Blended finance for sustainable development

A case study of how to mobilize resources for delivering renewable energy to rural communities through development impact bonds and project finance

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Master thesis in Energy, Natural Resources and the Environment

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This thesis was written as a part of the Master of Science in Economics and Business Administration at NHH. Please note that neither the institution nor the examiners are responsible – through the approval of this thesis – for the theories and methods used, or results and conclusions drawn in this work.
Abstract

This master thesis analyses whether a proposed blended finance model has the potential to help The United Nations Children’s Fund (UNICEF) in delivering results towards the organization’s Strategic Goals and thus at large towards the United Nations’ (UN) Sustainable Development Goals (SDGs). Through a case study of a proposal made to UNICEF by the renewable energy investment company Differ Group, the thesis looks at the feasibility of mobilizing resources through DIBs and Project Finance as means to successfully fund and implement a proposed project for energizing rural schools in Malawi.

The study forms part of basis for decision making on whether UNICEF should proceed with efforts towards achieving a blended financing model, combining DIBs and Project Finance. This managerial decision is identified as central to the overall question posed by UNICEF to the author of this thesis of whether there is potential in a collaboration between UNICEF and Differ Group, however recognizing that their potential role as renewable energy provider could interesting in itself, regardless of the financing model. As a means to analyse the feasibility of the proposed model, the study explores the roles of its different stakeholders in light of a literature review of the building blocks of DIBs and Project Finance and applies it to the respective organizations’ identified strengths, opportunities, aspirations and results.

The main finding of the study is that when done right, the proposed blended finance model has the potential to help both UNICEF and Differ deliver on their defined Strategic Goals. Differ’s suggestion of being both Investor and Implementing Partner is found to work well. Furthermore, the analysis shows that UNICEF Malawi needs the type of service delivery Differ can put to scale and thus has a motive for being the Intermediary in the model. UNICEF Norway is found to not necessarily fit the description of any of the eight described stakeholders in the literature, but is suggested to have a ninth function, as the Facilitator.

Based on these findings, the recommendation to UNICEF is therefore to further investigate the proposal with the aim of conducting a pilot project for testing the solution in practice. The data gathered for the thesis has furthermore indicated the potential in involving two additional stakeholders that could have their strategic goals met by taking part in the suggested model. Based on these indices, the recommendation to UNICEF is therefore to further investigate the Strategic Goal alignment of identified potentially interested parties NORAD/MFA and ACINI Capital.
Acknowledgements

I am grateful to UNICEF for giving me the mandate and flexibility to conduct this study during my internship with them, and to all my colleagues for their enthusiasm and support. A special thank you goes to my “intern mum” and colleague Hanne Lyngaas for always safeguarding my interests and to my “intern dad” and boss Amer Farid for his trust and support throughout my internship. To my colleagues Miki Fukuhara, Ebba Rusten and Judith Wetteland; thank you for brainstorming with me and providing valuable inputs during my creative process. I also wish to thank Tom Erichsen and Kjetil Roine from Differ Group for letting me investigate their business model and project proposal and providing me with valuable data for the analysis. I also largely appreciate the data provided by the Country Representative for UNICEF Malawi, Johannes Wedenig in our discussions and the technical insight provided by advisor and Impact Investor Carsten Hjelde from the Impact Investment company ACINI Capital.

As always, I thank my parents Marianne M. Aadland and Knut I. Aadland for making me believe that I can achieve anything no matter the constraints. I also thank my husband John Barasa Zata for all his love and constant efforts to eliminate any obstacles in my way to achieve my goals. To Helene Norman-Dupuy, Lars Petter Swensen, Alexandra Norman-Dupuy and Sebastian Norman-Dupuy; thank you for letting me be part of your family and giving me a loving home during the time I have been writing my thesis.

To my supervisor, Gunnar Eskeland, thank you for being who you are and for accepting to supervise this thesis. I truly appreciate all your guidance and support and could not have done this without you.

With love,

Karoline Aadland
## Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABSTRACT</td>
<td>2</td>
</tr>
<tr>
<td>ACKNOWLEDGEMENTS</td>
<td>3</td>
</tr>
<tr>
<td>CONTENTS</td>
<td>4</td>
</tr>
<tr>
<td>1. INTRODUCTION</td>
<td>6</td>
</tr>
<tr>
<td>1.1 RESEARCH QUESTION AND STUDY OBJECTIVE</td>
<td>7</td>
</tr>
<tr>
<td>1.2 STRUCTURE OF THE THESIS</td>
<td>7</td>
</tr>
<tr>
<td>2. LITERATURE REVIEW</td>
<td>8</td>
</tr>
<tr>
<td>2.1 THE SUSTAINABLE DEVELOPMENT CONTEXT</td>
<td>8</td>
</tr>
<tr>
<td>2.2 BLENDED FINANCE INSTRUMENTS FOR SUSTAINABLE DEVELOPMENT</td>
<td>10</td>
</tr>
<tr>
<td>2.2.1 Development impact bonds</td>
<td>11</td>
</tr>
<tr>
<td>2.2.2 Project finance</td>
<td>12</td>
</tr>
<tr>
<td>Different types of investors</td>
<td>14</td>
</tr>
<tr>
<td>3. THEORETICAL FRAMEWORK</td>
<td>15</td>
</tr>
<tr>
<td>3.1.1 Business and management research theory</td>
<td>15</td>
</tr>
<tr>
<td>3.1.2 SOAR (Strengths, Opportunities, Aspirations, Results)</td>
<td>16</td>
</tr>
<tr>
<td>3.1.3 Synergism</td>
<td>17</td>
</tr>
<tr>
<td>3.1.4 The UNICEF NESS Framework</td>
<td>18</td>
</tr>
<tr>
<td>4. CASE DESCRIPTION</td>
<td>18</td>
</tr>
<tr>
<td>4.1 UNICEFs MISSION</td>
<td>18</td>
</tr>
<tr>
<td>DIFFER GROUPS’ MISSION</td>
<td>20</td>
</tr>
<tr>
<td>4.2 THE PROPOSED PROJECT AND IMPLEMENTATION MODEL</td>
<td>21</td>
</tr>
<tr>
<td>4.2.1 Differ Groups’ preconditions for making the proposal</td>
<td>24</td>
</tr>
<tr>
<td>UNICEF’s preconditions for evaluating the proposal</td>
<td>25</td>
</tr>
</tbody>
</table>
1. Introduction

The world has never before seen the scale and complexity of economic, social and environmental challenges that we do today (UN OCHA, 2018a). As a result, the humanitarian sector faces increasing challenges to meet the financial needs of ongoing and evolving crises (IFRC Solferino Academy, 2018). Research conducted by the UN indicates that the number of people in need of humanitarian assistance in 2018 is more than 130 million, and the required funding to reach them more than USD 25 billion (UN OCHA, 2018b). As of June 2018, a little over USD 8 billion has been secured, leaving a gap of about USD 17 billion to be covered (UN OCHA FTS, 2018c). Responding to these humanitarian needs is strongly interlinked with the prospects of achieving global development progress and thus it is a crucial part of the efforts towards reaching the Sustainable Development Goals (SDGs) (UN, 2017). The humanitarian funding gap thus forms part of the estimated USD 2.5 trillion needed to close the funding gap for the SDGs and combat the major global economic, social and environmental challenges by 2030 (World Economic Forum, 2016).

