, UNICEF will drive priorities for children within IF4C by:

- Developing comprehensive SDGs/child-aligned global standards and influencing current standards for IF4C that clearly and consistently link activities for children to measurable impact and promote sustained investment in children.

- Leading the sector in creating the next generation of innovative financing instruments for children and translate these new child-aligned standards into action within markets globally.

Strategic partnerships for alternative/innovative finance

Achieving the child-related SDGs by 2030 and reaching UNICEF's Strategic Plan goals and targets calls for a significant step change in the level of UNICEF's revenue and influence. However, the global partnerships landscape and humanitarian aid architecture have both changed significantly over recent years, driven by pre-COVID-19 trends in declining public and private investment in international development.[13]

These trends challenge UNICEF and its National Committees to be more creative and innovative.

Forging new strategic partnerships with both the public and the private sector - and, equally, deepening existing partnerships - will be key to finding additional, flexible and incentivized methods and sources of sustainable funding and financing that can readily be drawn upon to protect children in the ways that matter most. These partnerships are also critical to achieving the ambitious goals and cumulative targets of this new IF4C Strategy under the Five As.

In addition to UNICEF's current public and private sector partners, there are also many potential partners who currently are not working closely with UNICEF and who do not factor children's needs into either their philanthropic or investing considerations.

Growing UNICEF's ability to apply IF4C to sectors of shared interest with these new potential partners, such as:

- Climate resilience.
- Innovation and technology for education, health and social services.
- Inclusive finance models.
- Youth entrepreneurship.

Applying IF4C opens up a new world of possible approaches to co-opt these new potential partners for the benefit of the world's children and, more broadly, to influence the flow of investments by the global financial markets towards children's needs and in alignment with the child rights agenda.

UNICEF's historic and future roles in IF4C

Historically, UNICEF's track record of helping to lead, participate in and shape global IF4C initiatives has remained largely unrecognized outside of the organization's participation in large, multilateral alliances such as Gavi, the Vaccine Alliance. The scope and extent of both UNICEF's past and potential future roles in innovative finance may be unfamiliar to many, despite notable IF4C successes that include UNICEF's recent Forward Flow Arrangement with the World Bank, the activities of the Vaccine Independence Initiative, and the U.S. Fund for UNICEF's Bridge Fund.

The following is a sample of UNICEF's historical and future-facing IF4C roles:

Historical roles for UNICEF in IF4C

Policy adviser: UNICEF plays a key role in helping to advance policy reforms that create an enabling environment for investment. This is critical in shifting the risk-reward profile, which facilitates private sector investment in initiatives that benefit children.

Technical expert: UNICEF's staff have extensive technical expertise, knowledge and experience in specific sectoral areas that are invaluable to partners looking to advance work in IF4C and developing countries.

Convener: UNICEF and its National Committees bring together implementers, donors, governments, development partners, civil society organizations and the private sector to coordinate and share goals to improve and save children's lives.

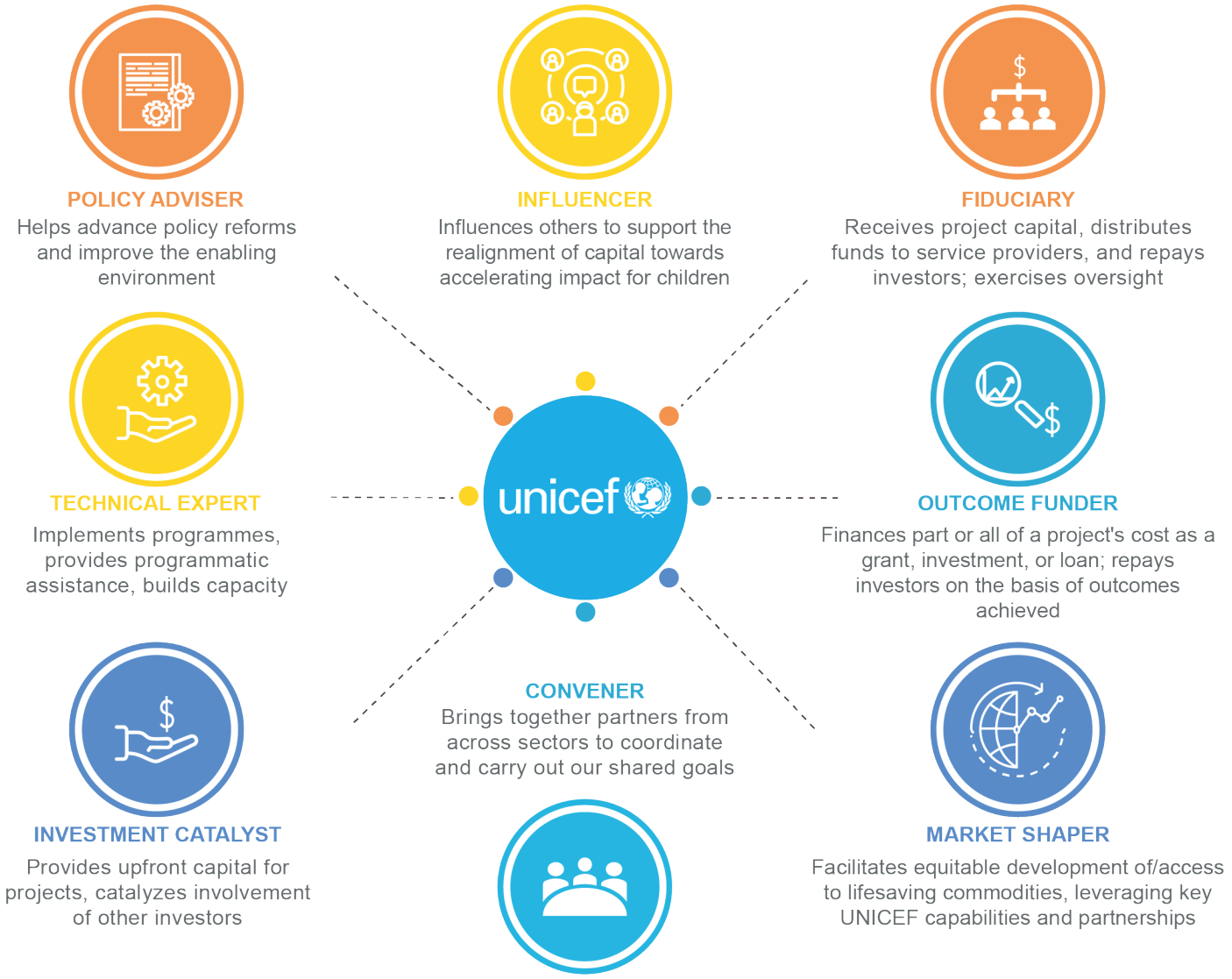
Procurement agency and market shaper: UNICEF engages with its partners to communicate needs, draw on expertise and share information, technical knowledge and contracts to ensure that the right supplies reach children at the right time through:

- **Product innovation:** In instances where products do not exist to meet a specific need, UNICEF works with partners to accelerate research and development of fit-for-purpose programmes and to champion strategic procurement to create healthy, competitive and sustainable markets.
- **Global and local procurement:** Through strategic long-term arrangements with global and local suppliers, UNICEF can promote resilience and a balanced continuum between humanitarian and development efforts.
- **Supply chain strengthening:** UNICEF identifies gaps and targets investments to strengthen supply chains to reach the last mile.

Fiduciary: UNICEF receives capital in the form of grants from donors and partners and, under the guidance of the Division of Finance and Administration (DFAM), redistributes these funds to service providers and exercises fiduciary responsibility for both the programmatic and financial results that these providers generate.

