The Investors' Guide to Supporting Youth-Led Peace: An introductory brief

The Investors' Guide to Supporting Youth-Led Peace introduces a framework for Youth Peace Finance (YPF). It outlines steps investors can take to meaningfully engage young people in financial design and governance, de-risking investments for communities and investors and generating financial and impact additionality. This brief explains how investors can use the Investors' Guide to apply the YPF Principles to build trust, inclusion and local ownership within the investment process itself, with demonstrated positive effects on net present value and risk-adjusted returns in fragile settings.

Young people are the key to unlocking the world's fastest-growing markets

Engaging young people and youth-led peacebuilding initiatives in investment decisions and strategies provides a transformative pathway for investors to achieve measurable economic returns while also advancing sustainable peace and global stability. Youth are leaders of innovation, social value, stability and peace and bring creativity, energy and a profound understanding of the root causes of instability and conflict. Young people are not merely passive victims, bystanders or beneficiaries. They are active agents of change.

The value of meaningfully engaging young people throughout the investment cycle goes beyond moral considerations: with people ages 18 to 35 making up approximately a quarter of the global population, unlocking access to high-growth and resilient economies is only possible through the creation of meaningful and labour-intensive economic opportunities that strengthen youth employment. In addition to materially reducing investment risks, inclusive investments provide investors with a competitive advantage in frontier markets: with distinctive understandings of consumption patterns, distribution networks and cultural preferences, youth-led enterprises are often better positioned to capture market share.

With the rise of conflicts worldwide, youth-led peacebuilding is needed now more than ever. Yet, youth continue to face barriers that restrict their ability to drive positive change. Globally, over 698 million people ages 15 to 35 live in fragile and conflict-affected settings (FCS). Exposure to violence, forced recruitment into armed groups, displacement and systemic patterns of political, economic, social and cultural exclusion disrupt education and employment opportunities for young people, perpetuating cycles of poverty and instability in potential markets. Yet, youth are often excluded from decision-making processes that affect them, including on the design, governance and deployment of financial capital. Moreover, youth peacebuilders often have limited access to predictable and flexible funding to allow them to scale projects that advance social cohesion and, ultimately, economic stability.

Peace Finance as a tool to create greater returns on investments

Public and private investments that foster economic growth play a critical role in promoting peaceful and inclusive societies. Yet, market failures and the high costs of capital, coupled with mispriced risk and inadequate de-risking tools, discourage investments in FCS. In 2024, just two percent of global Foreign Direct Investments flowed to Least Developed Countries, compared to 57 percent to developing countries more broadly. While investors have strengthened sustainability practices through Environmental, Social and Governance (ESG) frameworks, these frameworks often do not address the nuanced impacts of investments in FCS. Information asymmetry between investors and local communities further limits the ability of investors to navigate complex political and social risks.

Peacebuilding refers to a broad set of efforts and processes aimed at sustaining peace by addressing the root causes of conflict, supporting reconciliation, strengthening institutions and promoting social cohesion.

Peacebuilders are individuals, groups or organisations working to prevent, mitigate or transform conflict and build the conditions for lasting peace.

→ **For more on the role of youth in fostering social cohesion, see pages 13-16 of the Investors' Guide.**

To unlock peace-positive public and private capital in the world's fastest growing but under-invested communities and markets, Finance for Peace (F4P) has developed a **Peace Finance Impact Framework (PFIF)** and associated **Peace Finance Standards** to design Peace Bonds and Peace Equity instruments. The PFIF provides investors with the resources and information needed to navigate the real and perceived risks inherent to investing in frontier markets. Peace Finance is premised on the idea that investment risks are mitigated when investments:

- Are contextually specific and conflict sensitive;
- Explicitly address social, political, governance and environmental risks;
- Are aligned with community priorities; and
- Meaningfully engage and partner with local actors in financial design and governance.

By aligning financial strategies with the PFIF and Peace Finance Standards, *investors have an opportunity to create new forms of value (financial and impact additionality)* towards more sustainable development and financial outcomes.

Youth Peace Finance: a de-risking strategy

Youth Peace Finance (YPF) refers to finance that delivers peace-positive outcomes through meaningful engagement of young people in financial design and deployment and the creation of opportunities for youth-led initiatives to access capital. YPF seeks to mobilise financial and technical support for efforts to sustain peace, tailored to the needs of youth peacebuilders — for instance through catalytic capital, blended finance or innovative finance mechanisms that align financial incentives with social outcomes. YPF also emphasises co-creation, expanding access to funding and decision-making spaces for youth-led initiatives and ensuring that young people actively shape the processes — as partners and leaders — that affect their communities.

Incorporating youth perspectives improves due diligence, enhances the accuracy of risk assessments and increases the long-term viability of investments in fragile contexts. By strengthening understanding and reporting of both the way in which investment impacts young people, as well as young people's impact on the investment's environment (dual materiality), YPF enhances financial additionality. It supports better risk management and helps mobilise future investments that address critical development needs and mitigate cycles of fragility and conflict towards greater financial and social returns.

