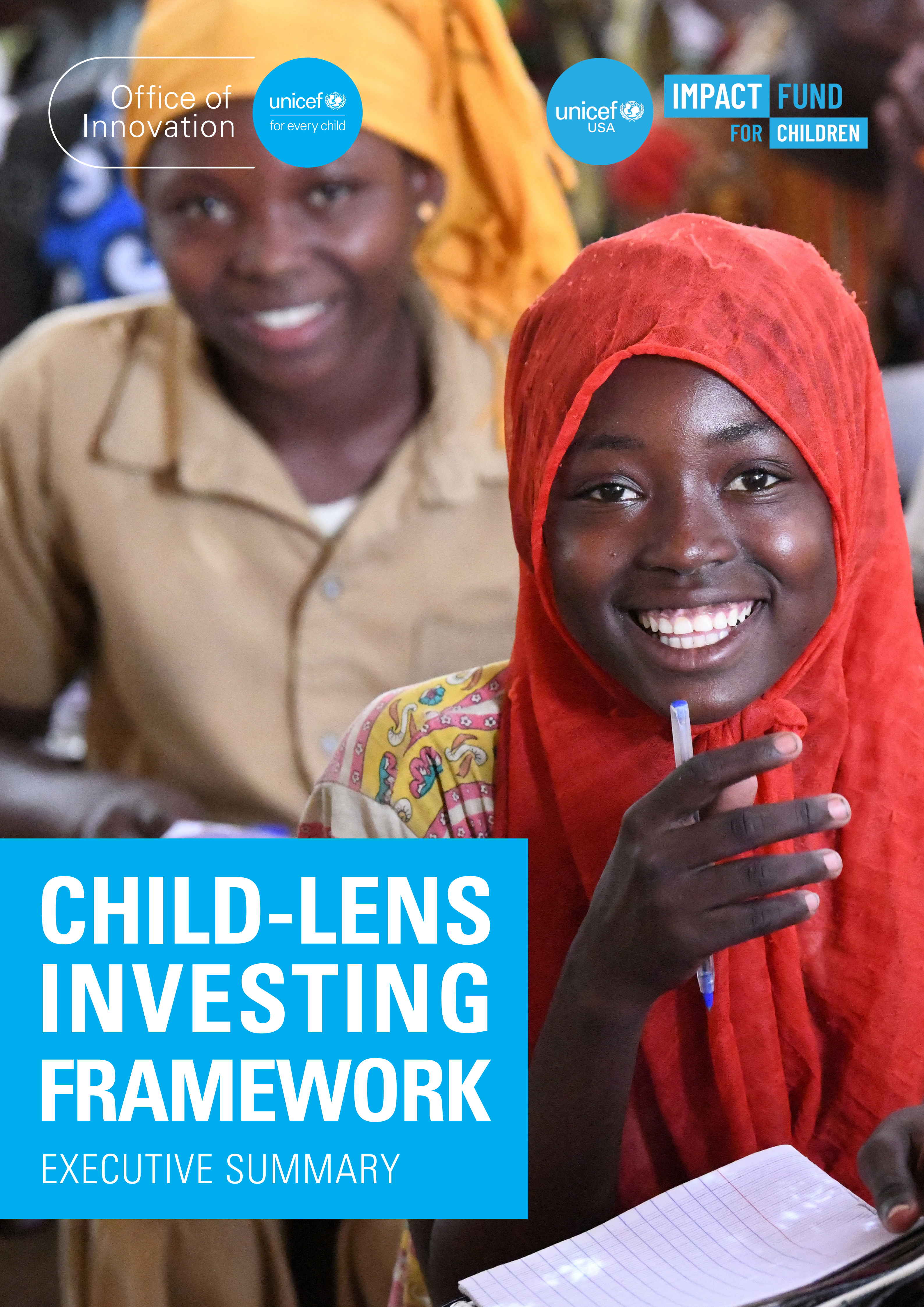

Office of Innovation

unicef for every child

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IMPACT FUND FOR CHILDREN

CHILD-LENS INVESTING FRAMEWORK

EXECUTIVE SUMMARY

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Let us make our future now and let us make our dreams tomorrow's reality."