Potential additional roles for UNICEF in innovative finance

In addition to the traditional IF4C roles that UNICEF performs, expanding and accelerating the uptake of IF4C at UNICEF under this new IF4C Strategy offers new and valuable opportunities for the organization to take a lead in creating new approaches to amplifying capital to serve children's needs.



Investment catalyst: Although UNICEF does not promote any specific investments, it could partner with others who intend to develop new child-aligned impact funds that generate strong social, environmental and economic returns against key targets, amplifying results for children by catalysing strong private sector market investment.

Outcome funder: UNICEF could partner with others and/or take a variety of roles in social-impact bonds, whereby resources are transferred only if pre-agreed outputs and outcomes are successfully achieved.

Influencer: Beyond mobilizing funding and financing for programmatic activities, UNICEF could play a significant role in influencing the unprecedented alignment of capital towards impact for children. Impact investing is an expanding field, where investors seek to attain a social and environmental good while also achieving economic returns. With its credibility and expertise, UNICEF can and should take a lead in defining, assessing and monitoring the impact of these investments as well as reporting impact and creating new child-aligned global investment standards under the SDGs.

Chapter 2

What?
UNICEF's goals and roadmap for implementing alternative/innovative finance

Goals for the Five As

For UNICEF, IF4C is not only about crowding in new sources of support but is also about: aligning their decisions to the needs of children; amplifying scarce resources; providing frameworks to guide investors to better; accelerating the growth of and opportunities for sustainable child lens investing; increasing access for all children to social protection via flexible forms of catalytic capital; and applying new alternative solutions to generate new resources, to help children in ways that bring the greatest benefit.

UNICEF therefore aims to deploy IF4C according to a novel five-pronged approach, the Five As; to Align, Amplify, Accelerate and Access finance and funding and Apply new alternative solutions for children, with the goal of re-directing and influencing $20 billion of the total ESG/impact investing market towards child-aligned priorities over the next four years. This broader four-year goal includes leveraging a cumulative $3 billion of additional new investments in UNICEF-driven IF4C solutions for children, approximately $500 million of which will flow through the UNICEF system.

In addition, 100 million+ beneficiaries will gain access to new SDG/child-aligned inclusive insurance products and climate finance solutions designed to protect all children, particularly the most vulnerable.

By 2025 we will:

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.

$20 billion
of the ESG market aligned towards investments for children.

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.

$2 billion
of innovative financing transactions implemented 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.

$1 billion
SDG/ESG child-aligned impact investment partnerships developed.

Access
global insurance and climate finance solutions to protect the most vulnerable, especially children, from the negative impacts of unexpected events, including natural hazards and catastrophes.

100 million+
beneficiaries will have access to SDG-focused insurance products and climate finance.

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

10 products
featuring new innovative Global Social Goods constructs developed by 2025.

All Five As complement and enhance each other. The majority of UNICEF's IF4C projects involve at least two or more As being different facets of the overall approach.

Achieving the above targets by 2025 contingent upon the necessary endorsement and authorization from relevant governing bodies, adequate allocation of internal resources and capacity, resource mobilization and effective collaboration across UNICEF divisions and teams (for details see enablers in chapter 3).

Applying the Five As to priority thematic focus areas

UNICEF views IF4C as a cross-functional process that starts from the problem end, guided by the IF4C five principles and theory of change methodology in Chapter 3 (see below). Using these tools, we work with teams across all programme areas and operational divisions as well as country and regional offices to help think through how and where IF4C can help overcome bottlenecks that stand in the way of accelerating results for children. Once we have helped these teams identify how and where IF4C can make a difference, we will then collaborate with internal and external partners to design and implement IF4C tools and solutions that are fit for purpose in order to achieve the desired results.

By applying the Five As to key thematic focus areas, IF4C can be an essential tool for solving strategic and programmatic challenges in the field and at the regional and global levels. The following initial key thematic areas have been identified as emerging IF4C focus areas under the UNICEF Strategic Plan, 2022 - 2025, based on proven approaches where IF4C can play a critical role in accelerating results.

UNICEF 2022 - 2025 Initial Priority Thematic Areas for IF4C

UNICEF's IF4C work will be undertaken in conjunction with the ongoing development of specific, focused business investment cases for the public and private sectors by various UNICEF programme areas, e.g., the UNICEF WASH Investment Case - 2021 Priorities, PF4C's Inclusive Recovery Roadmap. These investment cases will provide strong programmatic frameworks and specific target indicators that can be used as criteria for prioritizing and incorporating IF4C approaches, per programmatic needs and under the new UNICEF Strategic Plan, 2022 - 2025.

Beyond the above, additional thematic areas, e.g., health, gender, humanitarian emergencies, nutrition and child protection, also feature heavily within the IF4C project pipeline via a crosscutting lens (see the IF4C Ambition matrix on page 43 and the IF4C process, five principles and theory of change diagrams on pages 31-32). IF4C will continue to work across all sectors, based on programmatic needs and UNICEF's strategic goals.

UNICEF IF4C/SDG infographics

The following UNICEF IF4C/SDG infographics on pages 24-27 outline the effects of contemporary events and trends, e.g., COVID-19 and climate change, that exacerbate and magnify the problems and inequities children face and that UNICEF seeks to solve under its Strategic Plan, 2022-2025, and the SDGs.

The diagrams point out key ways in which IF4C can play a pivotal role in accelerating UNICEF's capacity to address these urgent problems for children, and where they create opportunities for overcoming common obstacles. We have used a sampling of leading IF4C tools to show how they can address strategic problems and barriers for children, plus some concrete measures of return on investment (ROI) that can be achieved through their effective use.

ENSURE INCLUSIVE AND EQUITABLE QUALITY EDUCATION AND PROMOTE LIFELONG LEARNING OPPORTUNITIES FOR ALL

PROGRESS TOWARD INCLUSIVE AND EQUITABLE QUALITY EDUCATION FOR ALL WAS TOO SLOW

MORE THAN **258 MILLION CHILDREN** WERE OUT OF SCHOOL BEFORE COVID-19

DRIVERS OF EDUCATION SPENDING

Goverment budgets

Household spending

Donor aid

WILL BE EXTREMELY SLOW TO RECOVER FROM COVID-19

RESULTING IN A GROWING FUNDING GAP FOR ACHIEVING SDG4 BY 2030

For low- and lower-middle-income countries the annual funding gap to reach SDG4 has increased from $148 bn pre-COVID-19 to almost $200 bn by 2020

HOW CAN INNOVATIVE FINANCE MAKE A DIFFERENCE?

Frontloaded funding

Crowd in private sector investment

Maximize efficiency of public sector funding

ACCELERATING INVESTMENTS IN EDUCATION VIA IF4C HAS BIG BENEFITS

GREATER INVESTMENTS IN CHILDREN
Every $1 invested in quality preschool education can return up to $15

INCREASES GDP
Increases GDP growth rates by 0.4 percentage points

FIGHTS POVERTY
Increases average individual earnings by 10%

IF4C TOOLS FOR SDG4

Blended financing

Results-based financing/pay-for-success

Securitization

SOURCES [14]

6 CLEAN WATER SANITATION

ENSURE AVAILABILITY AND SUSTAINABLE MANAGEMENT OF WATER AND SANITATION FACILITIES FOR ALL

1.42 BILLION PEOPLE / 450 MILLION CHILDREN LIVE IN AREAS OF EXTREME WATER INSECURITY

- Unimproved sources
- Untreated water
- Poor sanitation

WATER SCARCITY COULD DISPLACE 700 MILLION PEOPLE BY 2030

- Migration
- Temporary water sources
- Conflict

MANY LEAST DEVELOPED COUNTRIES EXPERIENCE

FUNDING GAPS OF ≥ 61%

FOR ACHIEVING WATER & SANITATION TARGETS UNDER SDG6 ✳

✳Annual funding gap of $114 bn, with $60 bn going to crises/fragile contexts

- Pre-financing for durable WASH infrastructure
- Seed or catalytic funding for WASH innovation
- National/local WASH capacity building
- Climate resilient WASH systems

ACCELERATING INVESTMENTS IN WASH VIA IF4C HAS BIG BENEFITS

SAVES MORE LIVES
Greater availability of WASH investment funds via Innovative Finance can save **millions** of children from illness and premature death caused by water-borne diseases

INCREASES GDP
Annual GDP gains of **+1.5%** globally and **+3.6%** in less developed countries from improving WASH capacities and access

COST-EFFICIENT
Every **$1** invested in water and sanitation gives an **ROI** of $4.3 due to lower health care costs, increased productivity, etc.

