CHILD-LENS INVESTING
EXECUTIVE SUMMARY

MAY 2023

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"Children are one third of our world, and all of our future."

Select Panel for the Promotion of Child Health (1981)

As we approach the Sustainable Development Goals' (SDGs) 2030 deadline, now more than ever it is critical to place children at the center of our efforts to close the financing gap. Half of the world's 2.2 billion children are unable to access basic needs like safe water and nutritious foods.[1] Absent revolutionary change, our children, primarily the most vulnerable, will in inherit a world rendered inhospitable by climate change, fragile institutions and economies, and pervasive strife.[2]

In leaving children behind, we are overlooking one of the most impactful investments we can make: Preparing them to become healthy adults. Investments in children are investments in tomorrow's workers, consumers, voters, and decision-makers. Filled with budding potential, children are potent catalysts for social transformation. And investments in areas that enable children's well-being – health, nutrition, education, childcare, and climate action – can simultaneously generate attractive impact and financial returns.

To unlock children's full potential, we must harness the power and scale of the global capital markets to work alongside governments, civil society, and philanthropy. In collaborating with other stakeholders in this effort, investors can achieve impact while generating attractive financial returns. It is thus at this vital moment that we introduce a nascent but fast-coalescing investment approach: child-lens investing.

WHAT IS CHILD-LENS INVESTING?

The child lens is an investing approach through which investors intentionally consider child-related factors to advance positive child outcomes while also minimizing child harm. It holds as its premise that if it takes a village to raise a child, then supporting a child's well-being uplifts the entire village. In tapping into the rich benefits of investing in children, investors can generate transformative impacts for children; uplift their caregivers, communities, and wider society; and generate financial returns.

When we fail individuals in the most formative years of their lives, we undermine entire lifetimes and societies.

Underinvestment in child nutrition costs the global economy US $3.5 trillion per year, as malnutrition in all its forms increases rates of childhood death and adult disability – resulting in unacceptable human capital losses.[3]

The financial opportunity in promoting children's well-being has been vastly overlooked.

The global mother and child health care market is projected to grow at a compound annual growth rate (CAGR) of 13.7 percent,[4] while companies integrating child rights considerations into their practices significantly outperformed their counterparts.[5]

Every dollar invested in children generates outsized returns for wider society.

Increasing preschool enrollment for children in lower- and middle-income countries (LMICs) to 50 percent can result in US $14-$34 billion in lifetime earnings gains, while promoting workforce health and gender equity.[6]

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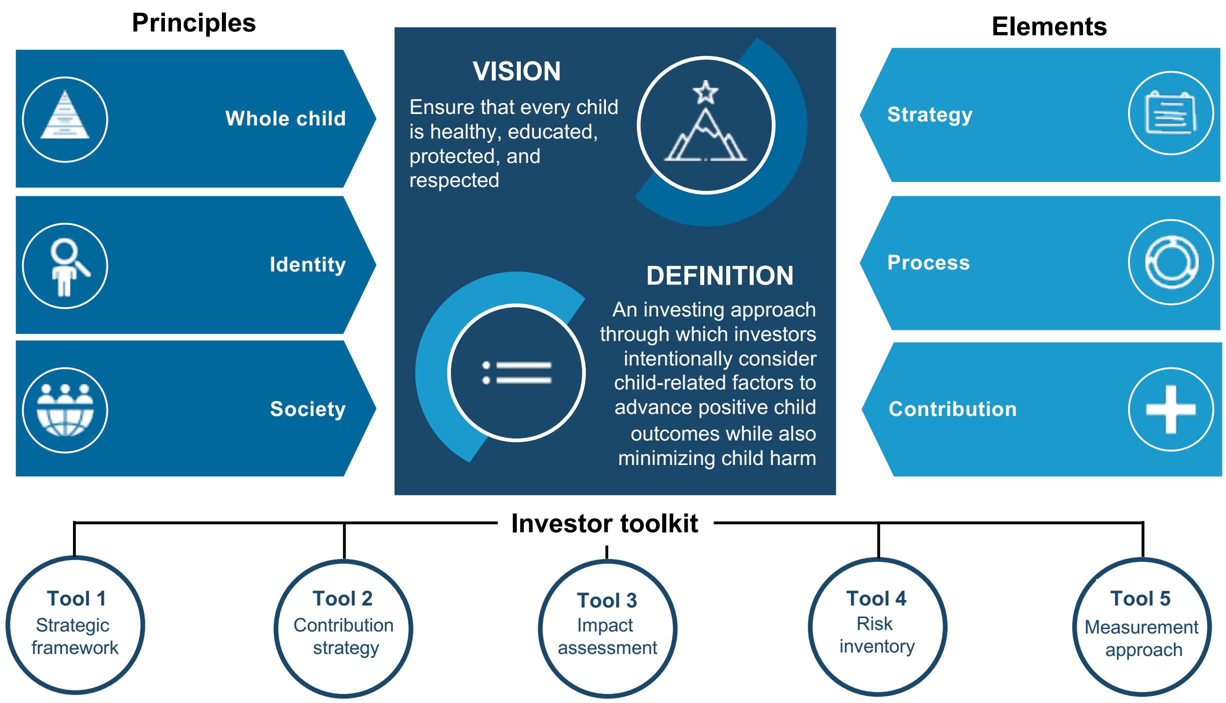
Figure 1: Child-lens investing framework



