



IMPACT FUND
FOR CHILDREN

QUARTERLY ACTIVITY REPORT



December 31, 2022

A NEW INVESTMENT STRATEGY HELPS SPEED LIFESAVING NUTRITION THERAPY

To address a precarious market gap, the Bridge Fund partners with UNICEF and the Bill & Melinda Gates Foundation to address supply chain challenges of a lifesaving malnutrition treatment.

Conflict, climate shocks, the ongoing impacts of COVID-19, and rising costs of living are leaving increasing numbers of children acutely malnourished while key health, nutrition and other lifesaving services are becoming less accessible. Currently, more than 27 million children in the 15 worst-affected countries suffer from wasting – or acute malnutrition – and 8 million of these children are severely wasted, the deadliest form of undernutrition. This is a major threat to children’s lives and to their long-term health and development, the impacts of which are felt by individuals, their communities and their countries.

Children suffering from severe wasting cannot reach their full potential – and far too often do not live beyond age 5 without the intervention of effective nutrition therapies. Fortunately, lifesaving treatment exists in the form of Ready-to-Use Therapeutic Food (RUTF), an energy-dense micronutrient paste. Historically, UNICEF has procured 75–80 percent of the world’s RUTF (equating to 49,000 metric tons of product). However, due to the ongoing nutrition crisis in sub-Saharan Africa, global demand for RUTF has materially surpassed existing supply.



UNICEF employee unloading a shipment of Ready-to-Use Therapeutic Food (RUTF) to fight malnutrition in Mauritania, 2022.

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We’re particularly excited about how our interventions this quarter are providing solutions on multiple levels. We’ve fast-tracked humanitarian response to children suffering from severe wasting in the Horn of Africa, while tackling supply chain issues of RUTF production at a deeper level. And, we continue to explore all possible solutions to mitigate this unprecedented malnutrition crisis.”

CRISTINA SHAPIRO

PRESIDENT, UNICEF USA IMPACT FUND FOR CHILDREN



In South Darfur, Sudan, children eat RUTF during a nutrition screening at Alnahda Health Centre on October 4, 2022.

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THE GOLD STANDARD FOR WASTING TREATMENT

Ready-to-Use Therapeutic Food (RUTF) – a nutrient-rich paste made from peanuts (or chickpeas) – is widely used to treat severe wasting in children. RUTF:

- Requires no refrigeration or preparation
- Is portable and nonperishable
- Is consumable by babies not ready for solids

A full course of RUTF helps children recover.

RUTF manufacturers currently face supply chain challenges constraining their production capacity and reducing their ability to rapidly scale up to meet the increased demand. These challenges include rising ingredient and packaging costs, labor and training expenses, container and ship shortages and a shortage of equipment and warehouse space. Existing suppliers currently have insufficient liquidity and limited access to affordable credit to expand

operations, which leads to delays in RUTF availability to programs. In order to best increase timely access to RUTF, UNICEF has designed a financing solution leveraging its purchasing role, which supports cash advance payments to suppliers on a financially secured basis, without putting UNICEF’s other programming at risk.

The Bridge Fund has recently committed \$20 million, which joins the Bill & Melinda Gates Foundation’s catalytic contribution for a total of \$70 million, to enable these advance payments for RUTF purchases. The facility is designed to operate over three years. This is one intervention of many currently being deployed by UNICEF that will support the ramp-up of RUTF production. UNICEF’s annual global funding for malnutrition doubled in 2022 to \$345 million, and this facility will enable faster and increased access to RUTF to the most vulnerable, which global funding will ultimately finance.

Wasting affects 45.4 million children globally. Protracted and complex crises create conditions for severe malnutrition to increase, and the Bridge Fund



Malnutrition is a silent threat to millions of children. The damage it does can be irreversible, robbing children of their mental and physical potential.”

MANUEL FONTAINE

DIRECTOR OF EMERGENCY PROGRAMS, UNICEF

is finding multiple ways to support. The ongoing climate-induced drought in the Horn of Africa and the Sahel has precipitated a global food and nutrition crisis that has pushed more than 2 million children into severe acute malnutrition.