With traditional donor funding stagnating in the wake of the global financial crisis amid constraints on donor budgets, new forms of development cooperation is needed in order to close the mentioned funding gap (UN ECOSOC, 2016). The UN has thus challenged the global society to enter into partnerships and innovate on financing models (UNCTAD, 2014). Pointing to the fact that the world produces USD 78 trillion of annual GDP largely from the private sector, the UN has emphasised the importance of engaging the private sector to close the funding gap (UN, 2017). Responding to this, blended finance, the use of development funds to leverage private finance, has been defined as an area in which there is potential for establishing new forms of development cooperation (UN ECOSOC, 2016).

The United Nation’s Children Fund (UNICEF) is one of the key players in the humanitarian and development field, particularly focusing on the fulfillment of Children’s Rights. As one of many organizations, UNICEF has mobilized efforts for identifying new financing models is also exploring new options. To build on these efforts, this thesis aims to explore how such new financial models put in practice can help UNICEF reach their Strategic Goals and contribute to closing the financing gap for the achievement of the SDGs. To do so, it analyses the implementation of a blended finance model using development impact bonds and project finance through a case study of a proposed renewable energy project.
1.1 Research Question and Study Objective

The case study looks at an application of development impact bonds and project finance as means to mobilizing funds to deliver a UNICEF project for providing renewable energy to rural communities in Malawi. The case is derived from a proposal to UNICEF Norway made by the Norwegian renewable energy investment company and service provider Differ Group.

The research question that will be answered through this study is as follows:

*How can a blended finance model, combining development impact bonds and project finance, help both UNICEF and Differ deliver on their Strategic Goals by providing renewable energy infrastructure in Malawi?*

The study is commissioned by UNICEF Norway and its overall objective is to investigate whether the total value proposition from Differ can help UNICEF deliver on its Strategic Goals. More specifically, it aims to investigate whether and how the proposed blended finance tools can help the organisation in delivering renewable energy to rural communities and whether the model as proposed by Differ is the best way of combining the instruments. An intrinsic objective of the study is to advise on how UNICEF should further approach the proposed collaboration with Differ.

Because the proposal to be considered in this study is complex and requires many concepts to be analysed, it limits the level of details that can be analysed. Although a very important topic in itself, the scope of this thesis therefore does not include an analysis of the technical aspects of the solar energy solutions that Differ Group propose used for the suggested project. Nor does it include a cost-benefit analysis of the possible financial gains or savings. It will, in its complexity, be a conceptual evaluation of Differ’s proposed model combining green energy infrastructure, sustainable operations and commercial project finance.

1.2 Structure of the thesis

The thesis first provides context for the research questions to be analyzed through reviewing relevant literature and theory. Thereafter, the case is described and the applied method of analysis is presented. Following this, the case study analysis is conducted and a discussion of the findings is provided followed by a recommendation to UNICEF.
2. Literature review

The first chapter of this thesis aims to describe the context in which the research questions have evolved and introduce important terms. It aspires to make the thesis clearly legible for the reader and to explain the relevance of the case study. To do so, it presents a review of the literature on sustainable development and the role of blended finance in aiming to reach the SDGs. It aims to map the current state of knowledge, as well as its limitations, and to show how this thesis fits into the wider research context. It therefore explores the known theory on and usage of development impact bonds and project finance as blended finance instruments applied for achieving sustainable development. It also provides a discussion on the definitions of philanthropically and financially motivated investors, as the nature of the investors are important in both the explored blended finance instruments.

2.1 The sustainable development context

This first section presents the growing consensus that there is a need to create positive synergies between short-term relief, medium-term rehabilitation and long-term development (UN SDSN, 2018). In 1995, the European Parliament issued a report entitled, Linking Relief, Rehabilitation and Development (LRRD) which looked to bridge the gaps between humanitarian and development aid. The report however recognized the need to maintain a degree of separation between the two, as each offers its own expertise and comparative advantage (European Parliament, 1995). Different definitions recognize to different degrees the context of which the aid is given, sender and recipient characteristics and the core objective of the aid. Althought there are many (competing) definitions of humanitarian and development aid, for the purpose of this thesis, Humanitarian aid is defined as aid seeking to save lives, relieve suffering and protect dignity, aligned with the Humanitarian Policy of the Department for International Development (DFID, 2006). Similarly, Development aid is defined as aid supporting the economic, environmental, social and political development of developing countries, aligned an analysis of sustainable development conducted by the Institute for the Study of International Development (ISID, 2013). While proposing the use of these distinct definitions, the thesis however recognizes and emphasises that they are strongly interlinked.
In 2016, the Overseas Development Institute published a report based on a series of 50 case studies exploring global humanitarian and development progress. It argues that “amazing progress is being made” and presents evidence to support the conclusion that more than 1 billion people have been lifted out of extreme poverty since 1990. Major gains made in health and education are especially highlighted (ODI, 2016). While the world still faces considerable challenges including inequality, conflict and climate change, this report points to how much progress have been made and which lessons there is to be learned from how this was achieved. Many sources in the literature point to the role of the Millennium Development Goals (MDGs) in this progress. The World Health Organization reports that although the MDGs where not fully met by 2015, considerable progress was made on all the 8 MDGs (WHO, 2018).

Acknowledging the progress made, there is growing optimism related to the increased efforts by the global society to combat the major economic, social, environmental and political challenges (e.g. Development Gateway, 2016). The launch of the SDGs in 2015 in many ways marked an important moment for international cooperation (World Bank, 2016). The SDGs were formulated in 2012 to help advance the post-2015 global development agenda and accelerate progress in achieving the MDGs by 2015. It expanded on the 8 MDGs to 17 SDGs with 169 targets. It has been widely accepted by the global society as an important tool of our time. Critics however argue that there are too many goals resulting in too little focus (eg, Selin for Boston University, 2016) and that a voluntary agreement rather than a binding treaty will not be strong enough to actually reach the goals (eg, Pogge for Yale University, 2016). In the eyes of most, the SDGs however concretize important issues and suggests which steps must be taken to address them. Figure 1 below presents the 17 SDGs.
2.2 Blended finance instruments for sustainable development

The OECD definition of blended finance is “the strategic use of development finance for the mobilization of additional finance towards sustainable development in developing countries”, with ‘additional finance’ referring primarily to commercial finance. In January 2018, The OECD Development Assistance Committee (DAC) published the “OECD DAC Blended Finance Principles for Unlocking Commercial Finance for the Sustainable Development Goals”. This publication is an evidence based work program providing insight in best practices with the aim of guiding policy on how to best leverage blended finance instruments. It has collated evidence and lessons learned on blended finance with a focus on targeting private finance and the use of blended finance across different regions. It highlights best practices for deploying blended finance in key economic systems and sectors, such as sustainable infrastructure, and it addresses specific issues such as climate change (OECD, 2018). Based on the analyses performed, it determines five principles for ensuring efficient use of blended finance for sustainable development; (1) anchoring the use of blended finance to a development rationale principle, (2) designing blended finance in order to increase the mobilization of commercial finance, (3) tailoring blended finance to a local context, (4) focus on effective partnering for blended finance and (5) monitoring blended finance for transparency and results. The work program concludes that blended finance carried out effectively holds the promise of yielding substantial additional gains for all parties, especially to the benefit of those, whose development needs require financing.