Advancing a vision of a world in which every child is healthy, educated, protected, and respected, child-lens investing demands an approach that recognizes three essential truths of the childhood experience. Listed below, these become a set of overarching, foundational principles for which investors must proactively contemplate in investment strategy.

Child-lens principles

- **"Whole child":** The quality of children's lives is significantly influenced by the conditions of the broader social systems that support them, such as their families, communities, and wider society. Thus, the child lens considers the broader ecology of child well-being. For example, child-lens investors seeking to improve children's nutrition may consider investments in climate-resilient food systems that have societal benefits; in supporting community-level access to fresh produce; and in connecting pregnant and lactating women to specialized nutrition services.

- **Identity Inclusive:** Understanding that children are not a monolith, the child lens considers how identity-based factors like gender; nationality; racial, ethnic, linguistic, or religious background; disability; and legal status influence children differentially. It considers how the achievement of social equity objectives – those promoted by gender- and racial equity-lens investing – is critical to child outcomes. It is thus accommodating of and complementary to other lenses. For example, gender-lens investments promoting sexual and reproductive health may be considered child-lens investments in supporting outcomes for both birthing persons and children themselves.

- **Context-Sensitive:** Children must be considered within their local contexts to address their needs and avoid doing harm most effectively. As such, child-lens investors calibrate their investment decision making to factors such as local wealth levels; states of social fragility; political, cultural, and religious norms; and belief systems when making investment decisions. Sensitivity to these social factors thus invites investors to incorporate robust stakeholder engagement practices in their strategy design and investment decision-making processes.

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If these principles form child-lens investing's spirit, then the following elements establish concrete ways investors may implement them. Child-lens investors can find within the discussion paper's accompanying *Investor Toolkit* a set of resources to support their full implementation:

Child-lens investing elements

- **Strategy:** Setting strategies with the intention of creating and strengthening the resources, conditions, and opportunities that children need to survive and thrive;

- **Process:** Integrating child-specific considerations at each stage of investment processes – from transaction sourcing to exit; and/or

- **Contribution:** Leveraging distinct investor capabilities to advance positive outcomes for children, their caretakers, and their communities, including by growing the child-lens investing market and field.

Do No Significant Harm: Across all investing elements, and in connection with the EU taxonomy,[7] is a mandate that any activity, action or initiative that is developed for the benefit of children cannot cause significant harm to any other Sustainable Development Goals (SDGs). This means that any investment with an impact objective focusing on children must also consider the adverse impact it generates on other sustainable topics (gender, climate, etc.).

While always requiring principled implementation, child-lens investing enables varying levels of investor focus on child outcomes. Consistent with the core characteristics of impact investing, diverse investor approaches can be distinguished according to their levels of demonstrated child-lens *intentionality, contribution,* and *measurement*.[7] These characteristics are defined as the following:

Figure 2: Core characteristics of child-lens investors

INTENTIONALITY

Explicitly targeting the achievement of positive child outcomes through their investment strategies. While these strategies may be wide ranging in nature, they are united in clarity of focus and consistent application of child-specific considerations in investment decision making.

CONTRIBUTION

Playing differentiated investor roles to enhance the achievement of child outcomes, which can range from the provision of flexible capital to scale novel approaches, to consistently advocating for the best interests of children through active ownership and advocacy.

MEASUREMENT

Implementing regimes for the robust monitoring, measurement, and reporting of performance against targeted child outcomes. Additionally, utilizing these regimes to surface and address adverse business impacts on children and their caregivers.