— **Malala Yousafzai**

WHY CHILD-LENS INVESTING?

Picture life through the eyes of a child born today. On the one hand, children are more likely than ever to *survive* past infancy and enter adulthood. On the other hand, their ability to *thrive* is limited. Around the world, one in six children are living in extreme poverty. One billion children lack access to life's necessities: food, sanitation, shelter, healthcare, and education. All children are navigating a world of heightening economic, social, and political precarity and are looking forward to a future made deeply uncertain by climate change. Collectively, we have taken one step forward and two steps back for children.

In leaving children behind, we are not just failing them. We are also overlooking one of the smartest investments we can make: preparing them to become healthy adults. When we invest in children, we invest in tomorrow's workers, consumers, voters, and decision-makers: the future. The evidence overwhelmingly shows that investments in childhood – a special window of opportunity – can break cycles of poverty, uplift entire communities, and create more equitable and productive societies.

CLI recognizes the need to consider children as stakeholders in socially responsible investment approaches. As beneficiaries, children are not direct economic agents and thus are profoundly underrepresented stakeholders in investment decision making and analysis. Yet, all investor actions ultimately impact children's well-being – whether intentionally or unintentionally, directly or indirectly.

Absent a framework through which investors can systematically analyze the consequences of their actions on children, these impacts will largely be invisible.

WHEN WE FAIL INDIVIDUALS IN THE MOST FORMATIVE YEARS OF THEIR LIVES, WE UNDERMINE ENTIRE LIFETIMES AND SOCIETIES.

ACCORDING TO THE WORLD BANK,

barriers to girls' education costs countries between

USD $15-30 trillion

in lost lifetime productivity and earnings – perpetuating gender inequality and violence against girls.[1]

THE FINANCIAL OPPORTUNITY

IN PROMOTING CHILDREN'S WELL-BEING HAS BEEN VASTLY OVERLOOKED.

CLI enables investors to pursue wide-ranging opportunities – from banking financially excluded households to investing in community-level *distributed energy generation or fortifying foods for young children.*

EVERY DOLLAR INVESTED IN CHILDREN

GENERATES RESULTS IN TRANSFORMATIVE IMPACTS ON SOCIETY.

Increasing preschool enrollment for children in lower- and middle-income countries (LMICs) to 50 percent can result in

USD $14-$34 billion

in lifetime earnings gains, while promoting workforce health and gender equity.[2]

And, in seeking to drive positive impact for children, investors can find diverse market opportunities aligned with their unique contexts and capabilities. Further, early research shows that what is good for children is good for business. Therefore, in overlooking children, we also are also overlooking a profound investment opportunity.

Investors must awaken to the reality that we cannot afford to *not* consider children. To create a world in which every child can be healthy, educated, protected, and respected, we must harness the power and scale of the global capital markets to work alongside governments, civil society, philanthropy, and children themselves. In participating in this global effort, investors can push their impact and financial performance to new frontiers. It is thus at this critical juncture that we introduce an emergent investment approach: child-lens investing (CLI) or investing for child outcomes.

WHAT IS CLI?

CLI is an 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 can uplift the entire village. And in tapping into the rich benefits of giving today's and tomorrow's generation a quality childhood, investors can generate truly transformative and enduring impacts for people and the planet.

CLI is grounded in a distinct framework – the Child-lens Investment Framework (CLIF). The CLIF can be applied to portfolios spanning the public and private markets, as well as across asset classes, geographies, markets, and investment strategies. The CLIF itself is comprised of a robust vision and definition (or "purpose"), principles that provide a distinct impact philosophy, elements that comprise the "nuts and bolts" of the approach, and an initial taxonomy through which diverse investor approaches may be classified and organized.

The CLIF's principles are the following:

- **Do no harm:** At a minimum, investors take all possible measure to protect children against conditions and circumstances that may pose a danger to their dignity, physical and psychological integrity, and/or their safe passage into adulthood. The attainment of child outcomes should not result in significant harm to any other SDG objectives.

