Supporting Public Development Banks in their Commitments to Financing the Sustainable Development Goals and Paris Agreement

Based on UNDP's support to financing the SDGs

Input paper to the 2nd Finance in Common Summit
2021

FINANCE SECTOR HUB

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UN Secretary General's remarks at the Finance in Common Summit, 2020

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Input paper to the 2nd Finance in Common Summit

I. Context:

Six years after the adoption of the 2030 Agenda and anniversary of the Paris Agreement, we can see more than ever, given the COVID-19 pandemic and its effects on lives and livelihoods worldwide, that these two agendas are inextricably intertwined and present urgent investment requirements.

To achieve the Sustainable Development Goals (SDGs) as outlined in the 2030 Agenda will require actors across public and private sectors to work together at scale. Global financial assets stand at a value of $431 trillion but this finance does not necessarily align with the SDGs or flow to the geographies that need it most for progress on the SDGs. Hence the problem is one of alignment and delivery of both public and private capital.

The challenge of financing the SDGs is not just a challenge of mobilizing more money - it is more systemic than closing any financial gap. The challenge demands the re-orientation of how public and private investors, banks, businesses and governments interact with each other to create a system to achieve results in the three dimensions of sustainable development: economic, social and environmental.

Public development banks (PDBs) are uniquely positioned to play a leading role in this transformation by providing concessional finance where it is most needed and leveraging private finance for a shift of the whole financial system. There is an opportunity for PDBs to invest in just transition programs, scale up SDG-aligned financing mechanisms, increase sport for adaptation and resilience, particularly for the most vulnerable groups, and adopt norms, standards and certification mechanisms for sustainable finance.

The first edition of the Finance in Common Summit was a first step in strengthening joined-up approaches and underscored the crucial role of PDBs in reconciling short-term countercyclical responses with sustainable recovery measures that will have a long-term impact on the planet and societies.

We also know that the action required to achieve these results happen at the country level and require governments and partners both public and private to align and integrate resources, technical capacities and strategies to SDG and climate results in the recovery context. As such, the United Nations, including UNDP as the lead technical agency present at the country level, is committed to partnerships and collaboration that reinforces putting the SDGs at the heart of the financial system and manifesting integrated approaches to financing the SDGs at country level.

II. Background and objectives:

At the first edition of the **Finance in Common Summit (FiCS)**, the UN expressed their support for the coalition, encouraging PDBs to scale and implement commitments for SDGs and climate impact, and as observers to the FiCS, support commitments aligned to the Secretary General's Roadmap for Financing the 2030 Agenda.

The Summit's **Joint Declaration** affirmed banks' willingness to collectively shift their strategies, investment patterns and operating modalities

[1]Global Outlook on Financing for Sustainable Development, OECD 2021

to align with sustainable finance principles and contribute to the achievement of the SDGs and the objectives of the Paris Agreement while responding to the Covid-19 crisis. The Declaration also included the role of PDBs alongside other development finance stakeholders for investments to translate into sustainable and accountable impacts, building on countries' **Integrated National Financing Frameworks (INFFs).**

As observers to the FiCS Executive Committee and lead of the UN cluster on alignment of both public and private finance with the SDGs, UNDP has identified key tools, standards and initiatives which support the commitments of the Finance in Common Joint Declaration. As such, this note aims to: i) share how UNDP is contributing to the Finance in Common action areas alongside relevant PDB and partners; and ii) present how UNDP can support PDBs to implement their commitments, providing information on key tools, initiatives and country-based support available.

III. How UNDP is taking action to achieve Finance in Common ambitions

The SDGs and the Paris Accord provide the framework to direct finance towards development impact. This is how the UN approaches putting the SDGs at the heart of the financial system - through public-private collaboration and linking finance with impact through the SDGs. This also speaks directly to the FiCS' Joint Declaration commitments and subsequent action areas, where UNDP and DESA[2] as observers to the coalition is supporting policies, institutions and instruments that maximize the impact of public and private finance on the SDGs at both global and country levels.

At the global level, this includes convening of key institutions to advance collaboration across sectors and set common global objectives, such as the annual **SDG Investment Fair** where partners including PDBs to discuss concrete investment opportunities, and the **Global Investors for Sustainable Development (GISD) Alliance** in which the UN Secretary-General gathers prominent business leaders from all regions of the world to generate solutions to scale up finance and investment for the SDGs, including through leveraging on initiatives and networks that have already been launched as well as delivering concrete reforms to promote and accelerate long-term finance and investment in sustainable development. In addition to engagement with the FICS, the GISD has collaborated with the International Development Finance Club (IDFC) and PDBs for example regarding the Harmonized Indicators for Private Sector Operations (HIPSO) and G20 Sustainable Finance Working Group. **See more in Annex 2 and 3.**

In respect to access to private capital, UNDP complements those working on pipeline development in emerging economies with services that facilitate the flow of that capital to SDG related investment opportunities. UNDP does this through **SDG Investor Maps** which identify key SDG-related investment opportunities at the country level, and the recently created SDG Investor Platform, together with the SG's Global Investors for Sustainable Development Alliance and DESA. This Platform now includes the results of SDGs Investor Maps in 15 countries, with 252 **concrete investment opportunity areas.** **See more in Annex 1.**