In combination, the investor characteristics of intentionality, contribution, and measurement form the basis for an emergent taxonomy to organize existing strategies relevant to children that span all asset classes, themes, and geographies. Forming a continuum of approaches, this taxonomy ranges from *child screened* investors – or those promoting positive child outcomes primarily through the use of best-in-class ESG practices that aim to minimize the risk of negative impact of business operations on children – to *child- centered* investors – or those who primarily organize their strategies around the attainment of child outcomes.

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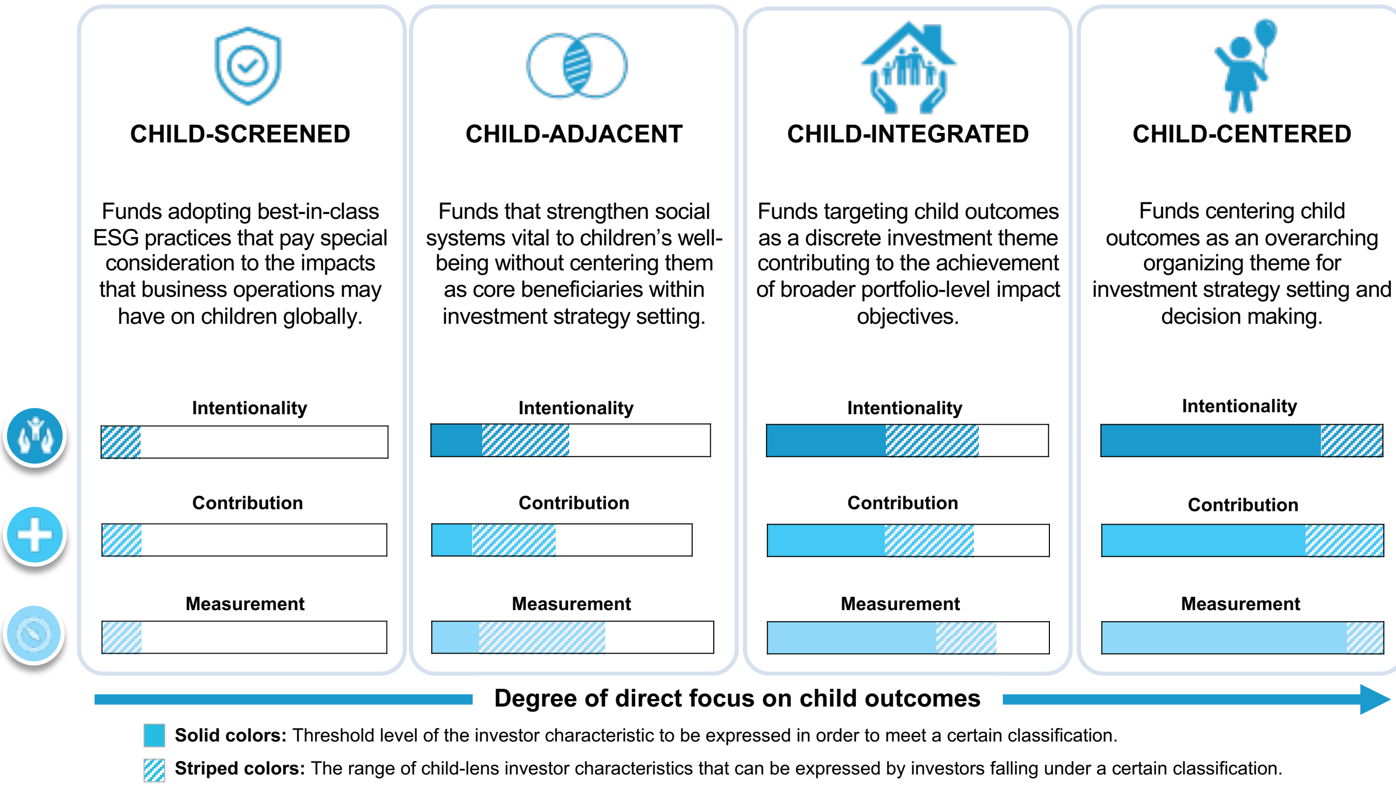
Figure 3: Child-lens taxonomy



It is our hope that this discussion paper's publication spurs adoption of the child lens across new and existing strategies ranging in asset class, sector, geography, and investment structures. Though the *Investor Toolkit* is itself a mere starting point for the additional market infrastructure needed to support child-lens investing's principled growth, it will allow investors to identify their position within the child-lens taxonomy. To this end, we invite readers to participate in evolving and maturing the field.