IF4C TOOLS FOR SDG6

- Blended financing
- Loans, credit facilities & microfinance
- Equipment leasing
- Public/private partnerships (PPPs)

SOURCES [15]

Working draft as of Feb 2023

13 CLIMATE ACTION

TAKE URGENT ACTION TO COMBAT CLIMATE CHANGE AND ITS IMPACTS

CLIMATE CHANGE CONTINUES TO EXACERBATE THE FREQUENCY & SEVERITY OF NATURAL HAZARDS

Massive wildfires | Cyclones | Droughts | Floods

THESE ESCALATING DISASTERS POSE **EXTREME RISKS TO CHILDREN**

Advances & investments in Disaster Risk Redution (DRR) and Climate Change Resilience are helping to save more children´s lives, health and livelihoods from the impact of natural hazards

1980 - 1999

995,330 deaths due to climate-related events

3,656 climate-related disasters

2000 - 2019

510,837 deaths due to climate-related events

6,681 climate-related disasters

Disaster Risk Reduction

Resilient Response

But flexible funding to protect children from climate-influenced disasters is more limited

UNICEF HAC 2016-2019

-35% funded

Progress toward SDG13 isn´t prioritized by public and private investment...

2016 $681 billion $781 billion

...and isn't aligned to the needs of children

HOW CAN IF4C MAKE A DIFFERENCE?

Offset thematic, catastrophic, or geographic risks

Quickly provide liquidity, smooth financial flows

Create new Global Standards to align capital to the needs of children

ACCELERATING INVESTMENTS IN CLIMATE CHANGE RESILIENCE VIA IF4C HAS BIG BENEFITS

SAVES MORE LIVES
Faster availability of funds via IF4C can accelerate UNICEF's response by up to 3.5X, de-escalate losses and save more children's lives

FASTER
Allows UNICEF to respond to disasters **>12 days** faster on average

COST-EFFICIENT
Gives an **ROI of 2.6X for** every **$1 invested**

IF4C TOOLS FOR SDG13

- Risk transfer insurance/ insurance-linked securities (ILS)
- Socially responsible investing (SRI)/Impact investing/ESG
- Fixed income: bonds & notes
- Child-aligned ESG standards

SOURCES [16]

COVID-19

UNICEF'S RESPONSE TO COVID-19 & BEYOND: LEAVING NO CHILD BEHIND AS WE BUILD TOWARDS A NEW AND BETTER NORMAL

unicef IS STEPPING UP TO ENSURE ACCESS DELIVER HOPE

AT AN UNPRECEDENTED SPEED AND SCALE FOR COVID-19

2 billion vaccines

0.75 billion supplies

Support to 190 countries

HOW CAN IF4C MAKE A DIFFERENCE?

IF4C can accelerate **$1.5bn** of financing

Services | Systems | Economies | Connectivity | Climate action

for **a post-COVID-19 world** that is **truly fit for children**

IF4C TOOLS FOR UNICEF'S COVID-19 RESPONSE & BEYOND

- Blended financing
- Socially responsible/Impact investing/ESG
- Seed or catalytic funding
- Fixed income: bonds & notes
- Public/private partnerships (PPPs)

UNICEF'S OPERATIONS AND FUNDRAISING: COMMITTED TO BUILDING A MORE ECO-FRIENDLY, INCLUSIVE AND SUSTAINABLE AGENCY BY 2030

NET 0 BY 2050

80% RENEWABLE ENERGY BY 2030

-45% GREEN HOUSE GAS EMISSIONS

Greening UNICEF's global operations helps create a greener world for every child

Growing UNICEF's fundraising accelerates maximum impact for children

$9bn

DIVERSIFIED SOURCES BY 2025

48% RR

USING IF4C TO IMPROVE UNICEF'S BUSINESS OPERATIONS HAS BIG BENEFITS

COST-EFFICIENT
Gives an **ROI of >3X** for every **$1** invested to expand UNICEF's fundraising

MAXIMIZES SOCIAL IMPACT
$1M can leverage **$10M** over 5 years in financing for essential supplies

GREENER
$100 k spent in advance saves **69 metric tonnes of CO2** emissions (allows shipping supplies versus flying)

IF4C TOOLS FOR UNICEF'S SUSTAINABLE OPERATIONS & FUNDRAISING

- Securitization
- Socially reponsible/Impact Investing/ESG
- Equipment leasing
- Guarantees/First loss funding

SOURCES [17]

Working draft as of Feb 2023

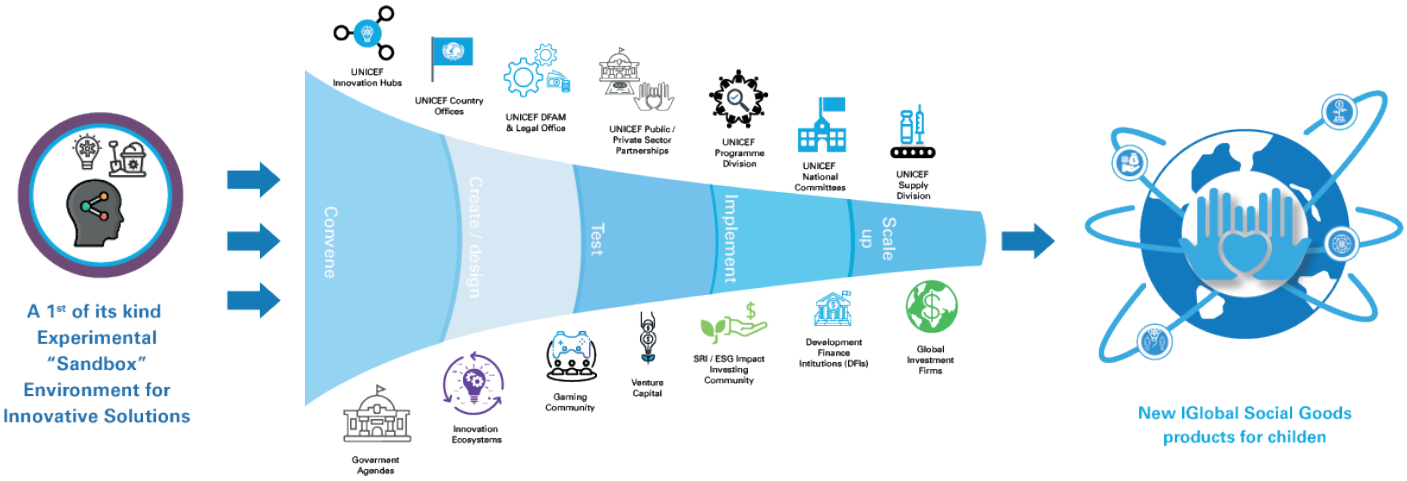
New Alternative Global Social Goods Constructs for children

UNICEF works with partners in every sector to co-create innovative new forms of global social goods - services or products that improve the well-being of all children, particularly the most vulnerable - to accelerate progress for children and youth under the SDGs.

