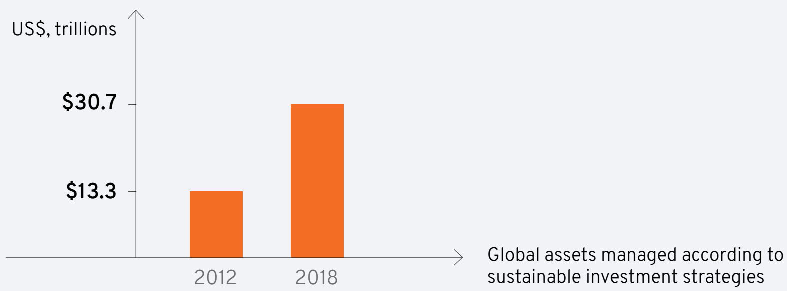
SDG Impact:
Investment Solutions for Global Impact

Sustainability is the New Standard of Investing

Investors and business leaders are committed to investing in innovative opportunities that deliver strong financial returns while **reducing poverty and inequality, advancing health and education, and protecting the environment.**

GROWING INTEREST IN SDG-ENABLING INVESTMENT



Source: Global Sustainable Investment Alliance

> *...in order to achieve the SDGs we need an international financial system that works for all countries. This needs to be combined with scaling up innovations and new financing instruments and approaches. Many developing countries need support to build capacities to maximize these opportunities. UNDP is firmly committed...to playing a key role in moving [this] agenda forward."*
>
> Achim Steiner, Administrator, United Nations Development Programme (UNDP).

Financing the SDGs: The Gap

Achieving the 17 Sustainable Development Goals (SDGs) set forth in the UN's 2030 Agenda for Sustainable Development will take between **US$5 trillion and $7 trillion per year**. However, the current level of investment by governments, development agencies, and other actors is not enough to meet these ambitious targets, which aim to **reduce poverty and inequality and improve health and economic opportunity by 2030, while mitigating the harmful effects of climate change.** The investment gap in developing countries stands at about **$2.5 trillion per year.**[1]

The private sector can play an instrumental role in closing this gap. Mobilizing just **7.76%**—$6 trillion—of the global assets under management each year will enable us to achieve the SDGs. That's less than the amount that changes hands **each day** in capital markets around the world.

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What Accounts for the Gap?

The reasons why many developing countries attract low levels of domestic and foreign investments—including SDG-aligned sustainable investments—are many and complex. However, we can pinpoint several key underlying causes:

[1] UNCTAD

- **Limited data and insights about investment opportunities and risks.** Investors and enterprises (both domestic and foreign) in developing countries often have little or no information about possible SDG-focused private-sector investments, or how to align existing investments in support of local SDG priorities.
- **Limited capacities and networks.** Despite growing interest in and momentum toward SDG-enabling investments, many developing countries do not have structures in place to advance these approaches. There is also limited understanding of how sustainable investments can help drive financial performance.
- **High real or perceived policy and regulatory risks.** These can stem from unstable political environments and weak or nascent local private sectors and capital markets, particularly in least-developed and crisis-affected countries.

Despite these limitations, interest among investors remains strong. From private equity to bonds to enterprises, investors are calling for tools that will allow them to **identify areas of need, make targeted investments, and assess their impact against a common set of standards.**

How Does SDG Impact Help Close the Gap?

In recent years, various development institutions have engaged with the private sector to enable responsible investment, resulting in several sets of useful principles and frameworks to guide these investments. However, currently **there is no common set of assurance standards** to ensure that an investor's impact management practice is "SDG-enabling."

To address the lack of authenticity around SDG-enabling investment, UNDP's SDG Impact aims to provide investors and businesses with the **clarity, insights, and tools** they need to support and verify their contributions to achieving the SDGs. SDG Impact has also developed a groundbreaking methodology to **translate development needs into investment opportunities at the local level.**

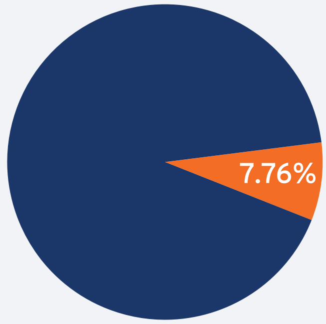
Goals and Potential Impact

Achieving the SDGs will have a transformational impact on lives around the world, paying rich dividends in the form of better economic opportunities, improved health and well-being, and a cleaner environment in which children can grow and thrive. But fulfilling this vision will also pay dividends of an entirely different sort—opening up **$12 trillion in market opportunities, and 380 millions new jobs.**[2]

Along with these new opportunities, investors and enterprises will find that higher levels of education and prosperity will produce a new generation of workers with the skills needed to take their businesses to the next level—as well as a broader client base for their goods and services.

[2] Business and Sustainable Development Commission, *Better Business, Better World*, January 2017

GLOBAL ASSETS UNDER MANAGEMENT (2018)



$6 trillion to achieve the SDGs
$74.3 trillion total

Source: Boston Consulting Group, *Global Asset Management 2019: Will These '20s Roar?*, 2019.