UNICEF estimates the total number of children who will need wasting treatment through December 2023 will exceed 10 million in the 50 worst-affected countries alone. Through this financial mechanism’s ability to address a supply chain constraint, the Bridge Fund has helped ensure increased availability of RUTF and has supported improved performance of the supply chain.

A HISTORIC ADVANCE IN THERAPEUTIC CHILD NUTRITION

- **1980s–1990s:** Therapeutic feeding centers (TFCs) provide the most treatment for child wasting. However, they yield low recovery rates due to need for 24-hour staff, inconvenient locations and inefficient use of therapeutic milk (which requires clean water and on-site preparation).
- **1996:** André Briend, a French pediatric nutritionist, invents RUTF as a more convenient way to provide malnutrition support to communities.
- **2021:** UNICEF concludes a joint study with the government of Indonesia, the Institute Pertanian Bogor, private sector companies, research agency SAVICA, and the French National Research Institute for Sustainable Development. The findings proved the acceptability and efficacy of RUTF products made using local ingredients.
- **2022:** Codex Alimentarius Commission, the global food standards program, adopts guidelines that enable governments to safely expand local production of RUTF, paving the way for innovations in RUTF.
- **TODAY:** RUTF helps millions of children under 5 suffering from severe wasting each year.



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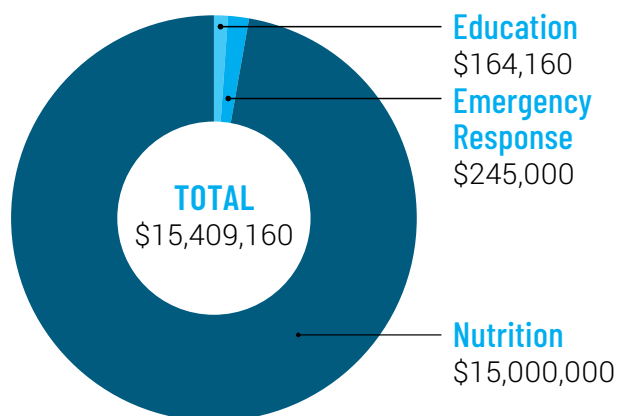
A nurse provides RUTF to a severely malnourished 1-year-old boy at a health center in Karamoja, Uganda, as the region faced drought and rising food insecurity.

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QUARTERLY PROGRAM ACTIVITY

During the second quarter of Fiscal Year 2023, the Bridge Fund completed three new transactions for a total amount of \$15.4 million.

Quarterly Activity by Sector





Quarterly Activity by Geographic Reach

EDUCATION	\$164,160
Central and Eastern Africa	\$164,160
EMERGENCY RESPONSE	\$245,000
Eastern and Southern Africa	\$245,000
NUTRITION	\$15,000,000
Sub-Saharan Africa ¹	\$15,000,000
TOTAL	\$15,409,160

1. Sub-Saharan Africa regional classification used to categorize our RUTF programs, which address needs in the Horn of Africa and the Sahel.

The Bridge Fund's SDG Impact

The Bridge Fund is committed to using the Sustainable Development Goals 2030 (SDGs) as a framework for our impact reporting, connecting each quarter's activity to the SDG target it supports.

SUSTAINABLE DEVELOPMENT GOAL	BRIDGE FUND PROGRESS THIS QUARTER
 <p>Zero Hunger SDG 2</p> <p>End hunger, achieve food security and improved nutrition, and promote sustainable agriculture</p> <p>You can find detailed targets for SDG 2 by clicking on the link here.</p>	<ul style="list-style-type: none"> \$15 million provided to scale up RUTF supply in sub-Saharan Africa \$245,000 fast-tracked for provision of lifesaving supplies and services to reduce the number of severely malnourished children suffering in the Horn of Africa
 <p>Quality Education SDG 4</p> <p>Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all</p> <p>You can find detailed targets for SDG 4 by clicking on the link here.</p>	<ul style="list-style-type: none"> \$164,160 accelerated to expedite access to critical early childhood development programming for vulnerable children in Rwanda

QUARTERLY PROGRAM IMPACT

Second Quarter FY 2023 Highlights

- **\$15 million** accelerated for advance payments to Ready-to-Use Therapeutic Food (RUTF) suppliers to support increased production and procurement capacity to reach ~1.5 million children at risk of severe acute malnutrition (SAM) in the Horn of Africa.
- **\$245,000** accelerated to support urgent response efforts and long-term resilience building for families in the Horn of Africa.