However, today's partners, supporters, investors, entrepreneurs, donors, and consumers – especially young consumers – are savvy, tech-enabled, and increasingly confident in demanding more transparency and better solutions for effecting positive change from the causes they support.

They are also highly invested in building their own sense of personal ownership and involvement in these solutions, going beyond traditional donations to embrace alternative approaches, including innovative financing, collaborative platforms and digital technology, to help them create the positive social impact they seek.

To engage this new generation of supporters and partners, UNICEF will create 10 new innovative global social goods constructs, platforms and products by 2025 that enable individuals and partners to play a more active role in transforming the future for children worldwide.



Working across all relevant divisions, in close partnership with the regions and teams in the field and in collaboration with governments and public and private sector actors, UNICEF will:

- **Explore, invest in**, and **Apply** digital technology, fintech, crypto, blockchain, and other **alternative, non-traditional solutions** across new digital platforms and physical products to create new global social goods constructs that unlock exponential support for children.
- **Mobilize** new additional resources for UNICEF to grow its existing programming by leveraging fintech and crypto's strong appeal for key audiences, e.g., millennials.
- **Collaborate** with both traditional and non-traditional partners to form new transformational alliances, e.g., with global innovation ecosystems and the international gaming community, to incubate, test, and scale new innovative fundraising solutions that benefit children.

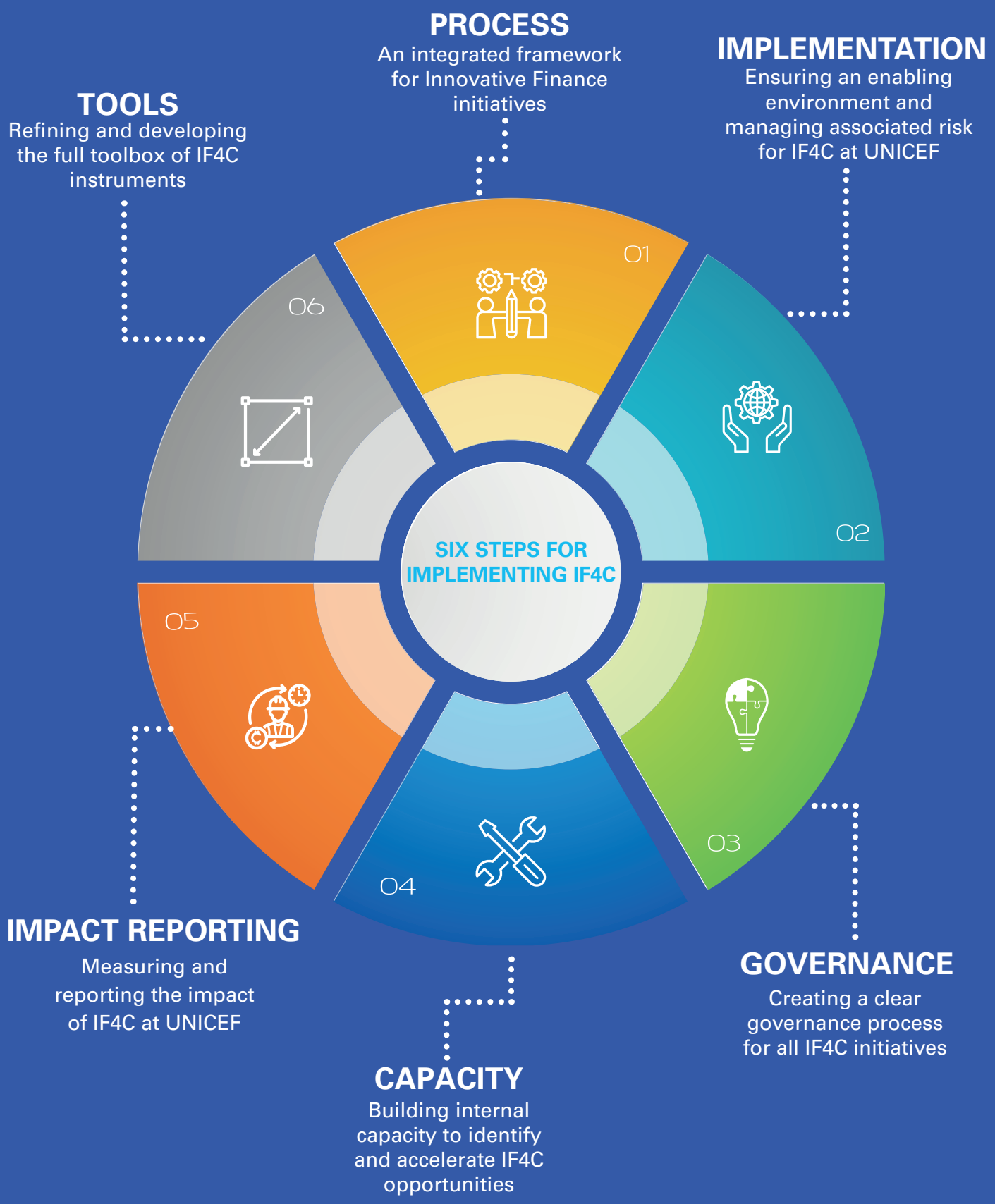
By **Applying** these new alternative solutions, UNICEF will radically reimagine how it engages and collaborates with its global networks of problem solvers and supporters, catalyses additional financial resources, and creates new pathways to rapidly scale up social goods for the world's children by 2030.

Chapter 3

How?
Creating the process, tools and enabling environment for IF4C at UNICEF

Process: an integrated framework for innovate finance initiatives

Beginning with the diagram below, this chapter outlines the necessary considerations for effectively creating the process, tools and enabling environment for IF4C at UNICEF during the duration of the Strategic Plan, 2022-2025, via the following six critical pathways:



1. Process: an integrated framework for IF4C initiatives

The following framework for IF4C and its five principles outline the end-to-end process by which opportunities for IF4C initiatives are identified. The five guiding principles outlined below are designed to help stakeholders and practitioners determine how IF4C solutions can help address common problems that delay or prevent delivering results for children, enabling them to examine the potential value and 'best fit' of IF4C tools for their needs by directly linking them to UNICEF strategic and programmatic goals. This Strategy emphasizes the need to start by focusing on and analyzing the problem(s) to be solved before contemplating potential IF4C products or solutions.

IF4C FINANCE: FIVE GUIDING PRINCIPLES FOR INCORPORATING IF4C AT UNICEF

1 What is the problem we are trying to solve?

Is there a programmatic need?

An operational need?

Is there a funding gap?

A financing gap?

Timing or flexibility of available funds?

At what level?

- Project
- Programme
- Country
- Region
- Agency
- Sector

2 Can IF4C help solve it?

What is the benefit of using an IF4C solution?

Feasibility?

- Choice of instruments

Does the benefit justify the cost?

- Added value
- Efficiency
- Additional resources needed
- Impact
- Cost pros and cons
- Multiplier effect

3 How will it work?

What are the legal and structural issues?

Financial modality within or outside UNICEF?

Effects on cash flow and income?

How does it fit within UNICEF operations?

Income recognition?

Risks and mitigation?

Alignment with all relevant internal stakeholders?

Feasible at implementation level?

Limitations?

4 Other relevant factors?

How will success be measured?

Scalability of solution?

Replicability of solution?

Role of global level facilitation?

M&E: what should the programmatic & financial indicators be?

5 Do we need partners?

Which partners?

What is UNICEF's role?

Partners for fundraising?

Partners for financing?

Other partners?

Consider entire partner spectrum, including implementers, etc.

In cases where the IF4C solution has an upfront cost, is fundraising possible?

If so, which partners/audiences?

Willingness to participate in IF4C solution?

Agreement on IF4C modality?

Income recognition needed for NatComs?

Involvement of DFAM and Office of Legal Affairs are critical to all IF4C solutions.