Implementing a fruitful blended finance mode can however be complex and require a lot of coordination challenges and transaction costs. In addition to executing the agreed deal, there is need for careful planning. Firstly, there is a risk of public facilitation of private investment distorting local capital markets. Secondly, there is a risk of supporting projects that are unsustainable in the long run, turning investments into ongoing public subsidies or projects set up to fail. There is therefore an emphasis on the blended financial model having to carefully map all these risks in order to reach the best suited model (Snyders and Currey, 2018).
2.2.1 Development impact bonds

A report by the Business & Sustainable Development Commission (BSDC) published in January 2017 suggests that wider and more efficient use of finance instruments can attract more private finance into sustainable infrastructure because it allows for risk sharing. It proceeds to identify Development Impact Bonds (DIBs) as one of several instruments suited for achieving this. (BSDC, 2017). The instrument is later explained to not only allow aid donors to share risks with private investors but also gaining from the private sector’s skills in complex coordination and performance management. (UNDP, 2018). The report by BSDC identifies five stakeholders needed for a DIB to be created: (1) Investor, (2) Implementation Partner, (3) Outcome Funder, (4) Intermediary and (5) Beneficiary. Later contributions to the literature have identified two additional stakeholders and the framework adopted by the UNDP today also includes the roles of (6) Evaluator and (7) Guarantor (UNDP, 2018). The UNDP furthermore offers the following role explanations: The investor (1) is either and institution or individual willing to upfront capital in the form of a loan or other similar contractual arrangement to the Intermediary. The Investor accept the financial and operational risks of the project in exchange for an interest. The Implementing Partner (2) is an independent government entity, cooperative, NGO or private enterprise that executes the interventions required to achieve the desired outcomes. The Implementing Partner signs a service delivery contract with the Intermediary. The Outcome Funder (3) is a donor agency or other philanthropic funder responsible for paying back the principal and interest if the pre-determined outcomes are achieved. The Intermediary (4) Intermediary can be a financial institution, or an international organization or a NGO buying the needed financial structuring services from the market. The Intermediary receives the loan from the Investor and allocates the same loan to the Implementing Partner for project execution. The Intermediary issues the debt and manages relations with Investors, Implementing Partners and possibly other stakeholders. It is also responsible for determining the project’s outcome metric, as well as to conduct monitoring, service improvement and delivery of results. The Beneficiary (5) is the population that benefits from the project financed by the DIB. The Evaluator (6) can be a consultancy, research institution, university or similar entity requested to confirm the achievement of the outcomes required to release repayments. The Guarantor (7) can be a third party who offers a loan guarantee, often as a grant, to reduce the Investor's risks. There can also be established a multi-layered capital structure featuring senior investors,
subordinate investors, recoverable grants, non-recoverable grants, and guarantors to take this role. Guarantees have covered from 9 to up to 75 per cent of the capital. (UNDP, 2018).

Two important principle of DIBs are that the outcomes to be measured are agreed upon before implementation and independently verified after implementation of the development program. This means that all partners agree on common goals and a way to measure success before an investment is made by the Investor through the Intermediary to the Implementing Partner. If the Evaluator concludes that the implemented program is successful, the Outcome Funder repays the Investor, normally with a higher return the more successful the project was. If the project on the other hand fails to deliver, the aid agency or philanthropic funder does not pay and the investors will lose part or all of their capital (Business & Sustainable Development Commission, 2017). DIBs are therefore in reality a payment-for-result scheme where an aid agency or philanthropic funder pays for real development progress (UNDP, 2018).

2.2.2 Project finance

Project finance is the financing of long-term infrastructure, industrial projects and public services based upon a non-recourse or limited recourse financial structure, in which project debt and equity used to finance the project are paid back from the cash flow generated by the project (Corporate Finance Institute, 2018). By using project finance as a financial instrument, the risks are shared and the project and the firms separated. The risks and returns are borne by different classes of investors, for instance equity holders and debt providers (World Bank, 2018). This means that if the project is not successful, the lending firms of the project have no (or very limited) claim on the borrowing firms’ assets and cash flows. This defines non-recourse project finance as when the lender is only entitled to repayment from the profits of the project and not from other assets of the borrower, and limited-recourse project finance as when the lender has limited claims on the loan in the event of default.

Project finance is an old financing instrument, but has only recently been introduced in the literature of blended finance (World Bank, 2018). It has however today gained status as an important blended finance instrument and has for instance been thoroughly assessed as such by the Blended Finance Taskforce (2018). In another World Bank report, the World Bank however warns Development Finance Institutions towards using concessional finance to enhance the risk/return position of its own funds through project finance without extending
the benefits to other investors, for example when seeking crowding-in of private finance (World Bank, 2017). This specific warning suggests that there are a lot of contextual factors to consider when evaluating project finance as a blended finance instrument, and that the field of investment is of clear relevance. An application by the Climate Policy Initiative on in the field of clean energy investment suggests that: “The relevant financing structures for distributed generation are more often based on a corporate finance model in which the service provider seeks capital to expand its operations, rather than project financing (Expert Interviews, 2017).” (Climate Policy Initiative, 2018). The same study performs an analysis of the investor groups that are “best suited” for clean energy investing, by matching the clean energy investment profile with the profile and characteristics of the different investor groups. It concludes that for project finance commercial banks are most suited at the construction and operational phase as they have a preference for shorter-term investments, and have only moderate liquidity needs.” Furthermore, they find that “life insurance companies are most suited at the operational phase, as they require less liquidity and have a long investment horizon driven by long-term obligations.” Lastly, they add that defined benefit pension plans may also be a strong fit as they are also driven by long-term obligations and seek steady, stable returns, but the fit for clean energy depends on the liquidity needs of the particular pension plan.”. Despite these very specific suggestions recommending, to rather look for other investors than corporates, they point to that corporate project developers who design, commission, operate, and maintain clean energy projects, and who invest in clean energy projects from their own balance sheets play a critical role in financing clean energy investments.
Different types of investors

For both DIBs and project finance instruments, the Investor role is central. Based on the literature suggesting that context is important, it is therefore useful to reflect on the different types of Investors that is it possible to approach when seeking funding. This thesis chooses to look at philanthropically motivated Impact Investors and financially motivated Investors as to be two extremes of a continuum. Impact Investors make investments into companies, organizations, and funds with the intention to generate a measurable social and environmental impact alongside a financial return (GIIN, 2018). Impact investors have traditionally challenged the view that development is to be reached and guided only by social assistance or philanthropy. On the contrary, the implied theory predicts that business and investment are important drivers for achieving more inclusive and sustainable societies. Therefore, impact investors aim to demonstrate that investment can achieve both a positive (social or environmental) impact and a financial return (or, at minimum, a return of capital) (UNDP, 2018). The other group of investors as the financially motivated investors, in many ways the traditional group of investors that seeks highest possible financial return and have few other investment criteria when choosing investments. A financially motivated investor is any person who commits capital in order to grow their money and/or provide an income during retirement, such as with an annuity (Investopedia, 2018). In general, this is the drivers of private finance, where investment opportunities are evaluated on financial risk-return considerations. If the aim is to mobilize private finance through blended finance models, these models should keep this distinction in mind.
3. Theoretical framework

This chapter presents the theoretical framework used to conduct the case study analysis. First, a section on business and management research theory is included as this has implications for the methods used for the analysis. Thereafter, the SOAR Framework and conceptual framework for synergism is presented to allow for the analysis on how the Strategic Goals of the two organizations are aligned.