How to use the Investors' Guide

The Investors' Guide is not meant to serve as a one-size-fits all model. Rather, the guide outlines possible steps investors can take to apply the YPF Principles. In identifying these steps, investors are encouraged to:

- **Establish a team or working group** to explore each YPF Principle, as well as practical steps to apply that principle to de-risked investment strategies.
- **Approach an expert on Peace Finance and/or YPF** to help identify what steps make most sense for specific investment portfolios.
- **Engage youth peacebuilders** in developing strategies to apply the YPF Principles. Meaningful partnerships with youth peacebuilders are essential for fostering trust, ensuring mutual accountability and achieving sustainable peace. Rather than viewing these partnerships as transactional, investors are encouraged to focus on making them collaborative and inclusive.

YPF Principles

The YPF Principles provide investors with a structured framework to consider the needs and perspectives of young people and meaningfully partner with youth-led peacebuilding in financial design and governance.

- **Inclusivity**
  Representation of youth from diverse backgrounds
- **Youth empowerment**
  Youth agency in financial design and governance
- **Sustainability**
  Long-term support beyond short project cycles
- **Transparency & accountability**
  Clear reporting and communication with stakeholders
- **Collaboration & partnership**
  Multi-stakeholder partnerships for effective implementation
- **Innovation & adaptability**
  Creative solutions and flexibility in impact investing
- **Conflict sensitivity**
  Responsiveness to local contexts and conflicts
- **Impact orientation or intention**
  Clear metrics and participatory evaluation methods
- **Learning & sharing**
  Enhanced effectiveness through knowledge exchange
- **Resilience building**
  Provision of non-financial support to young people

→ **The YPF Principles are presented in more detail in Section 2 (pages 22-28) and Annex 3 (pages 46-57) of the Investors' Guide.**

The YPF Principles complement the Peace Finance Impact Framework (PFIF). By working with young people, investors can more effectively use the Peace Taxonomy — an essential tool within the PFIF that sets minimum safeguards and Do No Harm criteria — to align financial products with peace-positive outcomes and ensure that investments comply with the Peace Finance Standard. The YPF Principles can support efforts to apply the Peace Taxonomy through:

- **Screening:** In ensuring that investments meet environmental, social and Do No Harm safeguards, investors can integrate screening questions to verify that projects safeguard (and are not a source of additional harm to) the rights and safety of young people.
- **Evaluating peace potential:** In evaluating the potential impact of investment portfolios on economic and social progress in a particular context, investors can conduct an assessment on youth needs and priorities for investing in social and economic stability.
- **Identifying the direct and indirect contributions** that investment strategies may have on young people and the work of youth peacebuilders.
- **Strategy identification:** Efforts to develop impact measurement and management (IMM) tools, as well as strategies to track Do No Harm risk mitigation and peace-enhancing mechanisms, should meaningfully engage young people as co-designers, for example by including young people as part of decision-making bodies and/or creating separate youth advisory boards.
- **Reporting:** Investors should transparently monitor and report on how investment projects apply the YPF Principles and contribute to strengthening youth-led peacebuilding across the relevant sub-dimensions of the Peace Taxonomy. Learnings should be shared to strengthen application of the principles in future investments.

Case studies

When preparing to apply the YPF Principles, investors can explore the case studies outlined in the Investors' Guide for inspiration and guidance. Case studies illustrate the application of the YPF Principles and Peace Taxonomy and offer best practices for tailoring and aligning investments to achieve impactful outcomes. For example, they demonstrate the need to tailor IMM frameworks with the nature of the investment and to align long-term outcome metrics with broader frameworks such as the Sustainable Development Goals. They also provide examples of ways in which investors have meaningfully engaged with and/or funded youth-led peacebuilding using modalities that could be replicated by others. The case studies, as outlined below, illustrate the versatility of the YPF Principles and the Peace Taxonomy as frameworks to tailor strategies and foster meaningful partnerships:

- **Cordaid's** publicly available Youth Engagement Scorecard provides investors and development professionals with a tool to measure and report on the level of youth engagement (principle 4: transparency and accountability).
- **The Liberian Youth Entrepreneurship Investment Bank**, established by the African Development Bank, employs tools to identify sub-segments of the youth population that are most marginalised in society (principle 1: inclusivity). Its board of directors also includes a representative from Liberia's umbrella youth organisation (principle 2: youth empowerment).
- **The Multi-Partner Trust Fund for Sustaining Peace in Colombia** has collaborated with youth-led organisations to disseminate findings from a truth commission report (principle 5: collaboration and partnership).
- As the first impact investing organisation in Ukraine, **the Ukrainian Social Venture Fund** plays an active role in attracting and mobilising further capital for social impact (principle 9: learning and sharing). The Fund's ability to adapt during the first Russian invasion also exemplifies the importance of agile funding in driving impact (principle 6: innovation and adaptability).
- The **Near East Foundation** leverages benefits from blended finance modalities to drive sustainable impact and catalyse additional impact finance. In Sudan and South-Sudan, the NEF used outcomes-based financing to align incentives between stakeholders and embed revolving funding into three consecutive and expanding development impact bonds (principle 6: innovation and adaptability).

→ **More on the case studies can be found in Annex 2 (pages 43-46) of the Investors' Guide.**

Engage with us!

IPYP is a multi-stakeholder platform that seeks to foster meaningful collaboration and partnerships between investors, corporates and other private sector actors and youth peacebuilders. As investors explore how they can onboard YPF, the IPYP Secretariat would welcome a discussion on how we can support.

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IPYP Investing and Partnering with Youth for Peace

Dag Hammarskjöld Foundation

Robert Bosch Stiftung

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