Constructing an alternative/innovative-focused theory of change

The following diagram is an initial tool for stakeholders and practitioners that maps out a process for determining how and when F4C projects can make a difference to achieving UNICEF's desired strategic and programmatic outcomes, as well as how to identify the necessary preconditions and considerations for successfully incorporating IF4C to promote social change.

IF4C: STARTING THE PROCESS

The diagram below illustrates some of the key steps and questions involved in this process, based on IF4C's five principles. While this new IF4C Strategy and theory of change are frameworks for implementing IF4C projects at UNICEF, further guidance for practitioners and divisions' operational plans will be a key next step in the agency-wide roll-out process.

2. Implementation: Ensuring an enabling environment and managing associated risk for alternative/innovative finance at UNICEF

While ensuring an enabling environment is essential for achieving UNICEF's IF4C targets by 2025, this new IF4C Strategy stops short of going beyond basic recommendations for some key institutional barriers and enablers outlined below. Successfully moving this strategy forward entails prioritizing the following measures:

Leveraging the existing technical expertise and capacity of public and private sector partners, and building new alliances, including with the World Bank Group/International Finance Corporation, United Nations development partners (notably UNDP through the new Global Finance Flagship and United Nations Capital Development Fund through existing financing facility collaborations), the Global Impact Investing Network, key IFIs, bilateral donor governments, National Committees' private sector partners (e.g., philanthropic foundations), leading global experts and service providers.

Implementing a structured approach to convening internal stakeholders across UNICEF at all levels, and to working cohesively as a unified and complementary team. Effective management of various initiatives at the organizational level is important for scalability, as is ensuring a streamlined process for IF4C initiatives in the interests of time and effective use of UNICEF resources. Achieving this will require greater alignment between the Programme, Supply, Public Partnership, and Private Fundraising and Partnerships Divisions, and the Office of Innovation. Close collaboration with DFAM and the Office of Legal Affairs is also critical for success.

Addressing institutional issues and capacity, including those relating to:

UNICEF's overall risk appetite for scaling up IF4C across the agency: Greater intentionality and clarity are needed regarding choices made between the potential benefits and the risks of scaling up a particular IF4C innovation, as well as appropriate risk mitigation strategies. These could include leveraging the National Committees' independent structures and ability to take on a higher risk profile for IF4C solutions, and working with UNICEF DFAM, Office of Legal Affairs, partners and experts to implement favourable terms for new ESG/impact investments that explicitly subordinate the purely financial achievement of ROI to priorities for children, to avoid 'SDG washing' and ensure the right results from deploying and scaling up these new types of IF4C solutions.

Implementing a continuous impact and risk assessment process to ensure fitness for purpose, including internal and external risk mitigation strategies, connections with sectoral work as well as due diligence.

Staffing up and resourcing of IF4C in order to build capacity, leveraging existing expertise and growing a culture of shared IF4C knowledge within UNICEF and the National Committees, with an emphasis on building staff knowledge on how IF4C concepts work and what they can actually achieve.

At present, UNICEF staff face the dilemma of either doing business as usual with grant funding or making the choice to proactively work towards expanding innovative partnerships in order to fund UNICEF-assisted programmes and leverage financing for child-focused investments and outcomes within the current challenging resource mobilization environment. Insufficient levels of resourcing allocated to the key areas of work on deploying IF4C will hinder the ability of the organization to deliver on its commitments.

Income recognition: Where relevant, a new modality will be created whereby funds raised from the private sector for IF4C initiatives can be recognized as a contribution to UNICEF, in particular for the repayment of financing.

Funding vs Financing: IF4C solutions do not necessarily add philanthropic revenue to UNICEF, unless they involve forward funding solutions or partnership agreements (e.g., portions of asset management fees donated to UNICEF). ROI for IF4C will therefore need to be measured based on impact that results from both funding and financing sources that IF4C helps leverage, including from first-time partners engaged through IF4C initiatives.

Obtaining authorization to utilize certain financing instruments. In order for UNICEF to utilize some financing instruments under this Strategy, especially those involving a debt component, this will require a significant change to the current legislative directives governing the financial management of the United Nations and UNICEF, for which special authorization from the United Nations General Assembly would be required. In May 2022, Advisory Committee on Administrative and Budgetary Questions recommended the UNICEF Executive Board seek approval from the General Assembly to carry out a three-year pilot project to utilize certain innovative financing instruments. Successful implementation of these instruments relies on obtaining such approval.

IF4C potential risks and strategies to approach mitigation

Identifying and mitigating against risk is essential to successfully implementing any IF4C solution at UNICEF. Risk identification and mitigation should be approached as an ongoing exercise throughout that solution's lifecycle, to ensure its continued "best fit" with UNICEF's objectives as well as the purposes, programmes, systems and processes it is intended to support.

The following table:

- Lists some of the most common categories of risks that are associated with UNICEF's IF4C priorities and focus areas as defined in this new Strategy;
- Outlines some of the major considerations attached to each risk category, within the UNICEF IF4C context; and
- Make recommendations for preventive actions, mitigation strategies, and corrective measures.

Risk Categories*	Risk Description & Consideration	Mitigation Measures
Governance Risks	The IF4C strategy cut across several divisions and cones within UNICEF, and in many situations would require close collaboration with National Committees. This raises significant governance risks which requires various parts of UNICEF work together harmoniously, failure of which will result in negative impacts not only on the activities carried out under the strategy but also the strategy and more broadly UNICEF as well. Inadequate governance structure may also lead to political fallouts and/or loss in donor revenue.	Management and governance arrangements has been developed and deployed to support the implementation of UNICEF's global level work on alternative/innovative financing for children. Procedural and guidance document will be developed to guide UNICEF and National Committee personnel in identifying and carrying out their respective roles and responsibilities.
Financial Risks	The IF4C strategy requires innovative ways to finance and invest across a diverse spectrum of capital, including through UNICEF National Committees. This present unique financial risks to UNICEF. For example, unrealistic financial expectations may result in loss in donor contribution which may in turn cause an adverse impact on Regular Resources. In addition, transaction costs of some financial instruments may exceed anticipated benefits which may jeopardize the financial viability of the instruments or other IF4C activities. In extreme cases, UNICEF may be even held financially accountable for certain instruments.	IF4C activities will comply with UNICEF Financial Regulations and Rules and other regulatory framework governing the UN organizations. A 2-step streamlined project implementation process for IF4C initiatives has been developed to verify the feasibility and ensure an appropriate ROI. (Please see process here). The implementation of IF4C initiatives will be done by the relevant UNICEF divisions with updates to the IFC.
Legal and Regulatory Risks	Many of the initiatives and plans proposed in this document presents innovative solutions that have not been previously implemented by UNICEF or other UN organizations. Many of these activities carry legal and regulatory risks of a specific nature, that are often unfamiliar to UNICEF and are different by an order of magnitude from the risks associated with traditional transactions or engagements.	Legal Office will be involved at an early stage of development of any IF4C initiative to identify any specific legal and regulatory concerns. External counsel will be engaged as needed to provide advice address risks pertaining to specific instruments or jurisdictions. Any legal arrangement must reflect the UNICEF Financial Regulations and Rules and other regulatory framework governing the UN organizations. Communication protocols concerning the IF4C collaborations will be developed and complied with by all UNICEF personnel (and to the extent applicable, National Committee personnel).
Reputational Risks	Successful implementation of this IF4C Strategy requires UNICEF actively engage with various external parties or providing technical support or otherwise contribute to the development of certain financial instruments. If the public associates UNICEF with these external parties or financial instruments, significant reputational risks will arise when these parties or financial instruments are under public scrutiny, for example including alleged blue washing, SDG washing or if the external parties are involved in controversial sectors or practices.	Comprehensive due diligence will be carried out prior to and during the life cycle of any IF4C initiative. Engagement under IF4C initiative will follow relevant legal templates with disclaimers distancing UNICEF from any endorsement or association with any partners or products. Communication protocols concerning the IF4C collaborations will be developed and complied with by all UNICEF personnel (and to the extent applicable, National Committee personnel).