3.1.1 Business and management research theory

Business and management research can be defined as undertaking systematic research to find out things about business and management (Saunders et al., 2009). It is a research field engaged in both the world of theory and the world of practice, where the problems addressed grow out of interaction between these two worlds rather than either on their own (Saunders et al., 2009). In their theory development, Saunders et al. present a continuum ranging from what they define as basic research to applied research. Basic research on the one extreme, has the purpose of expanding knowledge of processes of business and management and results in universal principles relating to the process and its relationship to outcomes. Basic business and management research thus yield findings of significance and value to society in general. Applied research on the other extreme has the purpose of improving the understanding of particular business or management problem(s) and results in solution(s) to problem(s) and fosters new knowledge limited to this problem(s). Applied business and management research thus yield findings of practical relevance and value to manager(s) in organization(s). Basic research is explained to normally be undertaken by people based in universities, in contexts where the choice of topic and objectives are determined by the researcher and where there are flexible time scales. Applied research on the other hand is explained to be undertaken by people based in a variety of settings including organizations and universities, where objectives are negotiated with an originator and there are tight time scales.
3.1.2 SOAR (Strengths, Opportunities, Aspirations, Results)

The SOAR framework is a strategic planning tool that focuses an organization on its current strengths and vision of the future for developing its strategic goals. The focus is on the organization and enhancing what is currently done well, and how to leverage strengths rather than correcting weaknesses. It aims to summarize the organization’s positive core, which is its total of unique strengths, resources, capabilities, and assets. The four pillars for doing so are presented below. It provides the necessary tools to facilitate for a strategic thinking and dialogue process (Stavros and Hinrich, 2009).

**Strengths:**

What is the organization doing really well? What can we build on?
This includes assets, capabilities, and greatest accomplishments.

**Opportunities:**

What are the organization’s best opportunities? What are our stakeholders asking for?
This includes external circumstances that could improve profits, unmet customer needs, threats or weakness reframed into possibilities.

**Aspirations:**

What is the organization’s preferred future? What do we care deeply about?
What the organization desires to be known for and what it can become.

**Results:**

What are the measurable results that will tell that the organization has achieved that vision of the future? How do we know we are succeeding? These are tangible, measureable results that will indicate when the goals and aspirations have been achieved.
3.1.3 Synergism

Synergy, also known as synergism, can be defined as the combined power of a group of things when they are working together that is greater than the total power achieved by each working separately (Cambridge Dictionary, 2018). The simple term synergy is mostly used in the positive sense, but positive and negative synergies are the technical terms (Reference for Business, 2018). Positive synergy is often referred to as the $2 + 2 = 5$ effect. This describes when each subsystem can produce two units of output operating independently, while when combining efforts and working together effectively, the two subsystems can produce five units of output. Similarly, negative synergy can be referred to as the $2 + 2 = 3$ effect. This describes the case when the two subsystems each produce two units of output, but when the combination of their efforts results in less output than what they would have achieved if they had each worked on their own. Negative synergy of partnerships especially occur when there is no strategic alignment, which emphasises the need to make sure all stakeholders in a collaboration are strategically aligned (Reference for Business, 2018).
4. Case description

The following chapter will detail the case study to be analysed. Before the proposed model is presented, the first two sections present and explain the respective missions of UNICEF and Differ Group to allow for analysis of the case. The third section presents the proposed finance instruments and service delivery involved in the proposal from Differ Group to UNICEF.

4.1 UNICEFs Mission

UNICEF is one of many organizations dedicated to humanitarian and development work. It is mandated by the United Nations General Assembly “to advocate for the protection of children’s rights, to help meet their basic needs and to expand their opportunities to reach their full potential. The organization is guided by the Convention on the Rights of the Child and their mission statement reads that it “…works with all its partners towards the attainment of the sustainable human development goals adopted by the world community and the realization of the vision of peace and social progress enshrined in the Charter of the United Nations”. UNICEF works in 190 countries and responds in emergencies to protect the rights of children and “insists that the survival, protection and development of children are universal development imperatives that are integral to human progress” (UNICEF, 2003). In the words of UNICEF Executive Director Ms. Henrietta H. Fore, “…the humanitarian-development continuum will remain at the heart of all that we do, across all of our programmes” (UNICEF, 2018a).

UNICEFs programs are designed according to the organization’s Strategic Plan which is put in place to increase UNICEF’s ability to deliver results for children. It is a tool for aligning the organization’s resources around common goals and strategies and support its ability to make strategic choices. The current Strategic Plan is laid for the period 2018 -2021. It states that it builds on lessons learned, emphasizes UNICEF’s contribution to achieving the 2030 SDGs and recognizes the need to work across sectors with a focus on cross-cutting issues of equity, gender and sustainability (UNICEF, 2018b).
The Strategic Plan presents five Strategic Goals; (1) Every Child Survives and Thrives, (2) Every Child Learns, (3) Every Child is Protected from Violence and Exploitation, (4) Every Child Lives in a Safe and Clean Environment and (5) Every Child has a Fair Chance.

The Strategic Plan 2018 – 2021 furthermore identifies eight Change Strategies to drive results, towards the five Strategic Goals, summarized in the table on the text page.

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Programming at-scale results for children</td>
</tr>
<tr>
<td>2</td>
<td>Gender-responsive programming</td>
</tr>
<tr>
<td>3</td>
<td>Winning support for the cause of children from decision-makers</td>
</tr>
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<td></td>
<td>and the wider public</td>
</tr>
<tr>
<td>4</td>
<td>Developing and leveraging resources and partnerships for children</td>
</tr>
<tr>
<td>5</td>
<td>Leveraging the power of business and markets for children</td>
</tr>
<tr>
<td>6</td>
<td>United nations working together</td>
</tr>
<tr>
<td>7</td>
<td>Fostering innovation in programming and advocacy for children</td>
</tr>
<tr>
<td>8</td>
<td>Using the power of evidence to drive change for children</td>
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</tbody>
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There is thus a clearly identified need and motivation for UNICEF to innovate in relation to closing the funding gap for responding to humanitarian and development needs and meeting its own Strategic Goals. Innovation however, competes for resources with business as usual. Therefore, UNICEF has established a fundraising innovation programme to explore new financing models. The fundraising innovation fund (FRIF) established in 2018 with USD 5 Million has so far funded 13 applications, including three fundraising innovation hubs in the UK, Sweden and Belgium. There is ongoing work on assessing fundraising innovation initiatives and capacity. This work includes identifying fundraising innovators and innovation catalysts and is coordinated by the Division of Private Funding and Partnerships (PFP) in Geneva. All parts of the organization however, are welcomed and encouraged to contribute to the mapping work. As a part of this work UNICEF is currently importing know-how from industry leading experts and one of the identified areas of interest is the field of blended finance. The ask from UNICEF for this thesis is to explore the potential within this field and look at a particular proposal qualifying for this purpose.
Differ Group’s Mission

Differ Group (hereafter referred to as “Differ”) is a Norwegian investment company and provider of stand-alone clean energy solutions with a mission of “bringing modern energy services to energy poor communities” (Differ, 2018). In the following section the company and its relevance for UNICEF is presented along with the findings of a preliminary due diligence report conducted by UNICEF.