UNDP's Finance Sector Hub

Given its track record working in public finance and private sector development, and more recently in unlocking private capital for the SDGs, UNDP established the SDG Finance Sector Hub (FSH) which offers a comprehensive package of methods and tools to enable governments, the private sector and international financial institutions to accelerate financing for the SDGs. From supporting national strategies that deepen public-private collaboration to developing global Standards for Private Equity funds, SDG Bonds and Enterprises, and investor maps for SDG-enabling investment at global, regional and national levels, the FSH brings the best of UNDP to accelerate progress of the SDGs.

Supporting its public and private partners, UNDP prioritizes response to COVID- 9 in ways that contribute to the overall objective of strengthening the finance systems necessary to achieve the SDGs. There can be no sustained COVID-19 recovery without building back better and adopting a more robust approach to financing the SDGs. Critical to a strengthened financing system will be ensuring complex risks are at the heart of financial decision making. Pandemic, climate and disaster risk, and economic shock will all need to be considered simultaneously as we consider financing a next generation of development plans. Equally important will be renewed trust in the institutions that make the financial decisions that determine our future.

[2] DESA Financing for Sustainable Development Office is part of the research program that supports IDFC and has co-authored a research paper on "Matching instruments with risks in development banks".

An example of UNDP's efforts to harness greater collaboration at the global level is in its support to the **G20 Sustainable Finance Working Group** for which UNDP been asked by the Italian Presidency to function as a Secretariat, under the leadership of USA and China. In that function UNDP is supporting evidence-based discussion for the creation of a G20 Sustainable Finance Roadmap[3] , which aims to provide guidance for the acceleration of sustainable finance around the world.

Recognizing the crucial role played by IFIs in driving and enabling country-owned ambitious climate action, as well as unlocking private climate financing, one of the five Roadmap's focus area prioritizes actions for enhancing the role of IFIs and public finance incentives in supporting the implementation of the Paris Agreement and the SDGs. As part of SFWG deliverables, the Secretariat has developed a list of international organizations, networks, and initiatives that are undertaking work supporting MDBs and NDBs in raising their ambition on climate action and assisting developing country partners in helping domestic financial systems align with the goals of the Paris Agreement.

Among its three priority areas advanced in 2021, the SFWG studied the role of International Financial Institutions, especially Multilateral Development Banks (MDB), in supporting the goals of the Paris Agreement and Agenda 2030. Building on inputs from the Paris Alignment Working Group (joint MDB working group), the SFWG developed a series of recommendations aiming at accelerating MDB progress and closing the gap between the scope of MDB climate work programs and the scale and speed required to achieve the goals of the Paris Agreement and the Agenda 2030. **See more in Annex 2.**

UNDP also recognizes the centrality of enabling improved impact management at the global level, so as to shift current systems of decision-making to put impact on people and the planet at the center of how business and investments are done. This is essential to successfully, authentically and verifiably put the SDGs at the heart of the financial system and moving from alignment to the SDGs to actions and actual impact. . The **OECD-UNDP Impact Standards for Financing Sustainable Development (IS-FSD)** provide a framework for donors, development finance institutions (DFIs) and their private sector partners to make financial decisions and manage projects in ways that generate a positive impact on sustainable development, and improves the transparency of development results. The Standards seek to strengthen impact integrity and the capacity of investments to optimise contributions to sustainable development outcomes. In combination with **SDG Investor maps** which ensure capital is allocated where it can be most profitable and impactful at the local level, the Standards help ensuring such capital is managed considering impact at the core thus increasing its chance to contribute positively to the SDGs. **See more in Annex 1.**

At the national level around the world many countries are putting in place new or revised medium-term sustainable development plans to drive recovery from the effects of the covid-19 pandemic and build forward better toward their long-term sustainable development visions. The financing contexts in which this new generation of national development plans will be implemented are characterised by high financing needs, major recent or ongoing shocks across the public and private financing landscape and heightened uncertainty about the medium-term outlook.

Within these contexts, countries are using **Integrated National Financing Frameworks**, as highlighted in the FiCS Joint Declaration, to structure and bring together robust financing strategies that articulate the measures to be taken to mobilise, leverage and align the financing needed to realise their national development plans. These financing strategies bring together existing policies with opportunities for innovation and reform within a holistic, integrated framework. They aim to enable government to use and align the full range of policy tools (both existing and new) at its disposal for mobilising, leveraging and aligning investments in national priorities.