- **Whole child approach:** Children's well-being and development are influenced by the conditions of the relationships and systems around them, such as their families, communities, and wider society. Thus, the child lens comprises a systems-aware approach to investing and invites diverse tactics for advancing children's well-being.

- **Identity:** Children are not a monolith, and identity-based factors – including, but not limited to, gender; nationality; racial, ethnic, linguistic, or religious background; disability; and legal status – differentially influence children's ability to survive and thrive. CLI encourages investors to conduct intersectional analysis to account for children's differing and overlapping identities and was designed for interoperability with other investment lenses.

- **Society:** Societies differ widely in how they conceive of childhood, which influence – among other things – how children are raised, who cares for them, and when children reach adulthood. Thus, CLI considers children within their respective contexts to best address their needs and avoid harm, while also being grounded in stakeholder engagement.

In practice, the principles may feature to varying degrees within different strategies, but nonetheless comprise CLI's distinctive worldview. Moreover, aspiring child-lens investors are encouraged to *consider* the elements of *impact and ESG strategy*, *process*, and *contribution* within investment approaches.

- **Impact and ESG Strategy:** The element of impact and ESG strategy refers to investors' intentional plans to build or strengthen the resources, conditions, and opportunities that children need to survive and thrive. Child-lens strategies can be diverse, spanning different themes, geographies, demographics, and asset classes. Investors can use the child lens to build custom approaches that reflect their unique contexts and capabilities.

> **Process:** The element of process encompasses the systematic and principled integration of child-related considerations throughout the full investment lifecycle. Whereas strategy invites creativity and customization, *process* comprises a more regimented set of considerations that builds on existing industry frameworks.

> **Contribution:** Child-lens contribution calls on investors to leverage their unique capabilities to enhance child outcomes. Contribution activities can be varied – encompassing active ownership tactics to encourage investees to adopt child- and family-friendly policies; creating blended finance vehicles to channel capital towards the most vulnerable children; and even explicitly identifying as child-lens investors at this early stage of market- and field-building.

TAXONOMY

Having established that investors can adopt diverse approaches to implementing CLI, what follows is the need to classify, organize, and describe *how* these approaches are differently creating impact for children. The proposed *Child-Lens Taxonomy* ("Taxonomy") establishes an initial framework and vocabulary for doing so, covering both public and private markets investors. Importantly, the Taxonomy recognizes that a wide range of approaches are needed to meet children's needs at scale. It was principally designed to be applied at the fund, vehicle, or portfolio level, but can be applied to the organization or firm levels with adaptation. Moreover, the Taxonomy does not represent a rigid classification system at present, but instead a set of CLI approaches that investors can aspire to.[3]

FIGURE 1:
The Child-Lens Taxonomy

CHILD-SCREENED	CHILD-INCLUSIVE	CHILD-CENTERED
CHILDREN AS AFFECTED STAKEHOLDERS	CHILDREN AS INDIRECT OR DISCRETE BENEFICIARIES	CHILDREN AS PRIMARY BENEFICIARIES
Screening in or active ownership of opportunities based on their current or anticipated performance against child rights and child-related considerations.	Assessing how children are impacted as indirect beneficiaries of investments or including child outcomes as a discrete impact objective among several.	Centering the creation of positive child outcomes as a core strategic intention and designating children as primary beneficiaries.
MINIMIZE OR AVOID CAUSING HARM TO CHILDREN	MINIMIZE OR AVOID CAUSING HARM TO CHILDREN	MINIMIZE OR AVOID CAUSING HARM TO CHILDREN
ADVANCE CHILDREN'S BEST INTERESTS THROUGH BUSINESS PRACTICE	ADVANCE CHILDREN'S BEST INTERESTS THROUGH BUSINESS PRACTICE	ADVANCE CHILDREN'S BEST INTERESTS THROUGH BUSINESS PRACTICE
	INVEST IN SOLUTIONS FOR CHILDREN	INVEST IN SOLUTIONS FOR CHILDREN

FIGURE 2:
Child-lens Investing Framework (CLIF)