*** This table merely presents some common examples of risks that are often associated with IF4C activities identified within this document. Neither the risk categories nor the specific risks identified here are indented to be exhaustive. All these risks are interlinked and need to be considered in all contexts. Additional risk analysis should be carried out, and corresponding mitigation measures should be developed to address each specific project and context.**

3. Governance: Creating a clear governance and operational process for all IF4C initiatives

It has become increasingly evident that successfully scaling up the use of IF4C at UNICEF requires a more agile, streamlined governance and operational framework than originally conceived, in order to facilitate cross-organizational collaboration, alignment with regulatory frameworks, and comprehensive risk management for IF4C initiatives.

As an outcome of a recent IF4C stocktaking exercise, cross-divisional 'squads' will share accountability for and ownership of IF4C across all relevant divisions, in close partnership with the regions and teams in the field. A designated senior convener for IF4C, to be housed in the Partnership Cone, will work with key directors and divisional teams to develop and roll out an organization-wide IF4C Operational Plan for implementing the new IF4C Strategy, including an updated, streamlined governance and risk management model.

As part of this upcoming IF4C operational plan, UNICEF will:

- Use the IF4C Strategy framework and approach to form a cross-divisional IF4C team at UNICEF, which will work in coordination with Programme Division's Social Policy team and other teams and divisions. A RACI model-based structure will be created to guide IF4C implementation within key internal stakeholder groups for IF4C at UNICEF, including DFAM, Office of Legal Affairs, OOI, PFP, PPD, PD, EMOPS, SD, and country and regional offices.

- In addition, UNICEF will coordinate and build capacity for IF4C internally, with the field and with the National Committees, where IF4C can help solve programmatic challenges on the ground.

Finally, a more streamlined, agile IF4C governance structure will be developed according to a terms of reference document that will be created as part of the organization-wide IF4C operational plan process.

4. Capacity: Building internal capacity to identify and accelerate IF4C opportunities

For this IF4C Strategy to succeed, capacity development training for UNICEF staff is required. All staff, particularly programme staff, will be expected to be aware of the basics of innovative finance and of the opportunities that it provides. In addition to the basic training, a limited cadre of staff will receive advanced training to ensure that they can support the implementation of specific IF4C tools.

Beyond training of staff at a basic and advanced level, partnerships will be further developed with:

- Leading global experts in alternative/innovative finance, including by establishing an external expert advisory group.
- UNDP and other United Nations agencies working on alternative/innovative finance, where lessons can be learned, duplication can be avoided, and scale can be reached more quickly.
- Service providers and technical experts in specific operational areas of IF4C; where appropriate, long-term agreements will ensure that expertise is readily available to staff in regional and country offices.

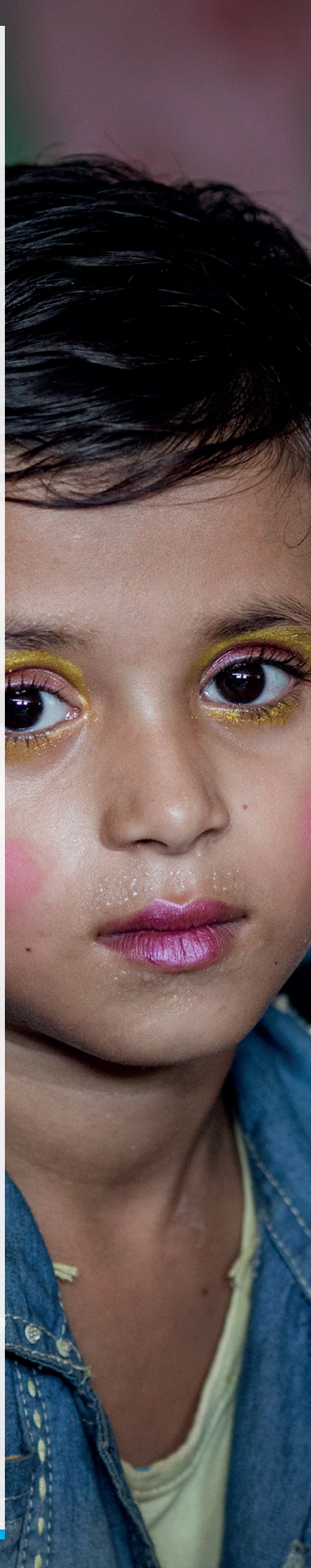
As part of the new IF4C operational plan process (see page 35), IF4C also requires appropriate levels of resources to deliver on the Strategy's ambitious targets that will include the above.

5. Impact reporting: Measuring and reporting the impact of IF4C at UNICEF

Development organizations must enhance transparency by implementing impact measurement and reporting models that match both investor and donor expectations. In addition to creating and implementing the world's first-ever SDG/child-aligned global impact standards in collaboration with UNDP, UNICEF will seek to leverage the existing technical expertise and capacity of its public sector and private sector partners. This will include the World Bank Group/International Finance Corporation, the Global Impact Investing Network, the Global Reporting Initiative and KPMG, that already have methods in place for impact measuring according to best-in-class established impact investing principles.

UNICEF offers evidence-based strategies for children that scale for impact, and is a sector leader in providing the metrics and data that help inform the base, fill gaps and measure outcome level results and change. Measurement also helps to track progress towards achieving goals and targets, identify successes and bottlenecks, evaluate the effectiveness of strategic approaches and support evidence-based prioritization of investments.

Building on this existing structure to incorporate IF4C at UNICEF, we will convene internal and external UNICEF stakeholders and experts to explore how the relevant impact investing principles, standards and metrics could be adapted to the UNICEF context and harmonized with the organization's current practices and mechanisms for measuring and reporting the impact of its programmes. Ideally, this will include a robust impact and risk assessment mechanism to continuously assess the ongoing fitness for purpose of UNICEF's IF4C projects, as part of its IF4C governance.



Closing statement

Collaboration and coordination across the many parts of UNICEF will be essential for IF4C to reach its full potential to help accelerate progress towards achieving the SDGs for children.

As a guiding framework and road map for all UNICEF stakeholders working on IF4C, this Strategy aims to show how IF4C can play a key role in bringing UNICEF closer to the shared goal under the 2030 Agenda: by working together to successfully implement IF4C, UNICEF will build a more resilient, equitable world in which no child is left behind.

Annex:

Alternative/innovative finance instruments: their advantages and uses

The illustrative tools listed in the following table highlight some of the ways in which UNICEF and other organizations are using non-traditional tools to leverage additional funds and increase the effectiveness of their resources and investments.

Each illustrative example included in the table features links to additional material on how these financing tools are being used, the partnerships that support them and their impact.