Differ develops and invests in technology/companies that offer different components addressing the energy needs of villages beyond the grid. The company has substantial project implementation experience beyond the grid in Africa and Asia and has established and operated businesses including after-sale service in Kenya, Zambia, Myanmar, Pakistan and Indonesia (Differ, 2018). It has a wide range of solutions in its portfolio, including “stand-alone solar PV systems, proprietary super-cost-efficient battery solutions, super-energy-efficient appliances, mini-grid technology, remote monitoring and smart management and clean cooking solutions” (Differ, June 2018).

Differ’s business idea is to help scale up small-scale carbon reduction technologies (e.g. PV and energy efficiency) in developing countries. To do this they currently apply four different approaches (1) investing in start-ups (cash and sweat equity), (2) developing their own concepts and companies, (3) advising project developers, project owners, investors and other decision makers to do the same (4) in-depth analysis on e.g. market conditions, feed-in-tariffs, financing and business opportunities in selected developing countries which will be distributed for free

As of June 2018, the company reports to have sold more than 50,000 and installed and operated more than 20,000 solar household systems. In addition, they have installed 4 complete solar for health systems in rural health posts and sold and installed more than 7,000 solar street lights. They have also expanded their portfolio to include a range of super-efficient appliances (TVs, fridges, radios, LED lamps etc.) and have among other products sold more than 25,000 clean cook stoves (Tom Erichsen, 2018).
4.2 The proposed project and implementation model

Differ proposes to deliver one complete infrastructure package consisting of green technology, sustainable operations and project financing. The value proposal is to install solar energy-based infrastructure at health posts, schools and community centres, according to UNICEFs programmatic needs. This includes the possible provision of power and appliances/equipment for lighting, charging, cooling, cold/hot water, security lights, medical/educational equipment and connectivity in the combination that UNICEF predefines the need for to deliver its desired outcomes.

For health posts, the proposal includes the options of installed lighting, fans, fridge for medical storage, basic medical equipment, cold and clean water, hot water, street and security lights and high-speed connectivity for tele medicine. Differ operates and maintains the installed infrastructure.

For schools and community centres, the physical proposal includes the options of installed lighting, fans, charging, high-speed connectivity, laptops, tablets and projectors, in the combination UNICEF sees best fit for the purpose. In addition, Differ propose to host trainings and provide training materials for students and community members and train them in the maintenance and technology of the installed infrastructure.

To deliver these services, Differ proposes to combine the two blended finance instruments, namely Development Impact Bonds and Project Finance. The logic of their proposal is to introduce corporate thinking into UNICEF program financing, arguing that this will allow UNICEF to make an impact faster (Tom Erichsen, 2018). Their proposed model is as such built up by to circles, one representing the Project Finance logic and one representing the DIBs logic.

The rationale for the first circle is Differs own business model. Differ as a company is both investing in, installing and operating the renewable energy infrastructure in their portfolio. For the Project Finance model, this means that Differ is proposing to take two roles, namely the Investor and Project Implementer. To close the circle, they propose UNICEF as the buyer of their implemented services. This first circle builds entirely on Project Finance logic and theory.
The second circle of Differs proposed model is based on the logic and theory of Development Impact Bonds. It suggests that UNICEF before entering into a contract with Differ, seeks to secure funding from an Outcome Funder before the implementation of the program that involves the service delivery by Differ and thus takes the role of what they define as the Program Implementer. Differ therefore suggests that UNICEF is to be responsible for outputs while they are responsible for inputs.

Based on this model, Differ see themselves as service providers with a dual value proposition, there the first element is providing the full solution for the physical installation of solar energy infrastructure in health clinics, schools and community centers that UNICEF may wish for to achieve more impact and (2) to upfront capital for the investment by UNICEF to be made earlier. The model is shown in figure 2 below.

*Figure 2 - The proposed blended finance model*
The overall idea is thus that UNICEF makes use of private sector Pay-for-Performance/Pay-for-Service partnerships to finance investments and taps donors for funding of the payments though DIBs as shown in the model below in figure 3.

In a more detailed version of the model they propose the following sub-steps to be analysed in the next chapter.
4.2.1 The rationale behind choosing Malawi

The project is proposed in Malawi due to the following reasons. Firstly, Differ has already local partners in Kenya and Zambia and is currently searching for a local partner to enter the Malawi market. Differ has however clarified with its local partner in Zambia that it can cover Malawi on short notice should this be required. Secondly, there is a huge energy access gap in Malawi that needs to be addressed. Thirdly, UNICEF Malawi is chosen as one global innovation hubs aiming for progress in the humanitarian and development fields. Fourthly, Malawi is one of six identifies strategic partner countries for the development policy of the Norwegian Government. (Norad, 2018). The latter involves that the UNICEF focal point for Norad will relocate to Malawi during 2018 and thus be much more accessible.

4.2.2 Differ Groups’ preconditions for making the proposal

Differ Group operates in the field of renewable energy sources and any engagement with UNICEF will thus only be considered for the implementation and maintenance of renewable energy infrastructure and training. In its proposal Differ therefore highlights that the company will not be responsible for delivering other resources like for example health staff being deployed to the health facilities where Differ has installed the solar energy infrastructure. Differ is in other words solely responsible for the implementation of solar energy infrastructure, but not for other factors that might be needed for the project to result in measurable outputs.

Differ Group currently operates with the implementation of renewable energy structures in parts of Asia and Africa. In a short to medium time perspective, the company thus a geographical limitation to these areas. However, the company aspires to grow into new markets.
UNICEF’s preconditions for evaluating the proposal

In this chapter, important preconditions for the conclusions made in this thesis are described. Firstly, the preliminary due diligence conditions are presented to allow for analysis of the fulfillment of these. Second, UNICEF procurement guidelines are presented to allow for these to be considered in the analysis of the supplier potential in Differ.

As a first step for analyzing the proposed project, a preliminary due diligence analysis has been requested by the author and conducted by UNICEF’s Division of Private Fundraising and Partnerships (PFP) based in Geneva. The analysis resulted in clearance for further prospect development subject to the three conditions quoted below:

a) Any engagement related to the use of PV solar systems or other energy sourcing should ensure alignment with UNICEF’s ongoing programmatic and advocacy efforts around climate change and the environment. In any case, UNICEF should not appear to endorse the company’s investments or specific energy sources or technologies.

b) Please note this screening only applies to Differ Group. In case of an association between UNICEF and any other investment company or affiliate under other names, these would need to be screened separately, as they may introduce various additional sector and brand reputation risks.

c) Any association with the company involving the use of UNICEF’s name & logo will require further assessment at the DD2 stage

The full due diligence report can be found in the Appendix.
In addition to the due diligence, there is a restriction in the Procurement Process of UNICEF, presented below. This can be found in its entirety in the document “PPP Info on Supply Division” created by the Programmed Planning Process (PPP).