THE CHILD-LENS INVESTING FRAMEWORK

Ideal ↓ Implementation

PURPOSE	*For creating a world where every child is healthy, educated, protected, and respected, child-lens investors intentionally consider factors that advance positive child outcomes while also minimizing child harm.*	Vision; Definition
PRINCIPLES	*Child-lens investors understand that children's well-being is connected to the health of the world around them, their various social and political identities, and their wider contexts.*	Do no harm; Whole child; Identity; Society
ELEMENTS	*Considerations affecting children's well-being are embedded within child-lens investors' impact strategies, processes (from sourcing to exit), and contribution approaches.*	Strategy; Process; Contribution
TAXONOMY	*Diverse investor approaches to implementing a child lens can be organized based on how and what extent their business practices are contributing to generation of positive outcomes for children.*	Child-screened; Child-inclusive; Child-centered

THE CURRENT GLOBAL MARKET LANDSCAPE

Market research conducted by Tideline and KPMG between October 2022 and September 2023 revealed that, although not currently labeled "child lens," an active and diverse supply of child-relevant investment strategies is observable today. Private markets findings demonstrate that a diverse and dynamic global supply of child-relevant investment strategies already exists. This is paralleled by promising indication that, though currently latent, investor demand for CLI can be activated upon the provision of further research evidence and case studies demonstrating that investing in children can generate both impact and financial returns. Public markets findings suggest that while there are few vehicles explicitly focused on children, the SRI market is ripe for child-lens adoption, particularly among actors already using a human-rights based approach.

Extrapolating from market research, the following categories of investors are likely to feature prominently in a formalized CLI market:

MISSION-DRIVEN PRIVATE INVESTORS – primarily comprising philanthropic actors, such as foundations and UN, NGO-, or nonprofit-founded innovative finance initiatives *(e.g., Save the Children Ventures, UNICEF Ventures)* – who have dedicated focus on addressing the needs of the world's most vulnerable children and are often willing to, but do not exclusively, accept concessionary financial returns;

THEMATIC INVESTORS across the public and private markets, who contribute to children's well-being and development by making investments that broadly address children's basic needs in sectors such as food, education, and healthcare *(e.g., Rethink Education, City Light Capital, Triodos)*;

SPECIAL-PURPOSE COMMUNITY AND INTERNATIONAL DEVELOPMENT FINANCE INSTITUTIONS – principally investing in the private markets – who target positive outcomes for children as part of broader community- or society-level impact objectives. These institutions generally pursue place-based or localized investments in the physical and social infrastructure that children and those who care for them need to thrive *(e.g., JICA, LISC)*;

MARKET-RATE IMPACT FUNDS across the public and private markets target broader, society-level outcomes – such as in climate, health, and financial inclusion – that indirectly benefit children *(e.g., Elevar Equity, BlueOrchard, Amundi)*. While not outwardly exhibiting a high degree of direct focus on children, their investments nonetheless enable children's well-being; and

MARKET-RATE SRI INVESTORS who practice SRI as part of their investment policies and strategies. This group currently includes a select few asset managers who highlight children's rights as a key component of risk management considerations in their investment process, and to a slightly greater degree, managers who deploy a human rights-based approach to responsible investing.

Existing investment strategies with relevance to child outcomes are global in scope, cover nearly every SDG, deploy diverse types of capital across asset classes and return spectrum, and exhibit varying degrees of focus on children. Significant gaps do remain in building a robust CLI market that can channel all capital at the scale needed to meet children's needs. While significant, these challenges are nonetheless addressable in the near- to medium-term, with a fuller list of recommendations captured in the CLIF. These gaps and suggested solutions to close them include:

- **Limited capital to scale existing solutions for the most vulnerable children:** While mission-driven investors are reaching the most vulnerable children in developing contexts, the solutions they invest in are at risk of not scaling due to size constraints and few other investors targeting "middle-stage" investment opportunities. Moreover, child-focused entrepreneurs in developing markets may be regarded as too risky for larger investors (e.g., based on lack of track record, country risk, etc.)[4]

- **The most market-ready sectors are overlooking the most vulnerable children:** While edtech and health registered as the most investible and in-demand private market sectors in the research sample, current opportunities disproportionately target well-served children within the richest contexts. More capital can be directed towards the most underserved children through new vehicles. For example, Rethink Education channels edtech capital to low-income students and those otherwise excluded due to cognitive differences, discrimination, and persecution.