IF tool/ instrument	Description	Value proposition	Major Examples
Socially responsible investing (SRI)/ impact investing/ ESG	Also known as sustainable, socially conscious, green, or ethical investing, i.e., any investment strategy that seeks to consider both financial return and social good to bring about a social change.	Leverages upfront private sector capital at scale to support desirable social outcomes	**Seychelles Blue Bond** THE WORLD BANK gef https://bit.ly/3iCPLPx A debt instrument to raise socially responsible investing capital to provide upfront financing of projects with positive environmental, economic and climate benefits. It is based on a socially responsible investing 'green bond'. Bond proceeds support expansion of marine protected areas, improved governance of priority fisheries and development of the Seychelles' blue economy. It includes a $5 million guarantee from the World Bank (International Bank for Reconstruction and Development) plus a $5 million concessional loan from the Global Environment Facility that partially covers interest payments for the bond.
Results-based financing/pay-for-success	Grant instruments structured to disburse only upon meeting certain performance milestones.	Reward innovation and impact efficiency Incentivizes outperformance Shares performance risk with implementer	**Gates Polio Drawdown** BILL & MELINDA GATES foundation POLIO GLOBAL ERADICATION INITIATIVE Working capital lines of credit that allow the borrower to use the loan or recoverable grant amount in instalments, so that the borrower is only using the amount it needs, when it needs it. Project completion restrictions can require the borrower to show completion of a specified amount of the total project before additional financing is released (pay-for-results).
Social insurance/ insurance-linked securities (ILS)	Financial instruments structured to manage and offset various thematic, catastrophic, or geographic risks.	Rewards innovation and impact efficiency Incentivizes outperformance Shares performance risk with implementer	**Caribbean Catastrophe** THE WORLD BANK Insurance Risk Facility (CCRIF) https://www.ccrif.org/ A parametric insurance facility, owned, operated and registered in the Caribbean for Caribbean governments. The Caribbean Catastrophe Insurance Risk Facility insures against risks by limiting the financial impact of catastrophic hurricanes and earthquakes to Caribbean governments by quickly providing short term liquidity when a policy is triggered.
Social and development impact bonds	Outcome-based contract in which project financing is provided by private (impact) investors and repaid with interest by: governments (social impact bonds) or an aid agency or other philan thropic funder (development impact bonds), if the agreed-upon results are achieved.	Shares performance risk Incentivizes innovation, impact efficiency and impact performance Can be used to scale proven interventions for which outcomes are clearly measurable	**Cameroon Kangaroo Mothercare development impact bond** Grand Challenges Canada https://bit.ly/2ZHhlx7 The initiative aims to use the world's first health and nutrition development impact bond to implement Kangaroo Mother Care, a cost-effective practice known to save and improve the lives of low birth weight and pre-term infants in 10 hospitals in Cameroon.

IF Tool/ Instrument	Description	Value proposition	Major Examples
Blended financing partnerships	Development finance, in the form of grants, loan guarantees, or philanthropic funds, is used to attract/leverage private capital into developing countries. Private capital may also be blended with government and/ or donor funding to mitigate risk, enhance returns, or provide technical assistance to investors or investees.	Attracts/catalyzes private sector investment into large-scale development projects where it would otherwise not occur e.g., education, renewable energy at scale.	**UNEP Tropical Landscapes Finance Facility** https://bit.ly/3e89BPg Consisting of a loan fund and a grant fund, the facility helps Indonesia promote economic development while contributing to achieving its climate targets under the Paris Agreement. The facility uses public funding to unlock private finance in renewable energy production, and sustainable landscape management that reduces deforestation and forest degradation and restores degraded lands.
Guarantees	Financial commitments to provide payment in case of financial loss: when the risk of an investment is too high for private funders, a guarantee can be used to reduce the funders' possible losses by leveraging the balance sheet of the donor. Can span a range of specific applications, from loan repayment to first-loss investment coverage.	Reduces risk to avoid partner default, attract private investment Encourages entry of new resources into the development space, thereby channeling funding to a broad range of programmes	**Gates guarantees for UNICEF Supply Division** https://bit.ly/2ZHhlx7 As part of its pre-financing activities, UNICEF's Vaccine Independence Initiative offers flexible credit terms, allowing countries to pay after (rather than before) critical supplies are delivered. The Vaccine Independence Initiative capital fund is subsequently repaid by countries when sufficient domestic funds become available again. The ability of the Vaccine Independence Initiative to absorb potential losses incurred by the failure of countries to repay is underwritten by a $100 million financial guarantee from the Bill & Melinda Gates Foundation.
Fixed income: bonds and notes	Fixed income financial products sold on issuing platforms or exchanges to raise capital financing. Pays a pre-set premium to investors according to a pre-set timeline. Can be themed / promote SDGs and ESG principles, e.g.: • Gender • Health • Sustainability • Inclusive business.	Can smooth financial flows, ensure certainty of capital availability, and provide upfront funding Provides dependable financing at scale for strategic initiatives	**Sustainable Development bonds for COVID-19** https://bit.ly/2Z2fUzy Starting in early 2020, the World Bank's International Bank for Reconstruction and Development issued multiple sustainable development bonds to support the health sector and the World Bank's response to COVID-19. Private companies such as Dai-ichi Life Group (Japan) purchase the bonds, based on their ESG portfolio investment strategies.

IF Tool/ Instrument	Description	Value proposition	Major Examples
Derivative instruments/ securitization	Financial instruments that derive their value from performance of another asset, to raise capital financing. A derivative is held on an entity's balance sheet, with its value changing in relation to changes in a variable, such as an interest rate, commodity price, credit rating, foreign exchange rate, or insurance product (e.g., insurance-linked securities.	Provides dependable financing at scale for strategic initiatives Transfers risk to markets Optimizes operations & cash flows for maximum cost-efficiency	**International Finance Facility for Immunization (IFFiM)** https://bit.ly/2O3v41b • In 2003, an International Finance Facility (IFF) was proposed to provide upfront funding to address critical immunization needs in the developing world. • The International Finance Facility for Immunization receives long term, legally binding pledges from donor countries and, through the World Bank, turns these pledges into vaccine bonds that provide immediate funding for Gavi's immunization programmes.
Advance market commitments (AMCs)	A binding procurement contract to guarantee volume and price of purchase once a new product is successfully developed by a manufacturer.	Incentivizes private sector investment into research and development Creates negotiation leverage on price, given volume commitment Increases access and affordability	**Pneumococcal Advance Market Commitment** https://bit.ly/2VSIkv8 • Through donor commitments, the Pneumococcal Advance Market Commitment incentivizes vaccine makers to produce suitable and affordable vaccines for the world's poorest countries. • It is estimated that the pilot can prevent more than 700,000 childhood deaths by the end of 2020.
Leasing	A contract where capital is exchanged for a share of future profits. Private Equity convertible debt instruments that support e.g., health, education, water projects can convert to equity instrument stakes when certain performance conditions are met.	Incentivizes private sector investment, shares performance risk	**MCV Social Venture Fund** https://bit.ly/2ZMppSO Mercy Corps' impact investing arm (MCV) partners with social entrepreneurs in countries to iterate and scale innovation. Beyond investing the right kind of catalytic capital that bridges the gap between entrepreneurs and capital markets, including equity, convertible debt, and blended finance, MCV provides advice, technical support and networking opportunities to its social venture partners.