With UNDP's support as INFF technical lead in 70 countries, financing solutions and technical assistance opportunities are being identified to support the mobilization, leveraging and effective management of financing for development for national priorities. The INFF is also serving as a partnership platform, for example with the EU, IMF, UNDP and UNDESA establishing a 'scorecard' approach to map their respective activities which has been applied across a number of countries pursuing INFFs across the Africa and Asia-Pacific regions. UN DESA is also supporting selected countries to mobilize and align financing with national sustainable develop

[3]Note that the G20 Sustainable Finance Roadmap is still in a draft version and needs to be agreed by SFWG Members.

ment priorities under the framework provided by INFFs, together with UNCTAD and the 5 UN Regional Economic Commissions, in close coordination with UNDP and country Resident Coordinator Offices. . Additional INFF global guidance materials targeting specific sectors (e.g. climate change, transport, health), financing instruments (e.g. green and blue bonds), and types of countries (e.g. SIDS, LDCs) is being produced by the **Financing for Development Inter-agency Task Force**[4] under DESA's leadership. **See more in Annex 4.**

As a voluntary, country-led approach, SDG financing strategies are being tailored to national contexts and priorities including gender equality, youth empowerment, social protection, green growth and NDCs, education, health, and territorial development. INFFs offer a flexible approach for strengthening financing for these priorities within national institutions, bringing together existing elements within a more integrat-ed, holistic financing framework including regulatory and policy reforms. They also are serving as partnership platforms for SDG finance at the country level, with IFIs and MDBs engaging in the design process.

For example, Public Financial Management or Public Investment Management reform is a well-established area of support from the IMF, IFIs and other partners. When requested, UNDP complements their support with specific assistance to accelerate the integration of the SDGs into those government led reform agendas. For example, supporting **SDG budget coding and tracking in Ghana** or integrating the SDGs into **budget guidelines in Mongolia.**

Example: UNDP support to the Development Bank of Mongolia

UNDP has been cooperating with the Development Bank of Mongolia (DBM) in their adoption of the sustainable financing principles into their strategic planning and operations. As the DBM raises its funds from international financial market through loans and bonds, it has become increasingly important for DBM as well as a requirement from global investors that they have a proper framework in place and align their operations with sustainable financing principles.

UNDP has been supporting the practical implementation of their goal to integrate sustainability into their operations, by collaborating on the development of the sustainability policy, ESG risk policy, ESG risk assessment (generic as well as sector-specific) tools and guidelines. Based on the adoption of the complete ESG framework and alignment of their activities with the sustainable financing principles, the DBM aims to be able to better meet the demands from modern global investors and tap into the concessional sustainable financial resources, from partners such as the GCF.

Due to its size and importance in the financial industry, the alignment of DBM operations with sustainability has the impact of shifting the weight of financial flows to sustainable flows. It also has the unique opportunity to be a pioneer in the implementation of the other sustainable financing work that the country and international partners are doing, such as being the first adopter of the SDG taxonomy and MRV system that the UNDP is developing in Mongolia.

As governments and the private sector look to mobilise resources, via debt instruments, there are already well-established services provided by many organizations, as well as private sector outfits, to help financially structure and issue bonds. UNDP complements these services by providing support for governments and companies who want to ensure the use of proceeds delivers on the SDGs. UNDP is working to help bond issuers build impact into their work at all stages, using the SDG framework. We believe best way to do this is to provide guidance to bond issuers, with information and instructions in the form of assurance standards, that will help them be more accurate and impactful in developing and issuing SDG-enabling use-of-proceeds bonds.

[4] The IDFC is a member of the Inter-agency Task Force on Financing for Development and contributes to its annual report, the Financing for Sustainable Development Report. The IDFC made significant contributions to the 2021 FSDR, with most chapters of the 2021 FSDR including some mention of PDBs. In particular, the IDFC made significant contributions to the 2021 FSDR thematic chapter on risk-informed sustainable finance and development. The IDFC has also contributed to prior year reports, including a section on PDBs in the systemic chapter of 2019 FSDR.

Examples of SDG-related bond support

China

An example of a PDB adopting the SDG Impact Standards is the New Development Bank (NDB) which successfully issued a 3-year fixed rate RMB 5 bn ($767m) SDG Bond in the China Interbank Bond Market in March 2021. The SDG Bond was issued using the UNDP SDG Impact Standards for Bonds and UNDP SDG Finance Taxonomy (China), which verifies and authenticates the bonds' contribution to SDGs. The issuance garnered strong interest from a diversified investor base both onshore in mainland China, as well as offshore. The China SDG Finance Taxonomy, which is the first project classification system based on the SDGs, is a practical tool for operationalizing the "management approach" component of the Bond standards, by providing indicators/metrics to verify and benchmark the bonds contribution to the SDGs.

Indonesia

Since leading as the world's **first sovereign Green Sukuk issuer** in 2018, the oversubscription of which signaled huge interest from the global market, the Indonesia Ministry of Finance has raised more than US$2.75 billion from three annual issuances. The proceeds have financed and re-financed projects in renewable energy, energy efficiency, sustainable transportation, waste to energy and waste management, as well as climate resilience for vulnerable areas.

UNDP has **provided ongoing support** to the Ministry of Finance and relevant line ministries in developing and issuing Green Sukuk, including providing technical assistance and capacity-building, assisting with project selection, impact reporting, advocacy at national and international events, as well as analysis and research development.