- **Limited supply of child-focused investment vehicles:** While child-relevant investment vehicles currently exist in the private markets, more are needed to channel capital at scale. In particular, there are limited public markets products available for investment. Public-private partnerships – such as those facilitated by the Every Woman Every Child (EWEC) Innovation Marketplace and the Global Alliance for Improved Nutrition's (GAIN) partnership with Incofin Investment Management to launch the Nutritious Foods Financing (N3F) vehicle – can help address this gap while also directing capital towards addressing the most vulnerable children.

- **Modest adoption of child rights considerations among SRI approaches:** While some investors are incorporating human and child rights considerations in their investment processes, most have not meaningfully done so to-date.[5] The incorporation of human rights considerations is largely regarded as niche, while child rights are interpreted narrowly – conflated with eliminating child labor. While addressing child labor is paramount, a more holistic understanding of child rights is needed in the market.

TOWARDS A DYNAMIC CHILD-LENS ECOSYSTEM

Achieving a world in which every child can reach their potential will require concerted market-, field- and ecosystem-building efforts over the long-term. While the ambitious road ahead may be long and complex, the "4 C's" approach of case-make, converge, crowd in, and coordinate presents a practical roadmap for navigating the journey. Implementation of these pathways requires an ecosystem of diverse actors who can leverage their unique capabilities, play complementary roles, and engage in organized efforts to advance the CLI movement.

FIGURE 3:
The "4 C's" approach to child-lens field building

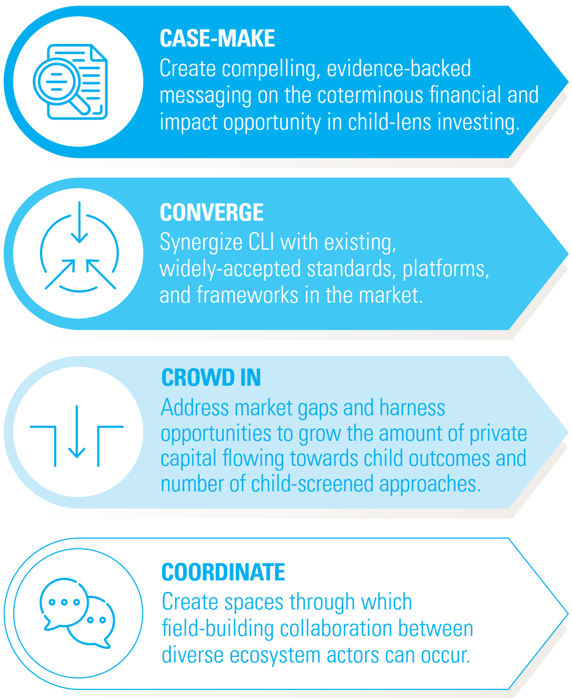
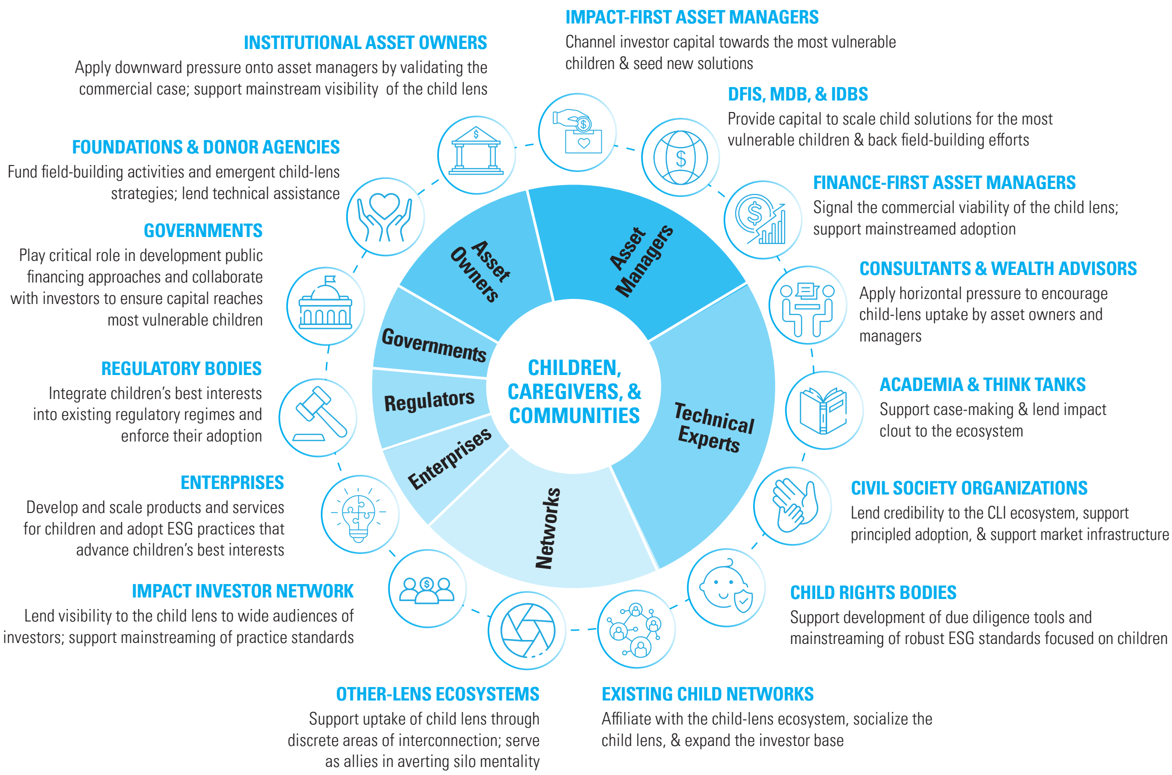