TRANSACTIONS	INPUTS	OUTPUTS	OUTCOMES
<p>Prefinancing for UNICEF Purchase Order Payments to RUTF Suppliers</p> <p>\$15 million</p> <p>Horn of Africa and the Sahel</p> <p>3 YEARS BRIDGED</p>	<p>Accelerated \$15 million to help RUTF suppliers build capacity to keep up with demand and aid countries with malnutrition crises</p>	<p>Upfront cash for suppliers, who need the prepaid funds to increase capacity and fulfill increased orders of RUTF</p>	<p>Improved health and nutrition for ~1.5 million children at risk of severe acute malnutrition in the Horn of Africa and ~1.0 million children in the Sahel</p>
<p>Prefinancing for Emergency Response Efforts in the Horn of Africa</p> <p>\$245,000</p> <p>Horn of Africa</p> <p>2 MONTHS BRIDGED</p>	<p>Accelerated \$245,000 for the Horn of Africa to scale up programming to meet the most urgent needs of children and ensure their ability to survive and thrive</p>	<p>Procurement and positioning of essential lifesaving services and supplies such as RUTF and safe water</p>	<p>Improved health for children who are suffering due to the worst climate-induced drought the Horn of Africa has seen in 40 years</p>
<p>Prefinancing for Education Development</p> <p>\$164,160</p> <p>Rwanda</p> <p><1 MONTH BRIDGED</p>	<p>Accelerated \$164,160 to avoid delays in contracting for the development of early childhood development programming and the creation of childcare centers</p>	<p>Uninterrupted expansion of early childhood development programming for vulnerable children in Rwanda, including the development of eight childcare centers</p>	<p>Provision of positive, responsive and nurturing early care in a safe environment for disadvantaged children in Rwanda</p>

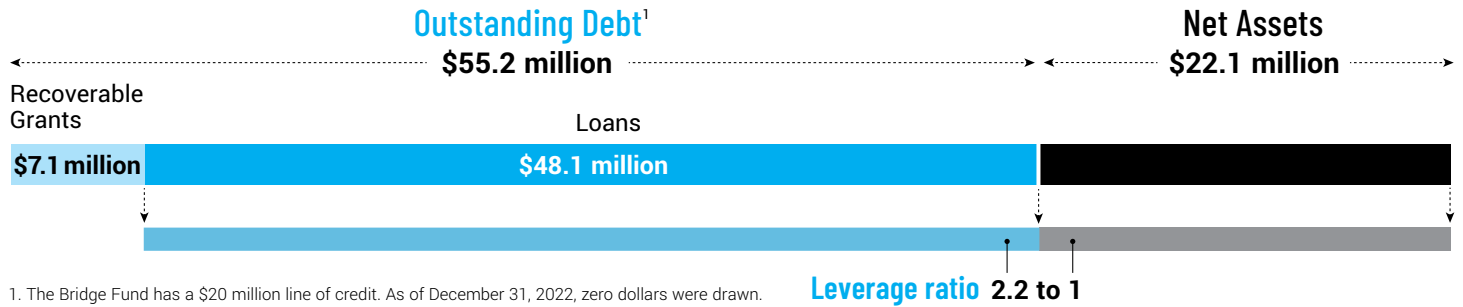


New Member Joins Impact Fund Board of Directors

The Impact Fund for Children welcomed **Vidya Vasu-Devan** to its board of directors in Q2. Vidya leads the Bill & Melinda Gates Foundation's \$2.5 billion Strategic Investment Fund (SIF) and chairs the SIF Investment Committee.