- **Open**
  - Open competition / Maximized access
  - Public advertising of a tender
  - All qualified can participate

- **Limited**
  - Open Expression of Interest (EoI) or pre-qualification process
  - Predetermined qualifications for participation in the tender
  - Short listing

- **Direct procurement**
  - Waiver of competition as per exceptions defined in Financial Regulations and Rules (FRRs)

There are a number of internal processes for Procurement and Partnerships that need to be followed. The two mentioned above have been included in the text to facilitate for the analysis. This does however not exclude the many other aspects that needs to be considered as preconditions for any collaboration to be feasible.
5. Research method

In this chapter, the research design and applied methods are described in detail. Firstly, I comment on why this research falls in the category of applied business and management research. Thereafter, choices on research philosophy and approach is explained and the selected research design is described. Then, data collection methods are detailed. Lastly, the research process is described.

The purpose of the thesis is to form basis for managerial decision-making, by allowing UNICEF to make an informed decision on whether to pursue the proposed project in question based on insight gained from literature and theory and as well as the analysis of a proposed practice. The objective of this thesis has been negotiated between UNICEF as the originator and myself as the researcher. It is performed under a tight time scale as conversations about the blended finance proposal were already ongoing with the company in question before the opportunity to analyze it in-depth through this thesis arose. All these factors place the thesis towards the applied research extreme in the basic-applied continuum of business and management research presented in the theory section.

The research philosophy underpinning this thesis is pragmatism. This means that the thesis recognizes “that there are many different ways of interpreting the world and undertaking research, that no single point of view can ever give the entire picture and that there may be multiple realities” as described by Sanders et al. (2012). This is to acknowledge that there are indeed many ways of analyzing the proposal at hand and that this thesis has had to choose the one that seemed best fit at the time leading up to the managerial decision. Secondly, an inductive approach is chosen based on the particular interest in the context in which the phenomena is taking place (Saunders et al. 2009), because the context is highly likely to affect the end result of the decision made.

5.1 Research design

This section presents the chosen research design, consisting of research strategy, research choices and time horizon. Firstly, this thesis applies a case study strategy and can be described as to investigate a contemporary phenomenon within its real-life context, when the boundaries between phenomenon and context are not clearly evident; and in which multiple
sources of evidence are used (Yin, 2014). Furthermore, it is an embedded single case study, meaning that it looks at one single case with several sub-units. This strategy was chosen to allow for an understanding the possible role of project finance and development impact bonds in UNICEF programming, not by controlling variables, but rather by observing all of the variables and their interacting relationships (Dooley, 2002).

As a subordinate research strategy, an archival research strategy has been applied. This strategy makes use of administrative records and documents as the principal source of data. The reason for this is that the managerial decision will in large also be based on already performed research by UNICEF on the subject of finance innovations and it is therefore valuable to include this material as a foundation for analysis.

The case study approach is appropriate for this research because it allows for data to be examined within the context of its use (Yin, 2014). This has been particularly important for the choice of this strategy because the purpose is to understand how well the proposed model suits the context. The method contrasts with empirical experiments, for instance, where one would deliberately isolate a phenomenon from its context, focusing on a limited number of variables (Zaidah, 2003). The exploratory approach of this thesis makes isolating a limited number of variables inexpedient. Furthermore, the detailed qualitative accounts produced in the case study, not only help to explore or describe the proposal in connection to its real-life environment, but also help to explain the complexities of real-life situations, which may not have been captured through other research strategies.

Despite these advantages, there are also setbacks of applying the case study research. As Yin (2014) discusses, there is a risk of biased views or equivocal evidence taking this approach and it provides very little basis for scientific generalization due to the use only one subject as this study approaches one specific managerial question seen in the very specific context of UNICEF having received a proposal by Differ group that needs to be evaluated. It is therefore hard to generalize from the results of this research.

Another disadvantage is the cross-sectional time horizon of the study as it is studying a phenomenon at a particular time. This has been particularly challenging in this process because the real-life process has moved faster than the research.
5.2 Data collection

The data collected for this thesis is largely qualitative. The qualitative data helps to explore the complexity in the case, which is useful because the subject in question is relatively unexplored in previous research (Ghauri & Grønhaug, 2010). Following the inductive research approach, it uses a variety of methods to collect data in order to establish different views of the phenomena as recommended by Easterby-Smith et al. (2008).

There are two main data collection methods applied; a document review and semi-structured in-depth interviews. The main data source was the document review where secondary data sources were assessed, compiled and summarized. As a complementary data source, semi-structured in-depth interviews were conducted with staff from UNICEF Norway, UNICEF Malawi and Differ Group. This method was as advised by Saunders et al. (2009) used to gain deeper insights to the proposal. The method was suitable for the purpose of this thesis, as it allows for flexibility in the interview setting. Because semi-structured in-depth interviews require thorough preparation from the researcher in order to demonstrate credibility and obtain the confidence of the interviewees (Saunders et. al, 2009) the extensive literature and document reviews was done prior to the interviews.

If you are using a case study strategy you are likely to need to use and triangulate multiple sources of data. Triangulation refers to the use of different data collection techniques within one study in order to ensure that the data are telling you what you think they are telling you.

5.2.1 Research validity and reliability

In qualitative research, reliability concerns the issue of whether other researchers would incur the same results based on the data sample (Saunders et al., 2009). As this case study treats a model under development in a dynamic field, it is possible that a similar study conducted at a later point could draw different conclusions.

The fact that the in-depth semi-structured interviews were conducted only with interviewees already familiar with the business case can also lead to concerns of reliability, related to interviewer and response bias. A relevant response bias in this case would be the wish to make the proposed solution look more favorable than it is.
5.2.2 The research process

In conducting the thesis the following stages have been visited and revisited; formulating and clarifying the topic, reviewing the literature, designing the research, collecting the data, analyzing the data and writing the thesis.
6. Case study analysis

This chapter is dedicated to the analysis of the case study. To make the chapter easily legible for the reader it is divided into several sub-analyses according to the research question. First, a sub-analysis of what it entails for the respective organizations to deliver on their Strategic Goals is conducted through applying the SOAR framework together with the concepts of positive and negative synergies. After this, the building blocks of the two respective finance instruments, Development Impact Bonds and Project Finance, are analysed in the context of the proposed model and its stakeholders.

6.1 UNICEFs and Differs Strategic Goals and alignment

To be able to answer how a blended finance model combining development impact bonds and project finance can help both UNICEF and Differ deliver on their Strategic Goals, firstly what is meant by delivering on the organizations’ Strategic Goals must be established. This first section therefore analyses and aligns what should be perceived as delivering on the Strategic Goals from the perspective of the two organizations.

For UNICEF, the current Strategic Goals are already defined in the UNICEF Strategic Plan 2018 – 2021. Although this is a time-limited document, it is therefore possible to conclude that delivering on UNICEFs Strategic Goals can be understood as UNICEF having made a measurable impact in one or more of the identified Goal Areas in the Strategic Plan. Due to the nature of the proposed case it can be argued that the relevant Strategic Goals that can be achieved through the proposed model are goals number (1) Every Child Survives and Thrives, (2) Every Child Learns and (4) Every Child Lives in a Safe and Clean Environment.

