

Q2 2019 Updates

SDG Impact - Catalyzing Private Sector Capital for the SDGs

Director: Elizabeth Boggs Davidsen (elizabeth.boggs-davidsen@undp.org)

Website: <https://sdgimpact.undp.org/>

We aim to see our world radically changed, for good.

What is SDG Impact?

SDG Impact is a UNDP flagship initiative focusing on generating and leveraging private sector capital in delivering the Sustainable Development Goals (SDGs). Launched as a “start-up” in September 2018, SDG Impact aims to provide investors, businesses and others with unified standards, tools, and services required to authenticate their contributions to achieving the SDGs and to identify SDG investment opportunities in emerging economies and developing countries. The initiative highlights experimentation, innovation and partnerships as it focuses on developing prototype products and services that will be tested, refined and brought to the market in a relatively short time frame.

What is the challenge?

Achieving the SDGs will require a greater role for the private sector and significant transformation in how economic growth is generated and enterprise activities undertaken. Currently, the level of private sector investment that supports SDG achievement is low with only a fraction of globally invested assets of banks, pension funds, insurers, transnational corporations contributing to SDG progress. In addition, only a tiny portion of all private investments go to a majority of developing countries¹.

While there is growing recognition of the SDGs as a driver of long-term financial performance and business success, one key barrier for making SDG enabling investments go mainstream is the lack of a widely agreed upon definition and standards for what qualifies as SDG investments. This lack translates into significant limitations with sustainability data, including actual lack of data, inconsistent reporting metrics and accounting methods which limits comparability across companies, and use of sustainability metrics with limited correlation to financial materiality.

In developing countries, achieving the SDGs will also require a drastic increase in private sector investments. There is an estimated total SDG investment gap of \$2.5 trillion per year² in developing countries and out of this there is an annual private sector investment opportunity between \$1-2 trillion / year.³ Research also shows that achieving the Goals would lead to at least an estimated \$12 trillion per year in new market opportunities, but these remain largely untapped.

¹ Especially low income countries and lower middle income countries, see [UN World Economic Situation and Prospects 2019](#), p. 167.

² Compare with official development assistance of \$142 billion in 2016

³ Based on estimated average private sector participation in current investments in key sectors infrastructure, energy, water, agriculture etc. (UNCTAD 2014)

Why UNDP?

UNDP is the main UN development organization with a broad sustainable development mandate. On the ground in more than 170 countries and territories, UNDP works to eradicate poverty while protecting the planet. UNDP helps countries develop strong policies, skills, partnerships and institutions so they can sustain their progress. UNDP offers a global perspective and local reach to empower lives and build resilient nations.

- UNDP’s worldwide reputational authority and credibility along with its strategic role in supporting the 2030 Agenda, allows it to develop a globally unifying vision, framework and standards for what it means to invest for SDG achievement.
- UNDP’s deep development expertise and local knowledge makes it well equipped to produce trusted market intelligence on SDG investment opportunities and related impact data.
- UNDP’s global network of offices and strong relationships with local partners in the government, private sector and communities allows it to facilitate connections and flows of SDG investments, within and between countries.

Product Offering

SDG Impact Practice Standards: Developing a set of global standards for how investors and enterprises manage and measure their impacts on the SDGs. There is currently no defined standard that enables auditors to assure that an investor’s impact management practice is of sufficient quality to be considered “SDG-enabling”. This is critical to drive consistency and comparability and accountability. A draft of these standards will be ready for peer review **in June 2019**.

SDG Impact Seal: The practice standards will be codified into a scoring system that will provide the basis for a global certification Seal, which will certify that enterprises and investors have processes in place to define, manage and measure their impacts on the SDGs. A process for accrediting independent certifiers will be created who will be responsible for the certification process.

Online training program: The creation of an on-line course in impact measurement and management to convey the standards and to guide investors in developing the type of governance, data collection/management, and reporting practices needed to make investments that are authentically “SDG-enabling.” This modular on-line training course is seen as a significant development for the industry and the first step, in a three-step process, that also includes the SDG Impact Seal and corresponding certification training program.

Impact Intelligence – SDG Investment Opportunities and Impact Data: UNDP Country Offices will lead research and preparation of market intelligence for private sector investors to translate country level SDG gaps and priorities into private sector investment opportunities. The Maps will provide investors with insights into local market conditions, local SDG investment opportunities that highlight the business opportunity as well as the expected development impact of such investments. The approach will prioritize SDG targets and indicators that are most relevant to each country and highlight high potential investments that achieve selected SDG targets. The Maps will be piloted on-the-ground to ensure practicality and then refined to help ensure global replicability.

Impact Facilitation - SDG Impact Investor Convenings: Based on the impact market intelligence, SDG Impact will facilitate investor forums to increasing SDG enabling and aligned private sector investments in the country. Public-private policy dialogues will be convened to identify recommendations to improve the enabling environment for SDG aligned investments.

A Partnership Approach

SDG Impact collaborates with several key partners including the Impact Management Project (IMP) and the organizations that form the IMP Structured Network⁴. This diverse network of industry leaders and stakeholders allows UNDP to build upon already accepted impact management practices as part of an ecosystem promoting sustainable investments.

Steering Group

We are excited to announce that our first Steering Group meeting will be held on **June 20, 2019**. This Group is composed of global leaders of development, investment and industry, who will validate and confirm the work of the SDG Impact platform, and thus, the global effort to authenticate SDG enabled investment. This initiative is the first of its kind at the United Nations and the champions and thought leaders on the Steering Group represent an influential cross-section of industries from the global North and South that can collectively influence investing around the world.



⁴ Global Steering Group for Impact Investing (GSG), the Principles for Responsible Investments (PRI), the Global Reporting Initiative (GRI), the World Benchmarking Alliance (WBA), the Global Impact Investing Network (GIIN), the International Finance Corporation (IFC), the UN Global Compact (UNGC), Organization for Economic Cooperation and Development (OECD), the UNEP-Finance Initiative (UNEP-FI), Social Value International (SVI), Sustainability Accounting Standards Board (SASB).