Uzbekistan

In 2021, Uzbekistan has become one of the first countries in the region to **issue a sovereign SDG Bond,** facilitating the transfer of resources from private funds to finance public SDG-oriented programmes in seven areas: Education (SDG 4); Water Management (SDG 6); Health (SDG 3); Green Transportation (SDG 9 and SDG 11); Pollution Control (SDG 11); Management of Natural Resources (SDG 13 and 15); and Green Energy (SDG 7). The Ministry of Finance invited UNDP to partner on this initiative and to ensure that the bonds are aligned with national SDGs targets and indicators.

In order to support countries in their strategies for alignment with Paris Agreement and in support of implementation of Nationally Determined Contributions (NDCs), **UNDP is also supporting countries** to achieve transformational development progress by scaling up action on climate change. Specifically, countries will use their NDCs as a tool for transitioning to a climate-resilient, zero-carbon pathway which will help them lock in adequate sustainable infrastructures to meet the complex economic, societal and planetary needs of the 21st century. **UNDP's Climate Promise** is the world's largest offer of support to countries on NDCs, assisting 119 countries in collaboration with 35 partners, as a contribution to the NDC Partnership. It draws upon UNDP's extensive portfolio of expertise across priorities such as energy, forests, water, resilience, agriculture, health, youth, finance, governance, gender equality and green jobs. **See more in Annex 5.**

Aiming to tackle poverty and inequality and to support "just transition", UNDP has developed a corporate social protection offer building on the social protection component of COVID-19 2.0 offer which aims to provide not only immediate relief but also look beyond recovery, towards 2030. As such, it is part of UNDP's response to the new economic paradigm called for by the current crisis and is centered on a new social contract that is people centred and creates equal opportunities and respects human rights. The offer leverages opportunities for digital, green and governance transformations, and focuses on (i) protecting people from multiple vulnerabilities, targeting the poorest and most vulnerable, and (ii) empowering them by increasing productive capacities and enhancing capabilities. This multidimensional approach to social protection is a key policy lever to connect and contribute to other development goals, such as fighting climate change, promoting gender equality, sustainable patterns of consumption and production, social cohesion, human rights and the rule of law.

To increase the financing, such strategies may include: redirecting existing state funds or prioritizing social protection in budgetary allocations; creating new streams of revenue that could be used for social protection or promoting formal employment and increased compliance with social security law, etc. UNDP supports countries to implement nationally appropriate social protection systems, progressively leading to a universal coverage , improved adequacy, promotion of equity and higher spending on social protection, including through support in assessment of financial capacities and identification of fiscal spaces. UNDP as a partner of the FiCS Coalition for Social Investment (led by CEB and AFD) is offering this support and experience to PDBs. See more in Annex 9.

UNDP also supports countries affected by **conflict and fragility**, including throughout the COVID-19 crisis, working with MDBs on joint diagnostics, implementation and seeking to effectively leverage complementary resources, capacities and roles. An example of tripartite collaboration with the World Bank is support to IDA implementation in Yemen through the **Yemen Emergency Crisis Response Project (YECRP).**

IV. Collection of initiatives aimed at supporting Public Development Banks in their Finance in Common commitments

"On the emergence of a global framework for SDG-compatible finance"

Supporting banks and investors to align public and private finance to SDG outcomes through the use of common standards and methodologies. Aligned to the following FiCS action areas:

28. Collectively contribute to the preparation and implementation of common methodologies for the characterization of SDG- and Paris Agreement-aligned investment (building on the work of OECD and UNDP on SDG-compatible finance, on the work carried out by the MDBs and IDFC on Common Principles for Climate Finance Tracking and on alignment, as well as on other existing work on green investment and sustainable finance taxonomies, such as the International Platform on Sustainable Finance (IPSF);

31. Enhance the crowding in of private investment and work to increase the scale and sustainable development impacts of private financial flows, and foster capital market development and the alignment of these markets with the SDGs and the Paris Agreement.

38. Share and apply best practices and internationally accepted norms and standards on environmental, social and governance (ESG) in our policies, and develop risk mitigation and management plans.

1 UNDP-OECD Impact Standards for Financing Sustainable Development (IS-FSD) and SDG Impact Standards

On the sidelines of the Summit, UNDP and OECD launched the **OECD-UNDP Framework for SDG Aligned Finance,** which identifies solutions to shift the trillions of dollars available in development finance towards more sustainable and resilient investments and to further mobilize investment, especially to least developed countries, small islands developing states, and developing countries.

A growing number of investors and corporates aim at coupling financial returns in developing countries with positive social, economic and environmental impacts. However, the way they measure those impacts can be at odds with actual managing practices, and important aspects such as transparency, the protection of human rights and local stakeholder consultation are not systematically taken into account. In order to help mend these gaps, the **OECD-UNDP Impact Standards for Financing Sustainable Development (IS-FSD)** provide a framework for donors, development finance institutions and their private sector partners to make financial decisions and manage projects in ways that generate a positive impact on sustainable development, and improves the transparency of development results. The Standards, launched in May 2021 and approved by the OECD Development Assistance Committee in March 2021, constitute a best practice guide and self-assessment tool.