IMPACT FUND CAPITALIZATION AND PORTFOLIO BREAKDOWN

Bridge Fund Current Debt and Net Assets



Portfolio Breakdown by Repayment Source



Total Disbursed and Outstanding \$28.0 million

2. The Vaccine Independence Initiative (VII) is a revolving fund, managed by the UNICEF Supply Division. VII prefinancing receivables are from third-party multilaterals and sovereign governments.
3. Future Fundraising represents Bridge Fund cash advances made for fundraising strategies of UNICEF National Committees identified to produce net-new philanthropic revenue.

Portfolio Breakdown by Loan Watch Category

Delays occur in the Bridge Fund portfolio due to the nature of the business. The outstanding portfolio is actively monitored, and diligent cash flow management policies mitigate effects on the portfolio.

100% Low Watch



Low Watch: Performance as expected.

All Bridge Fund outstanding transactions are categorized as Low Watch as of December 31, 2022.

Bridge Fund Q2 Fundraising

Loans	\$1,125,000
Net Worth Donations	\$641,500
TOTAL	\$1,766,500

New Bridge Fund Capital

Anonymous Supporters	Sippi and Ajay Khurana
Gary M. Cohen	G. Barrie Landry
Nicole Giles	Eric Ross and Nicole MacNeel
Carol Hamilton	

\$954,108 total (including the corpus of the match) has been committed to the Tony Pantaleoni Memorial Fund campaign to date.



Impact Fund for Children's Eighth Consecutive Year on the ImpactAssets 50 List

The Bridge Fund was selected as an Emeritus Impact Manager for the ImpactAssets 50 (IA 50) 2022 list. The IA 50 recognizes managers who have demonstrated a consistent ability to generate positive impact and resilience within the impact investing market. We thank all who have contributed to this inclusion.

FINANCIAL INFORMATION

UNICEF USA Impact Fund for Children Inc.

Statement of Financial Position (unaudited) for the 6 months ended December 31, 2022

ASSETS

Cash and Investments	\$49,124,560
Contributions Receivable	\$28,577,857
Total Assets	\$77,702,417

LIABILITIES

Recoverable Grants Payable	\$7,100,000
Loans Payable	\$48,125,000
Grants Payable NGO-PFP Grants from UNICEF	\$103,500
Accrued Interest and Other Liabilities	\$250,335
Total Liabilities	\$55,578,835
Net Assets	\$22,123,582
TOTAL LIABILITIES AND NET ASSETS	\$77,702,417

COVENANT CALCULATION*

Leverage Ratio	Maximum	Actual
Loans Payable: Net Assets	3.5 : 1	2.2 : 1

*Recoverable grants up to \$10 million are excluded from the 3.5:1 debt-to-equity ratio. As reported here, loans payable only includes cash loans and the line of credit.

Statement of Activities (unaudited) for the 6 months ended December 31, 2022

REVENUE

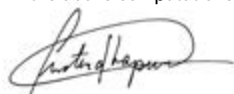
Contributions Revenue	\$2,341,675
Investment and Interest Income	30,558
Total Revenue	\$2,372,233

EXPENSES

Program Services	
Grants to UNICEF and Other NGOs	\$1,137,214
Program Expenses (including interest expense)	\$927,838
Management and General	\$66,554
Fundraising	\$88,903
Total Expenses	\$2,220,509

Net Income	\$151,724
Net Assets – Beginning	\$21,971,858
Net Assets – Ending	\$22,123,582

We certify that, as of the quarter ending December 31, 2022, there exists no default or Event of Default (as such term is defined in the Loan Agreement), and we are in compliance with the covenants set forth in Sections 4.1 and 4.4 and in Article V of the Loan Agreement, including, without limitation and as demonstrated in the above computations, the financial covenants set forth in Sections 5.2 and 5.5 of the Loan Agreement.



Cristina Shapiro, President, Impact Fund for Children Inc.
Dated: December 31, 2022

To learn more, please visit our website at unicefusa.org/impact-fund-for-children or contact:

Cristina Shapiro, *President*
UNICEF USA Impact Fund for Children
cshapiro@unicefusa.org 212-922-2556

Erin Egan, *Managing Director*
UNICEF USA Impact Fund for Children
eeagan@unicefusa.org 212-922-2571



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