IF Tool/ Instrument	Description	Value proposition	Major Examples
Loans, credit facilities & microfinance	A contractual agreement whereby the lender provides capital to organizations or individual borrowers to implement specific interventions at pre-set repayment terms and costs of borrowing.	Can finance activities with predictable future income streams	**Kaah International Microfinance Services (KIMS)** https://bit.ly/2BPobOu • Kaah International Microfinance Services (Somalia) finances low income and historically excluded groups by providing high-quality diversified microfinance services, including financing of small and micro-enterprises. • The model combines competitive returns to investors with supplementary support services that maximize the social impact of access to finance, e.g., financial literacy and business skills.
Seed or catalytic funding/flexible grant capital	Donors can take a venture capital approach to financing to invest in early-stage social enterprises or high-impact innovations that are then scaled by other donors or commercialized at a later stage.	Seed funding can be used to help innovators or social enterprises targeting low-income consumers demonstrate impact and proof of concept	**IFC Venture Capital** https://bit.ly/38E4c1h • The international Finance Corporation supports early-stage ventures in developing countries that are creating new markets, transforming industries, and driving inclusive growth. • Activities range from ecosystem building to investing directly in ventures and venture capital funds - with combinations of commercial and concessional capital, and technical advisory services - to identify, incubate and scale business models that can have significant social impact.
Revolving funds	Fund or account that remains available to finance an organization's continuing operations without any fiscal year limitation, because the organization replenishes the fund by repaying money used from the account.	Can leverage capital to make a series of IF4C transactions to support multiple development outcomes, rather than just one	**UNICEF Bridge Fund** https://bit.ly/3ilk5sq Housed at the U.S. Fund, it: • Leverages net worth grants to secure capital in the form of three-year or five-year loans that form a pool of revolving funds. • Provides flexible capital, from that pool of revolving funds, in the form of cash grants to UNICEF to enable it to act immediately when children's lives are at risk. • Allows UNICEF to start the procurement process earlier to secure better pricing and start programmatic activity sooner.
Public-private partnerships (PPP's)	UNICEF considers PPPs as any arrangement through which the combination, coordination and alignment of resources, capabilities and advocacy of private and public actors results in additionality of impact for children, including additional direct resources for UNICEF.	Facilitates public spending Attracts private investment Shares risks	**Global Financing Facility (GFF) Supply Chain PPP** https://bit.ly/2NZk314 • Brings together governments, development partners and the private sector to support, develop and encourage investment in innovative solutions for improving supply chains in GFF countries. • Includes developing/scaling up supply chain innovations, supporting supply chain reforms and enhancing governments' capacity to work strategically with private sector to ensure delivery to the last mile.

Ambition Matrix

Within the ambition matrix diagram below, a selection of IF4C pipeline projects are depicted at the stage of the development of the solution (or tools) they employ as well as the thematic area/challenges that they address. From this assessment, the matrix distinguishes three distinct stages within the IF4C development pipeline:

Fully executed/refine and maintain phase: Mature IF4C platforms, products and initiatives that are in the process of scale-up and optimization, incorporating lessons learned from earlier pilot stages in order to be more efficient and effective.
Ongoing development and implementation phase: New IF4C platforms, products, processes and initiatives that are actively being pursued, i.e., in the initial pilot stage.
Initial concept design phase: New potential IF4C approaches and/or applications of existing IF4C tools to additional contexts that are currently being explored and considered.

IF Priority Thematic Areas

- Immunization
- WASH
- COVID-19 Response
- Education & Learning
- Climate Change Resilience
- Operations & Fundraising

Additional Thematic Areas

- Gender Equality
- Maternal & Child Health
- Humanitarian Emergencies
- Cross-cutting

IF4C Mechanisms & Approaches

- Blended Finance
- Digital Finance
- ESG/Impact Investing Standards
- Exchange Traded Funds (ETFs)
- Fintech & Enabling Technologies
- Guarantees
- Mobile Insurance
- Outcome Based Financing
- Private Credit Funds
- Private Equity Funds
- Revolving Funds
- Project Pipeline Development
- Risk Transfer Insurance
- Securitization & Impact Bonds

IF4C Ambition Matrix

Note: This illustration represents only a portion of the current development pipeline of IF4C projects at UNICEF; for a full description of all planned activities for the coming period, please refer to the IF4C Roadmap for the Five As as described in Chapter 2.

Lessons learned

Even though IF4C in UNICEF is at a nascent stage, many lessons have already been learned in the following areas.

Programme and operational complexity

- IF4C initiatives must put programmes first and clearly define the problem(s) UNICEF wants to solve.
- IF4C initiatives cut across several divisions and cones, and to be successful the various parts of UNICEF must work together harmoniously. Obtaining cross-divisional engagement at the outset is critical, with a clear understanding of roles.
- IF4C instruments require significant upfront investment in both time and funding. Seed funding is necessary to develop the initiatives and programmes; therefore, before starting, stakeholders must clearly assess the potential reward against the effort required. To justify the upfront investment, the initiative must have the potential to ultimately reach scale.

Partnerships

- UNICEF cannot – and does not need to – undertake all aspects of IF4C. UNICEF must build on its strong expertise; however, the organization is limited by its mandate, rules and regulations, and capacity. UNICEF should strategically engage with partners who can do what UNICEF cannot do.
- Many United Nations agencies are exploring or working in a similar area, though each with limited capacity. By working more closely together the agencies could reach greater scale while sharing risk.
- There is enormous interest from the private/financial sector to partner with UNICEF in IF4C, but there is also a need to balance reputational risk.
- IF4C has shown potential for impact and accelerating results for children. In addition, it has demonstrated UNICEF's strength in innovation rather than merely being a significant resource mobilization tool.
- UNICEF National Committees can play a key role in accessing and developing innovative financing private sector partnerships, including for crowding in private sector capital. In addition, for some key innovative financing solutions it may be more advantageous to leverage the independent structure and broader risk appetite of National Committees, which are a vital component of any UNICEF-wide IF4C effort.

Endnotes

Introduction

1. Definition from UNICEF, "Executive Directive on Innovative Finance March 2019", unpublished internal document.

2. Using existing funding more efficiently to accelerate programmatic results, solve problems due to timing unpredictability of funds, lack of public/private sector incentives, high cost of capital, etc.

3. Citing $2.5 trillion Annual Financing Gap, United Nations, 'Secretary-General's Strategy and Roadmap for Financing the 2030 Agenda', <www.un.org/sustainabledevelopment/sg-finance-strategy>. Organisation for Economic Co-operation and Development, 'Launch of the 2021 Global Outlook on Financing for Sustainable Development'

4. Remarks by the Secretary General, <www.oecd.org/about/secretary-general/global-outlook-onfinancing-for-sustainable-development.html>.

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6. https://news.un.org/en/story/2022/10/1129467

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8. Citing $2.5 Trillion Annual Financing Gap, United Nations, 'Secretary-General's Strategy and Roadmap for Financing the 2030 Agenda: <https://www.un.org/sustainabledevelopment/sg-finance-strategy/>

9. Note that the public and private sector assets and financial flows represented here are not exhaustive and are included simply to illustrate this strategy's basic premise that the global capital markets contain trillions of additional resources that could be leveraged via IF4C to achieve the SDGs by 2030, including those that are child-related.

Chapter 1:

10. Graphic adapted by the UNICEF IF4C team from Organisation for Economic Co-operation and Development , 'Global Outlook on Financing for Sustainable Development 2019: Time to Face the Challenge', <https://www.oecd.org/dac/global-outlook-on-financing-for-sustainable-development-2019-9789264307995-en.htm>

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12. Figures included in the global IF4C Landscape graphic below have been taken from the following sources:
    - Development Finance Institutions' annual commitments: Runde, D. F. and Milner, A., 'Development Finance Institutions: Plateaued Growth, Increasing Need', Centre for Strategic & International Studies, 2019 Report, p. 2.
    - Global insurance annual global premiums: Insurance Information Institute, <www.iii.org/publications/insurance-handbook/

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• Top 2000 global corporations' total market value: Forbes, 'Inside the Global 2000', <https://www.forbes.com/sites/elizahaverstock/2021/05/13/inside-the-global-2000-the-value-of-the-worlds-largest-public-companies-soar-as-sales-and-profits-falter/?sh=68d6b8b026d4>.
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• Other United Nations agencies' budgets (estimated): <https://research.un.org/en/docs/budget2020>.
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18. Subject to approval from relevant authorities within UNICEF, and as applicable, from governing bodies of UNICEF and the UN, UNICEF will pilot the use of IF4C via existing and new types of financial instruments and arrangements available to UNICEF. This section aims to provide a high-level introduction to some of these instruments and arrangements. Please note, however, the instruments and arrangements listed below only reflect UNICEF's understanding at the time of the drafting of this document. UNICEF is not making any commitment to utilize these instruments or implement these arrangements due to risks associated and future uncertainties.

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