UNDP's ambitious contribution to enabling this shift is the SDG Impact Standards: they are the organizing framework for business, investment, and organizational decision-making that ensure adequate and holistic considerations of the SDGs in an entity's strategy, governance, management approach, and transparency. The Standards focus on practice, i.e. the way things are done and decisions are made, and consist of four sets of Standards for different audience: : the OECD-SDG Impact Standards for DFIs and the SDG Impact Standards for PE, Bonds, and Enterprises (see below). Promoting the awareness and use of these Standards (with its accompanying assurance system) should constitute a cross-cutting tool advance PDM advance its commitments. Gradual global adoption of the Standards will create a common language and framework within which to manage authentically for sustainable development across all 17 SDGs.

a. SDG Investment Platform and SDG Investor Maps

The **SDG Investor Platform** - established in partnership with the GISD Alliance led by DESA - provides private sector investors with access to country level market intelligence, including on-the-ground insights on the local investment landscape and investor connections. The Platform hosts the findings from **SDG Investor Maps** produced by UNDP country offices in collaboration with local partners and experts. SDG Investor Maps provide localized insight into sectors and market conditions that advance the SDGs. The methodology identifies Investment Opportunity Areas (IOAs) and business models that could advance the SDGs. These opportunities are backed by actionable data to guide investor decision-making. As of August 2021, the SDG Investor Platform hosts **66 Investment Opportunity Areas [IOAs] that directly or indirectly map to SDG** 7 [Access to Affordable and Clean Energy] and SDG 13-[Climate Action], accounting for almost 25% of the total IOAs hosted on the platform. The SDG Impact team has begun exploring possibilities with the UNDP Climate team to develop SDG Investor Maps with thematic deep dives on Climate Finance (tbc). The SDG Investor Maps are built with a gender and marginalization lens to ensure the potential impact, needs, and opportunities related to different gender and marginalized groups inform the analysis and emergent IOAs, both as cross-cutting and as specific issues.

To assist investors to move a step further in their search for investment opportunities, UNDP plans to launch a new service offer to identify and aggregate a pool of investment-ready enterprises within the sectors and IOAs of the SDG Investor Maps for different countries, using the already existing methodology of the Growth Stage Impact Ventures (GSIV) programme. The GSIV programme is a highly competitive process developed by UNDP to identify enterprises from developing countries that have developed at-scale products and services that contribute to the SDGs while achieving commercial success. This pipeline of enterprises can be used by financial intermediaries (brokers) to close deals: using the GSIV pipeline for a given country will reduce pre-investment costs making it interesting to both investors and financial intermediaries to use it.

b. SDG Impact Standards for Bonds Issuers

The Standards set out an internal decision-making framework to help Bond Issuers develop and implement an impact strategy to contribute positively to sustainable development in line with the SDGs and link that impact strategy to the SDG Bond Program and the Issuer's organization-wide strategy. Within the scope of the defined impact strategy, the Standards help Bond Issuers direct attention and resources to where they can optimize their SDG contribution by focusing on all material positive and negative impacts. Embedding the Standards into management decision-making will strengthen impact performance and facilitate higher quality and more consistent disclosures.

c. SDG Impact Standards for Private Equity

These Standards are for private equity, debt and venture capital fund managers (Private Equity Fund Managers) who want to make a positive contribution to sustainable development and achieving the SDGs through one or more of their Funds. They provide a roadmap and practical guidance to translate that intent to action. The Standards are provided as a public good. They are voluntary and freely available for all to use as best practice standards and a self-assessment tool. They are new and pioneering. Several stages of consultation, including two public consultations, provided critical practitioner and expert feedback. More lessons will come from fund managers putting them into practice, and these lessons will be reflected in future version releases.

d. SDG Impact Standards for Enterprises

The Standards are designed to support donors in the deployment of public resources through development finance institutions (DFIs) and private asset managers, in a way that maximises the positive contribution towards the SDGs. The **Standards are for all Enterprises** committed to operating sustainably and contributing positively to sustainable development and the SDGs – regardless of size, geography, or sector – including publicly listed Enterprises, public interest, and private entities (both for-profit and not-for profit), non-governmental organizations (NGOs), small and medium Enterprises (SMEs) and state-owned and other public sector entities. They are equally relevant for Enterprises seeking to avoid or reduce negative impacts in their direct operations and supply and value chains (e.g., Enterprises transitioning to a net zero carbon future), as for those seeking to create positive impacts for existing and new customers and other Stakeholders through their products and services. Implementation of these Standards will look different depending on the type, size, and operating context of the Enterprise in question, but the Standards are flexible enough to accommodate this and, as in any audit or assurance assignment, assurers are expected to exercise appropriate judgement to account for these differences when forming their assurance opinions.