FIGURE 4:
Composition of a prospective child-lens ecosystem



CONCLUSION

Investments in children are some of the smartest investments that we can make. And at this critical juncture in history, in which we risk defaulting on our commitments to achieving the SDGs by 2030, we can no longer afford to overlook them. This is because childhood – a unique window of opportunity – is a powerful engine of equity, prosperity, and possibility. It is our hope that investors across the public and private markets can awaken to the vast impact and financial opportunities offered by prioritizing our youngest population and field-builders can embark on the long-term journey of creating a market and ecosystem that facilitates the child lens' principled and mainstream adoption. It is only through the concerted efforts of diverse, committed actors that we can achieve a world in which every child can reach their fullest potential. We thus seek input from investors and other stakeholders to contribute to a corpus of CLI resources that can support this vision.

ENDNOTES

1 The World Bank, "Not Educating Girls Costs Countries Trillions of Dollars, Says New World Bank Report" (2018): https://www.worldbank.org/en/news/press-release/2018/07/11/not-educating-girls-costs-countries-trillions-of-dollars-says-new-world-bank-report; UNICEF, "Girls Education, Gender Equality in Education Benefits Every Child," DOA 08/18/2023: https://www.unicef.org/education/girls-education#:~:text=Barriers%20to%20girls'%20education%20%E2%80%93%20like,or%20sanitation%20needs%20of%20girls;

2 The World Bank, "Early years: The foundation for human capital," DOA 01/30/2023

3 This does not preclude the possibility that child-lens verification will come along in the future.

4 Li, S.; Gray, E.; Dennis, M.; Hand, D.' Shrikant, A., "Unlocking Early-Stage Financing for SDG Partnerships" (2022): https://publications.wri.org/unlocking-early-stage-financing-for-sdg-partnerships

5 UN Working Group on Business and Human Rights, "Taking stock of investor implementation of the UN Guiding Principles on Business and Human Rights" (2021): https://www.ohchr.org/sites/default/files/Documents/Issues/Business/UNGPs10/Stocktaking-investor-implementation.pdf

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