For Differ, there was no tangible data source available for discussing what it would mean for the company to deliver on its Strategic Goals. Therefore, the thesis proposes a sub-analysis for defining Differs Strategic Goals based on the presented SOAR Framework. Differs Strengths, Opportunities, Aspirations and Results are therefore in the following analysed and linked to the Strategic Goals and Change Strategies of UNICEF presented in the case.
**Strengths:**

An obvious strength in Differ is the expertise within scaling up off-grid renewable energy technologies in developing countries. The company has all the business infrastructure in place and has operated in the context of developing countries similar to Malawi before. UNICEF has a huge presence in Malawi and a direct link to Government discussions on how to achieve economic, social and environmental progress. UNICEF does not have the technical expertise that Differ proposes and this complementarity suggests possible positive synergies between the strengths of UNICEF and Differ.

**Opportunities:**

Differ’s stakeholders in this context is UNICEF and the rural communities in Malawi. There is an identified need in Malawi for energy due to the very limited grid-connection. Differ thus offers a solution that is beneficial to the population of Malawi. UNICEF already responds to the needs of the relevant population and therefore know the needs of the population very well.

**Aspirations:**

Differ aspires to be known for delivering off-grid renewable energy to rural communities. UNICEF aspires to protect the rights of all Children.

**Results:**

The measurable results that will confirm that Differ is succeeding is that they have successfully installed, operated and maintained solar energy infrastructure in rural communities in Malawi. For Differ this is the measurable result. For UNICEF the measurable result is the progress caused by the implemented program. The two are thus very aligned and the performance of Differ will enhance the performance of UNICEF.

Differ delivering on their Strategic Goals can based on this be understood as to succeed in delivering real results and real outcomes that can be measured.
6.2 The potential contribution of Blended Finance

The proposed blended finance model builds on two finance instruments; Development Impact Bonds and Project Finance. The model for the first instrument is described below in Figure 1. As described in the literature review, the model includes (at least) five stakeholder groups; (1) Investors, (2) Implementation Partners, (3) Outcome Funders, (4) Intermediaries and (5) Beneficiaries. In Figure 1 the different roles are suggested filled by real life actors to ease understanding of the model.

The literature presented in this thesis suggested that when seeking corporate project finance, one should stick to corporates that themselves operate within the project field. This indicates that any proposal put forward to corporates to take part of the proposed model, should operate either within the field of renewable energy or the respective fields of health or education according to which community facility is being energized.

As presented in the literature review, there is a growing number of investors applying philanthropic criteria when making investment decisions. Many of these are inspired and motivated by the Sustainable Development Goals and seek measurability of the impact that they are to invest in. Development Impact Bonds answer to this need by giving the Impact Investors the option of taking the role as the Output Funder. For this role, the risk of not receiving impact for money is removed, as Output Funders only pay the Investor if the predetermined impact has been delivered by the Investor. In the proposed model, UNICEF is the Investor and thus has the responsibility for delivering impact. This can be argued to be a driver for enhanced performance towards UNICEFs Strategic Goals, as UNICEF knows that they will not be refunded if the impact cannot be measured.
Considering the presented theory on project finance, the described model suggest that the investment decision can be made earlier. The needs of aligning investor interests are highlighted.

Cooperating with Differ to source commercial financing for solar infrastructure investments can generate increased funding and together we can tap into different types of funding. As an example, the market for crowd funding is changing providing both challenges and opportunities. NGOs have been using crowdfunding for a long time. Lately, many new platforms for crowd funding and many new players have started to source funding from the crowd. Competition is increasing. It is thus possible to look into how they can use these platforms to reach new segments donors/financing partners. Cooperation with Differ can increase the NGOs impact and increase the leverage of any public funding.
6.3 The feasibility of Differ becoming a partner

For Differ to take on the role as an implementing partner and/or investor in the proposed model, certain criteria need to be met and the foundation for these are analysed in this section. Firstly, the fulfilment of the due diligence conditions is discussed. Thereafter, the restrictions of transparent procurement processes are assessed.

6.3.1 Fulfillment of the due diligence conditions

For the Differ proposal to be implementable, firstly the due diligence conditions must be met. The following section thus provides a short analysis of the three presented conditions based on inputs from colleagues in PFP in the full due diligence report, the ethical guidelines of the Programmed Planning Process (PPP) unit summarized in appendix C.

a) The proposed project is aligned with UNICEF’s ongoing programmatic and advocacy efforts around climate change. The project objective of providing schools with renewable energy is aligned with UNICEF’s Strategic Plan 2018 – 2021 and particularly with Goal Area 2 “Every Child Learns” and Goal Area 4 “Every Child Lives in a Safe and Clean Environment”. This criterion thus seems already covered. The condition of not being perceived as to endorse Differ’s technology or investments could be more challenging to fulfil. To prevent any misleading communication around a potential engagement with Differ, it should therefore be explicitly included in any written agreement that the engagement does not lead to endorsement of Differ’s investments or specific energy sources or technologies, in the sense that they cannot use any such statements in marketing efforts. This is because UNICEF does not have the technical expertise or capacity to (1) state that this technology is better than any other technology and (2)

b) Because of the likelihood of involving both a third and fourth party in the proposed model, the principle of separate screen for each legal entity is also important to respect. As the entrepreneurs behind Differ previously have started and developed related companies like Renewable Energy Corporation (REC) and Point Carbon, UNICEF should specifically be aware that if Differ at any point wishes to make use of the resources of such companies, a separate screening process of these must also be conducted.
c) Differ will only become entitled to the use of UNICEF’s name and logo should they become an official donor to UNICEF. This will entail large philanthropic donations to be used in UNICEF programming, according to PFP regulations. If Differ at any stage takes such steps, a more thorough due diligence assessment will have to be done.
7. Discussion and recommendation

The analysis shows that there are clear alignments of the strategic goals of the two organizations. UNICEF and Differ are both in need of identifying financial innovations for delivering their services in a more efficient way. The analysis suggests that achieving to establish the proposed blended finance model has potential for increasing both organizations’ performance measured by their strategic goals. The analysis however points to a set of challenges with implementing the model that needs to be considered. The first one is the time and efforts required to identify and engage the other stakeholders that are needed for the model to work. The second is possible additional administrative burdens that arise after the model is established, such as increased need for reporting and monitoring and evaluation of projects.

The methods used in this study did not allow for an in-debt cost-benefit analysis of what can be gained by the two parties by successfully implementing the proposed blended finance model.

An important finding is that for Differ to take the role as the implementing partner in the full scale model, they need to first win a competitive tender process with other possible renewable service providers that might be able to deliver equivalent value proposals. The findings however suggest that
8. Appendix

Appendix A : Partnership for sustainable development

In itself, the proposed partnership is responding to SDG number 17 which is to “Strengthen the means of implementation and revitalize the global partnership for sustainable development.” (Source 1). The core targets covered are presented below.