The Standards provide donors, DFIs and private investors with a joint best practice guide and self-assessment tool with which to integrate impact management into investment practices and decision-making. By aligning with the Standards, all development finance actors can show their intention to contribute positively to SDGs and assess their positive and negative effects on people and the planet.

2 Engagement with the G20 Sustainable Finance Working Group (SFWG)

Supporting greater comparability, interoperability, and consistency of alignment approaches and working towards consistent, comparable, and decision-useful disclosures are two main objectives of the G20 Sustainable Finance Roadmap. Under the upcoming G20 Presidencies, the SFWG will most probably continue to monitor and support the development of sustainable finance taxonomies and sustainable reporting standards.

As Secretariat to the **G20 Sustainable Finance Working Group,** UNDP is supporting evidence-based discussion for the creation of a G20 Sustainable Finance Roadmap [5], which aims to provide guidance for the acceleration of sustainable finance around the world.

The DFIs are encouraged to play a key role in operationalizing the G20 Sustainable Roadmap, especially on market development actions, including in leveraging private finance, assisting developing country partners in helping domestic financial systems align with the goals of the Paris Agreement, developing tools to eliminate barriers to sustainable investments with the objectives of promoting private sector investment in climate, or rolling out capacity building initiatives. Depending on the priorities set by future Presidencies, starting with Indonesia for 2022, DFIs could be welcomed to engage with the G20 SFWG, especially by preparing input papers to support its discussions.

3 Global Investors for Sustainable Development (GISD) Alliance

The **Global Investors for Sustainable Development (GISD) Alliance** gathers 30 prominent business leaders from all regions of the world that were convened by the UN Secretary-General to arrive at solutions to scale up finance and investment for the SDGs. The main objective of GISD is to generate solutions to scale up finance and investment for the SDGs, including through leveraging on initiatives and networks that have already been launched as well as delivering concrete reforms to promote and accelerate long-term finance and investment in sustainable development.

GISD Members met with Mr. Rémy Rioux, Chairperson of the IDFC, to discuss shared objectives. Participants agreed that the shared scope of promoting “sustainable development investment”, as a broader agenda than just climate, offers considerable synergies. Another meeting will take place before the second Finance in Common Summit. GISD gathered feedback from the PDBs that are members of the Harmonized Indicators for Private Sector Operations (HIPSO) initiative regarding GISD’s recommendations for sector-specific, SDG-related metrics for company reporting. GISD Secretariat and the EC also wrote an input paper on improving the interoperability of approaches to align investments with the SDGs for the G20 Sustainable Finance Working Group, which included a number of MDBs as contributors.

The Alliance is engaging with PDBs in the following ways: (1) There are plans for GISD members to participate in the Finance in Common summit that will take place in Rome during the autumn, to draw in private sector perspectives into the cross-cutting issues surrounding sustainable finance; (2) GISD is preparing a list of key issues that MDBs need to address to better catalyse private investment in sustainable development; and (3), GISD and the Global Infrastructure Facility (GIF) -a G20 initiative supported by the World Bank- are working together towards the structuring of a blended finance fund for sustainable infrastructure. This fund aims to provide an innovative financial and legal framework to allow multiple MDBs and institutional investors to co-fund sustainable infrastructure in developing countries in an efficient, systematic, and replicable manner.

[5] Note that the G20 Sustainable Finance Roadmap is still in a draft version and needs to be agreed by SFWG Members.

"On implementation of national and local sustainable development policies and investment programs aligned with the SDGs; and contributing to debt sustainability, by implementing sound and sustainable financing practices"

Supporting ministries of finance and key institutions at country level to design and implement INFFs and SDG financing strategies which include harmonization of financing policies designed to promote alignment with sustainable development across the financial sector. These offers below align with the following FiCS action areas:

29. Set up ways to increase our contributions to the elaboration and implementation of national and local sustainable development policies and investment programs aligned with the SDGs and the Paris Agreement, pursuant to our public interest mission;

30. Provide non-financial services in order to inform national policymakers and contribute to the definition and the operationalization of long-term sustainable development trajectories.

4 Integrated National Financing Frameworks

In the context of the recovery from Covid-19 and the **Decade of Action** governments are developing **INFFs** to strengthen the links between medium term development plans and financing strategies that mobilise and align public and private finance with sustainable development. UNDP, DESA and EU are jointly supporting 70+ countries to design INFFs which responds to demands for ministries of finance to align national plans with financing strategies. INFFs provide a framework for aligning investment and financing policies across the public sector at large – including tax policy, budgeting, public debt and management of public entities – with national sustainable development objectives. They help governments to use their policy tools to leverage private investment to increase the scale and sustainable development impacts of private financial flows, and foster capital market development and the alignment of these markets with the SDGs and the Paris Agreement.

As Ministries of Finance led processes to assess and tailor the INFF approach to national institutions and priorities, they are bringing PDBs including MDBs into the process. PDBs are also engaging with INFFs through aligned technical assistance at country level including around public financial management and budgeting for SDG/climate results, supporting INFF dialogue platforms and aligning country strategies with evolving financing frameworks. This includes IMF-UNDP collaboration to map joint support to ministries of finance and share knowledge across countries around public financial management for SDGs.