THE CURRENT GLOBAL MARKET LANDSCAPE

Market research conducted between October 2022 and March 2023 revealed a global market landscape for child-lens investing that is largely informal but ripe for coordination. On one hand, our interviews with more than 20 investors reveal that investor demand for child-lens strategies is largely latent. On the other hand, a diverse global supply of investment strategies relevant to the achievement of child outcomes exists but is largely disorganized and presently limited in scope. While much work lies ahead to mature the child-lens market, participating stakeholders can nonetheless build on a strong foundation of diverse current and historical strategies that include, but are not limited to:

- Private equity and debt impact funds that are financing solutions for children in underserved communities spanning diverse sectors, such as nutrition, education, and health care (e.g., Cross- Border Impact Ventures, Elevar Equity, and BlueOrchard);
- First-time commercial initiatives launched by NGOs, nonprofits, and U.N. agencies seeding urgent solutions for the world's most vulnerable children (e.g., Save the Children Global Ventures, UNICEF Ventures);

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- Special-purpose community and international development finance institutions (i.e., community development financial institutions, development financial institutions) investing in the physical and social infrastructure vital to children's well-being and prosperity (e.g., Local Initiatives Support Corporation [LISC] and FinnFund); and
- Financial institutions, such as banks, launching innovative development impact bonds (DIBs) to mobilize their customers' resources towards supporting children in developing contexts (e.g., UBS Optimus Foundation).

Existing investment strategies with relevance to child outcomes are global in scope, cover nearly every SDG, deploy diverse types of capital, and exhibit varying degrees of focus on children. However, significant gaps remain in building a robust child-lens market that can channel private capital at the scale needed to ensure every child is healthy, educated, protected, and respected. Additionally, absent broad acceptance and adoption of a child-lens investment framework, it is not possible to fully capture, measure, and longitudinally track the scale and scope of the current child-lens market. Addressing these gaps will require mobilizing the diverse capabilities of various investors, who can find significant commercial and impact opportunities in the process.

Below is a summary of the most significant gaps and potential solutions needed to create a robust child-lens market that will enable private capital to positively impact children, particularly the most vulnerable.

Table 1: Child-lens market gaps and solutions

CURRENT MARKET GAP	SUGGESTED SOLUTIONS	TARGET END STATE
The most market-ready sectors are insufficiently targeting the most vulnerable children	Asset owners and asset managers discuss and begin to track child-related impact, provide incentives, and extend tailored support to investees to expand their reach to vulnerable populations	Greater flows of capital reach the most vulnerable children – meeting their needs while generating proof of their investibility
Insufficient child-lens investment vehicles to channel private-market capital at the scale of needs	Field builders align on and mature a common framework for child-lens investing to grow the child-lens market Asset owners and regulators apply downward pressure onto asset managers to adopt the child lens in new and existing investment vehicles Asset managers receive training on how to apply the child lens to both new and existing strategies	Sufficient child-lens vehicles spanning diverse asset classes, impact themes, sectors, and geographies exist to absorb private capital sufficient to meet children's needs

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Table 1: Child-lens market gaps and solutions (cont.)

CURRENT MARKET GAP	SUGGESTED SOLUTIONS	TARGET END STATE
Limited opportunities to bring solutions targeted towards the most vulnerable children in developing contexts to commercial scale at present	Meaningful partnerships between public- and private-sector actors to develop blended capital and other innovative finance structures that can demonstrate scale and address perception of risks Philanthropic investors, government donors, and other catalytic asset owners funding commercial and technical capacity-building programs (e.g., accelerators, incubators) to grow the supply of investible solutions	A robust pipeline of investible solutions addressing the most vulnerable children's needs exists
Limited market infrastructure (e.g., common framework, core standards, supporting research, peer networks, market data, and impact measurements) to support principled, widespread adoption of the child lens	Dedicated field builders coordinate the development of new child-lens investing field and market Philanthropic investors, government donors, and other catalytic asset owners provide dedicated funding for market infrastructure development Pioneering implementers share lessons learned, best practices, and other resources to support other investors in adopting the child lens Regulators and technical experts develop improved standards for disclosure of businesses' material impacts on children	More investors are empowered to explore child-lens investing and contribute to the principled growth of the field and market
Investors bear misperceptions about children's investibility, as well as the added impact and financial gain of layering a child lens onto existing investment approaches	Field builders curating databases of current and historical strategies, developing strategic messaging on the commercial opportunity of investing in children, and creating resources (e.g., case studies) that demonstrate the "how" of child-lens investing Clearly demonstrate the child lens' interoperability with other popularized investment lenses and approaches (e.g., gender, racial equity, and climate) and its capacity to deepen investor impact	Children are widely perceived by investors as an attractive, investible demographic