<table>
<thead>
<tr>
<th>RELEVANT TARGETS SDG 17</th>
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<tbody>
<tr>
<td>Strengthen the means of implementation and revitalize the global partnership for sustainable development</td>
<td></td>
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<tr>
<td><strong>Finance</strong></td>
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<tr>
<td>17.1  Strengthen domestic resource mobilization, including through international support to developing countries, to improve domestic capacity for tax and other revenue collection</td>
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<td>17.3  Mobilize additional financial resources for developing countries from multiple sources</td>
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<td>17.5  Adopt and implement investment promotion regimes for least developed countries</td>
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<tr>
<td><strong>Technology</strong></td>
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<tr>
<td>17.6  Enhance North-South, South-South and triangular regional and international cooperation on and access to science, technology and innovation and enhance knowledge sharing on mutually agreed terms, including through improved coordination among existing mechanisms, in particular at the United Nations level, and through a global technology facilitation mechanism</td>
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<tr>
<td>17.7  Promote the development, transfer, dissemination and diffusion of environmentally sound technologies to developing countries on favourable terms, including on concessional and preferential terms, as mutually agreed</td>
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<tr>
<td><strong>Capacity-Building</strong></td>
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<tr>
<td>17.9  Enhance international support for implementing effective and targeted capacity-building in developing countries to support national plans to implement all the sustainable development goals, including through North-South, South-South and triangular cooperation</td>
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<tr>
<td><strong>Systemic issues</strong></td>
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<tr>
<td>17.16 Enhance the global partnership for sustainable development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the sustainable development goals in all countries, in particular developing countries</td>
<td></td>
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<tr>
<td>17.17 Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships</td>
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</table>
Appendix B: UN Supplier Code of Conduct

All UN and UNICEF registered suppliers sign on to the UN Code of Conduct. (rev. Sept 2013). Based on the UN charter, the principles of the Global Compact and ILO standards;

The UN expects that these principles apply to suppliers and their employees, parent, subsidiary or affiliate entities, and subcontractors; that they are seen as minimum standards that suppliers strive to meet and exceed them.

The code addresses:

- Labour conditions: Freedom of Association, no force or compulsory, no child labour, discrimination, standards for working conditions.
- Human Rights: No Harassment, Harsh or Inhumane Treatment, no manufacture or sale of mines.
- Environment: Compliance with regulations, manage chemical and hazardous materials; waste and air emissions, Minimize Waste, Maximize Recycling.
- Ethical conduct: No corruption, conflict of interest declaration, no gift and hospitality, post-employment restrictions.

Appendix C:
References


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the Banking & Financial Services sector.

Environment: Controversies around the environmental impact of energy sources, including recycling and sustainability of materials (including for renewable energy sources, such as solar panels), controversial energy sourcing (i.e. coal and nuclear), environmental damage, greenhouse gas emissions, etc.

Customer and Community issues: product safety and quality, aggressive and misleading marketing, marketing products as more eco-friendly than they are in reality, unfair pricing and fees, community impact, etc. Controversies in the shape of unclear product and fee structure, misleading information on associated risks, excessive penalty fees or unreasonable interest rates, are a persistent area of concern in this sector affecting consumers as well as businesses.

Controversial Investments: Companies in this sector may invest in controversial industries, for instance: in the defense, tobacco and alcohol industries, in projects detrimental to environment & communities and may also speculate on food prices.

Sensitive Data Management: Handling and management of personal data is a growing area of concern in this industry. This includes customers who experience identity fraud, among others.

Company Level Risks
None identified

Sustainability and community investment

SOCIAL & ENVIRONMENTAL ETHICAL GUIDELINES (http://www.differgroup.com/about/ethical-guidelines/)

Anyone employed by, or otherwise involved in, Differ is obliged to conduct their duties with integrity and to strive for high ethical standard in all activities.

Human rights
- Differ shall honor the UN Universal Declaration of Human Rights
- Differ shall respect people’s right to life, freedom, security and legal protection
- Differ shall respect, and encourage, freedom of thought, speech, religion and political beliefs

Business ethics
- Differ shall not engage in any activity that may damage economic, social or democratic development
- Differ shall neither directly nor indirectly engage in corruption
- Differ shall not pay bribes, or any informal payments, to achieve or retain business opportunities by affecting the recipient to deviate from his/hers otherwise stated duties
- Differ shall not accept bribes or any informal payments intended to affect our judgment and hinder competition

Host country
- Unless these are in conflict with UN Universal Declaration of Human Rights and/or the above guidelines on business ethics, Differ shall respect the laws and code of conduct in the individual host country
- Differ shall promote an open dialogue with all stakeholders affected by any of Differ's activities with a reasonable exclusion for competitors or potential competitors.
- Differ shall ensure that all parties contributing to our activities in the host country respect and follow our ethical guidelines

Employees
- Differ shall ensure that employees obtain a living wage
- Differ shall respect employees' right to organise and negotiate collectively
- Differ shall not discriminate, but promote equal opportunities for all and ensure equal compensation for equal work
- Differ shall not use child labour, by conforming to the provisions of the relevant ILO standards.
- Differ shall operate in accordance with health and safety regulations

Environment
- Differ shall develop and sell solutions which improve the environment
- Differ shall seek to always limit its environmental footprint in all of its operations, whilst adhering to current environmental laws, regulations and
Differ Group is a company based in Norway that works to help scale up small-scale carbon reduction technologies through investment, advisory and analysis services. Its activities primarily focus on rapidly growing economies in Africa and Asia.

The company has not been identified in connection with any controversies, however, as a financial company investing in energy sourcing technology, Differ Group is exposed to sector risks including governance concerns, marketing concerns, sensitive data management risks, and environmental concerns. Furthermore, it should be noted that there has been some debate around the environmental impact of solar energy and other renewable energy sources (see Sector Risks section).

Bearing this in mind, the company is cleared with the following conditions:

- **Any engagement related to the use of PV solar systems or other energy sourcing should ensure alignment with UNICEF’s ongoing programmatic and advocacy efforts around climate change and the environment. In any case, UNICEF should not appear to endorse the company's investments or specific energy sources or technologies.**
- **Please note this screening only applies to Differ Group.** In case of an association between UNICEF and any other investment company or affiliate under other names, these would need to be screened separately, as they may introduce various additional sector and brand reputation risks.
- **Any association with the company involving the use of UNICEF’s name & logo will require further assessment at the DD2 stage.**

### Exclusionary Criteria

- **Involvement in Tobacco**
  No Significant Evidence of Involvement

- **Involvement in Alcohol**
  No Significant Evidence of Involvement

- **Tobacco Research Outcome**

- **Alcohol Research Outcome**

- **Involvement in Weapons Manufacturing**
  No Significant Evidence of Involvement

- **Involvement in Gambling**
  No Significant Evidence of Involvement

- **Weapons Manufacturing Research Outcome**

- **Gambling Research Outcome**

- **Involvement in Adult Content**
  No Significant Evidence of Involvement

- **Involvement Breast-Milk Substitutes**
  No Significant Evidence of Involvement

- **Adult Content Research Outcome**

- **Breast-Milk Research Outcome**

- **Involvement Human/Lab. Rights Violations**
  No Significant Evidence of Involvement

- **Involvement in Environment Abuse**
  No Significant Evidence of Involvement

- **Human/Labour Rights Research Outcome**
**Environment Abuse Research Outcome**

<table>
<thead>
<tr>
<th>UN Sanctions Violations Research Outcome</th>
<th>Local Reputation Insights</th>
<th>System Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Significant Evidence of Involvement</td>
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</tbody>
</table>

**UN Sanctions Violations Research Outcome**

- **Differ Group** (/lightning/r/0011o00001WaCEmAAN/view)

**Local Screening Completed**

- Yes

**PSFR**

- Yes