PDBs can engage with government-led INFF platforms to support: development of guidance on how national PDBs and international MDBs can engage effectively in INFFs; promote alignment in the country strategies, assessments and diagnostics, technical assistance and financing instruments that MDBs deploy at the country level, with the priorities articulated through national INFF processes and financing strategies; deploy tools, standards and management systems that promote greater sustainability and inclusivity in the businesses that PDBs lend to and invest in; and engage actively in national processes to develop standards, taxonomies and policies designed to promote alignment with sustainable development across the financial sector.

"On strategies for alignment with Paris Agreement and in support of implementation of Nationally Determined Contributions (NDCs)" and "energy transition and promoting sustainable alternatives to fossil fuel investments"

These initiatives below align with the following FiCS action areas:

1. Align our activities with the objectives of the Paris Agreement;

2. Strive to develop, operationalize and scale-up strategies and methodologies of alignment in the perspective of COP26, in support of the definition and implementation of Nationally Determined Contributions (NDCs) and long-term strategies to reach zero net emissions as early as possible in the second half of this century;

3. Mainstream resilience and adaptation in our strategies and operations and enhance action to fund the definition and implementation of national adaptation plans;

4. Help redirect private financial flows in support of low-carbon and climate-resilient sustainable development;

5. Stand ready to support governments to accelerate climate action and ambition to move away from high-carbon, resource intensive and polluting activities, and avoid maladaptation;

6. Increase the pace and coverage of investment in renewable energy, energy efficiency and clean technologies to accelerate equitable access to clean energy and the energy transition;

7. Work together to leapfrog renewable energies into countries where there is little or no such development;

8. Support and promote sustainable alternatives to fossil fuel investments and consider ways and means of reducing these investments, contributing to the ambition of long-term low-carbon development trajectories and NDCs towards a decarbonized society;

9. Consider the range of fossil fuel investments in our portfolios, avoid stranded assets, and work towards applying more stringent investment criteria, such as explicit policies to exit from coal financing in the perspective of COP26.

41. Take into account and manage direct and indirect climate, biodiversity, environmental and social risks and opportunities, inspired by existing international initiatives and recommendations such as those of the Task Force on Climate-related Financial Disclosures (TCFD); the Task Force on Nature-related Financial Disclosure (TNFD) work; or Mainstreaming Climate Action in Financial Institutions;

42. Enhance implementation of instruments that can shift investments to sustainable asset classes, such as using a shadow price of carbon, and provide adequate information on the degree of alignment of our portfolios with the Paris Agreement and on SDG reporting.

5 The Climate Investment Platform (CIP)

To support the flow of finance from public and private actors to countries' climate-related projects **Climate Investment Platform (CIP)** was launched during the Secretary-General's Climate Action Summit in 2019. The CIP is a partnership between UNDP, IRENA, SEforALL in collaboration with the GCF. which focuses on unlocking investment needs in least developing countries, supporting their pursuit of green transition currently focusing on supporting energy transition and promoting sustainable alternatives to fossil fuel investments.

The partners support countries in a complementary manner with elements such as target setting, establishment of an enabling legal and regulatory frameworks, vast network for matchmaking and international visibility, and development of risk mitigation measures to encourage capital flows. The CIP recently concluded a **call for proposals** to unlock investments in projects that advance climate action and energy security in Small Island Developing States (SIDS). The selected projects will help fund clean energy opportunities in the island nations—who are among the most vulnerable to climate change—through public sector entities and public-private partnerships.

6 Partnerships with development finance institutions, MDBs or NDBs

UNDP can leverage its extensive experience with vertical funds (eg. the GCF and the GEF) as well as it´s country presence to support National or Regional Development Banks with the development of projects combining multiple financial instruments and provide technical assistance to specific technical components for maximal development benefits. In this approach UNDP can support institutions that can act as the Accredited Entity in an executing role for specific technical assistance components or with parallel projects/programmes where UNDP comparative advantage can add value. UNDP can also serve as the Accredited Entity and work with DFIs/development banks in co-financing projects. UNDP currently has 32 projects approved under GCF and $1.1 billion in grants mobilized.

7 UNDP Energy Offer

UNDP recognizes that affordable and reliable energy is fundamental to achieving prosperity for all. Access to energy is a precondition for health, education, and economic prosperity: an essential multiplier for all the Sustainable Development Goals. A low-carbon energy transition will create jobs, cleaner infrastructure, and a resilient future for all. By harnessing technologies that already exist and directing public and private finance towards next-gen clean energy solutions, we can positively meet the energy demands of our current and future global population equitably, affordably, and efficiently.

The first objective of UNDP is increasing energy access for those furthest behind. By speeding up investment in distributed renewable energy solutions, especially for those hardest to reach and in crisis contexts, it aims to increase access to clean and affordable energy for 500 million people.