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TOWARDS A DYNAMIC CHILD-LENS ECOSYSTEM

Achieving a world in which every child can reach their potential does not just require intensive market-building, but also concerted ecosystem- and field-building efforts over many years. Here, the emergent field of child-lens investing can draw critical lessons learned from its predecessors – gender-, racial equity-, disability-, and refugee-lens investing – to organize an effective movement. While the road ahead to creating a better world for children may be long, public- and private-sector actors may look to the following four pathways to structure the journey.

- **Case-make:** Make the materiality of child-lens investing clear by coupling the impact opportunity with compelling evidence of financial return potential, such as through strong strategic messaging emphasizing the commercial opportunity and the creation of databases and case studies to clearly demonstrate the *why* of child-lens investing;

- **Converge:** Emphasize the child lens' intersections with other lenses – collaborating with actors from other fields on intersectional issues (e.g., gender equity, climate change, human rights, and displacement) and demonstrating how the child lens may naturally be used in combination with others to deepen investors' impact;

- **Crowd in:** Direct resources towards addressing vulnerable children in developing contexts, build more child-lens channels through which private capital may flow, strengthen conditions for principled adoption of the child lens by investors, and curate existing strategies as falling under the child lens; and

- **Coordinate:** Mobilize diverse stakeholders towards the achievement of common objectives – leveraging their unique capacities to cultivate a dynamic ecosystem in which financial partnerships and the exchange of regulatory, technical, and commercial expertise flow freely to support the growth of the child-lens investing market and field.

Implementation of these pathways requires an ecosystem of diverse actors who can leverage unique capabilities, play complementary roles, and engage in organized efforts to advance the child-lens investing movement. In general, these include:

- **Enterprises,** which advance products, services, policies, and best-in-class ESG practices that advance the well-being of children, their caregivers, and communities;

- **Asset owners,** who apply downward pressure on the market for adoption, production, creation, and field building for the child lens;

- **Asset managers,** who serve as the primary implementers of the child lens and generators of important case-making data to invite further adoption;

- **Intermediaries,** who work closely with communities to invest and provide technical assistance to businesses (CDFIs, MFIs, etc.);

- **Technical experts,** who support the development of critical market infrastructure that bolsters principled implementation of the child lens;

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- **Networks,** which can create spaces through which the child lens can be efficiently socialized while facilitating the free-flowing exchange of ideas and resources to grow the field;
- **Regulators,** who establish minimum standards, thresholds, and policies supporting the advancement of children's welfare; and lastly
- **Children, caregivers, and communities** themselves, whose needs and perspectives must be thoughtfully and meaningfully engaged to advance a truly effective child-lens market and field.

Figure 4: Hypothetical composition of a child-lens ecosystem and potential roles

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CONCLUSION

Honoring the SDGs' call to prioritize progress for those who are furthest behind requires adopting an approach that centers the needs and perspectives of children. Children disproportionately bear the consequences of today's social and environmental challenges while standing to lose the most from an uncertain future they are poised to inherit. With this discussion paper, it is our hope that *investors* can awaken to the vast impact and financial opportunities offered by prioritizing our most vulnerable – serving as practitioners of the child lens to catalyze more private capital to flow towards opportunities most needed to uplift children – and *field builders* can embark on the long-term journey of creating a market and ecosystem that facilitate the rigorous, principled, and mainstreamed adoption of the child lens. As this paper has articulated, is it only through the concerted efforts of diverse, committed actors that we can achieve a world in which every child is healthy, educated, protected, and respected.

Bearing in mind the restricted scope of the research effort and the positionalities of its authors and contributors, we recognize the limitations of this initial work – its insufficient treatment of the particularities of specific asset classes and investment modalities standing as one among other examples. While endeavoring to paint a robust picture of the child-lens concept, this paper does not stand as its definitive source. Rather, it serves as call to action for wide-ranging stakeholders to participate in the co-creation of a framework and strategic pathways that can most effectively respond to the needs of children, their caregivers, and their communities across the world.