Second, UNDP will work to accelerate the transition to renewable energy through systems changes that support inclusive, green economies, particularly in countries with low levels of renewable energy generation or poor energy-efficiency improvement rates. UNDP will work to ensure that such transitions are fair, their impact on the vulnerable understood and mitigated.

UNDP offers five service lines : 1) Policy Advisory Services - Clean energy and energy efficiency investment-ready policy and regulatory environments (including Fossil Fuel Subsidy Reform); 2) Digital Transformation & AI-Digital – Digital tools to enhance energy planning, project preparation, investment mobilization and result tracking; Innovative Business Models and Financial Mechanisms - Advisory services to support the structuring of innovative business models and financial mechanisms to accelerate energy access and the clean energy transition; 4) SDG Integration - Integrated solutions for sustainable development, linking energy across the SDGs and the Paris Agreement 5) Thought Leadership and Advocacy - Developing technical insights and mobilizing stakeholder engagement for the energy transition.

The Africa Mini-Grid Market Acceleration Programme, for example, is improving the financial viability of renewable energy mini-grids in 18 countries, encouraging private investment, lower tariffs and expanded service.

8 UNDP Derisking Renewable Energy Investment (DREI) Framework

DREI is an innovative approach to assisting policymakers in developing countries to cost-effectively promote investment in renewable energy. The DREI methodology systematically identifies the barriers and associated risks which can hold back private sector investment in renewable energy. It then assists policymakers to put in place packages of targeted public interventions to address these risks. Each public intervention acts in one of three ways: either reducing, transferring or compensating for risk. The overall aim is to cost-effectively achieve a risk-return profile that catalyses private sector investment at scale. The end objective is reliable and affordable renewable energy solutions in developing countries. DREI methodologies are applicable for sub-sectors including off-grid (solar PV-battery minigrids and solar home systems)and grid-connected (Utility-scale PV and wind).

One example of UNDP’s work is the **Africa Minigrids Programme (AMP),** UNDP’s flagship initiative on energy access in Africa. AMP is a new, country-led USD 45m technical assistance program for minigrids, active in 18 African countries. AMP is expressly targeting early-stage minigrid markets, seeking to establish the enabling environment for subsequent private investment at scale. AMP’s priority areas of focus are (i) well-designed policies and regulations, (ii) seizing the digital opportunity, and (iii) advancing productive use models. With GEF funding, UNDP is implementing AMP, together with the African Development Bank and the Rocky Mountain Institute, to be implemented in 2022-26.

9 UNDP is a partner of the FiCS Coalition for Social Investment

As a partner engaging closely with FiCS Coalition for Social Investment (led by CEB and AFD, UNDP can contribute to the FiCS thematic group with policy and research on social protection, and upgrading inclusion strategies at national and local levels, enhancing the efficiency of social policy spending and improving human development outcomes, or to also work on the identification of financing gaps/needs for social infrastructures. Tools to be aware of:

- **Regional Issue Based Coalition (IBC)** on social protection. As part of this, UNDP is working with other UN agencies to **address gaps** in social protection access and coverage in the region. The IBC works towards the development of joint regional definitions and indicators, and common positions on social protection, relevant to the context and needs of the ECA region to support national reforms of social protection.

- **ISPA assessments** - A set of practical tools that help countries improve their social protection system by analyzing its strengths and weaknesses and offering options for further action. **ISPA tools** can be applied across countries, facilitating dialogue and ensuring the development of countries' social protection systems as well as international practices that will help countries to learn from each other. ISPA Assessments provide (a) an analysis of the state of a country's social protection system, a particular programme, or delivery aspect (b) entry points on how to improve and strengthen social protection in a country; (c) learning opportunities for other countries on how to analyze and develop their social protection systems.

- **SPIAC-B Platform** - The Social Protection Inter-Agency Cooperation Board is an inter-agency coordination mechanism composed of representatives of international organizations and bilateral institutions—to enhance global coordination and advocacy on social protection issues and to coordinate international cooperation in country demand-driven actions. For example, UNDP cooperates with other agencies specialized in social protection topics. That collective strength helps to support countries that want to develop their social protection systems and realize the goal of leaving no one behind and achieve the sustainable development goals.

"On social investment, fostering equality and social inclusion",

These initiatives below align with the following FiCS action areas:

18. Strive to increase access to affordable and accessible essential services such as education, housing, sustainable energy, safe water, hygiene and sanitation, as well as to social protection, including by facilitating social and financial integration of vulnerable people, including young people and the elderly, people with disabilities, indigenous, small-scale producers and rural communities, migrants and refugees, with particular attention to the specific challenges faced by women and girls

19. Promote social justice policies to reduce inequalities, including through support to tax, redistributive and domestic resource optimization approaches, social safety nets and/or insurance scheme, to the benefit of the bottom 40% of the population

20. Factor in climate change and ecosystems degradation risks and impacts, as well as resulting resilience and adaptation capacity needs, including in fragile contexts

21. Contribute to the provision of decent and sustainable jobs internally and through our operations

22. Take into account the imperative of a just, inclusive and rights-based transition