Our vision:

SDG Impact envisions a world in which all capital flows advance the Sustainable Development Goals.

Our mission:

SDG Impact provides investors and businesses the clarity, insights, and tools required to support and authenticate their contribution to achieving the SDGs.

Our Tools: An Overview

SDG Impact focuses on three main pillars that address the main barriers to SDG achievement:

- Impact management
- Impact intelligence
- Impact facilitation

Impact Management: Standards and Certification

This includes three sets of **Practice Assurance Standards**, for private equity, use-of-proceeds bonds, and enterprises. SDG Impact is also developing online impact measurement and management training, and an **SDG Impact Seal that would be awarded to funds or firms certified to the standards by** accredited independent certifiers.

Developed as a public good, the standards provide a way for investors to manage, evaluate, and authenticate their SDG-enabling investments. There is currently no defined standard that enables auditors to ensure that an investor's impact management practice is of sufficient quality to be considered "SDG-enabling." This is critical to drive **consistency, comparability,** and **transparency**. The standards are flexible and build on the many excellent frameworks already in place for facilitating sustainable investment, including the Principles for Responsible Investing, the UN Environment Programme's Finance Initiative, the Operating Principles of Impact Management of the IFC, Core Characteristics of Impact Investing (GINN), and others.

The standards respond to a market-led acknowledgment that more is required beyond reporting on current activities. Instead, they aim to shift practices toward investments that integrate sustainability from the outset and strive for maximum impact. Giving investors a uniform way to gauge their progress helps ensure the **integrity and authenticity** of these investments.

Impact Intelligence: Mapping Investment Opportunities

SDG Impact has also developed an innovative tool to provide investors with country-level market intelligence that highlights key intersections between development need, policy priorities, and investor interest. Our **SDG Investor Maps** provide localized insight into sectors and market conditions that advance the SDGs. The methodology identifies Investment Opportunity Areas (IOAs) that correspond to the SDGs. These opportunities are backed by actionable data to guide investor decision-making.

For example, in Brazil, the pilot SDG Investor Map identifies 21 IOAs across six sectors. Then for each IOA, we provide 17 data points across five categories. The table on page 5 shows the data points for storage infrastructure for grain value chains.

Development is about transforming the lives of people, not just transforming economies"

Joseph Stiglitz, Economist and Nobel Laureate

How do the standards advance the field?

SDG Impact is actively developing assurance standards to increase investor confidence in SDG investments.

Assurance Standards for:

- Private Equity
- Use-of-Proceeds Bonds
- Enterprises

HOW TO USE THE INVESTMENT OPPORTUNITY MAP

1. FIND

the list of Investment Opportunities, with investment descriptions, country, sector, sub-sector and SDG aligment.

2. FILTER

the Investment Opportunities according to your investment criteria, using any combination of Country Sector, Sustainable Development Goal, or Investment Timeframe.

3. SELECT

an Opportunity Area to access its full set of detailed resources, including business models, impact cases, and users and beneficiaries; economic, enabling, and risk factors; and impact management classification.

Storage infrastructure for grain value chains

OVERVIEW	• To improve key development bottlenecks in the food and agriculture sector, investment could be driven to field-side **cold or non-cold silos** used for storing export grains. • Silos could be **built/owned/operated,** or **built and leased** by experienced operators.
NEED CASE	• Brazil’s grain storage capacity of 84% is far below the FAO recommended 120%, creating systemic risk for farmers and cooperatives seeking to store bumper crops during low-price periods, and exposing them to predatory freight pricing (40-70% trucking rate hikes). • This IOA could contribute directly to SDG2, particularly 2.3.2. (food producer incomes) and 2.A.1 (government agriculture spend), and indirectly to SDG9, e.g. 9.1.2 (freight volumes).
USER OR BENEFICIARY	• This investment would be targeted towards states like Mato Grosso, Mato Grosso do Sul, Pará and Piaui, **targeting small and mid-scale grain farmers.**
ECONOMIC FACTORS	• Sampled players undertaking this model yielded **margins of 15%** (22% EBITDA). • Market sizing should account for Brazil’s **75m ton deficit** of grain storage capacity, a number set to expand given an expected **4.9% year-on-year increase in grain harvests.** • Commercializing domestic silos typically takes **6 months for steel, 12-18 for concrete.**
ENABLING FACTORS	• Investment in grain storage benefits from growing **political momentum.** • Storage is regulated (sanitary, technical specifications) through **Law 9,973** (05/[00 and ‘13). • Several **credit lines** stand out: BNDES at 5.25-6%; INOVAGRO 6.5%; BoB 2.5-4.6%. • Investment partners with stakes include Banco Bradesco, Banco Votorantim & Safra.
RISK FACTORS	• Investors should consider relatively **high capex requirements**, particularly for concrete silos, as well as strong subsector **dependencies on global commodity markets.** • If not ventilated properly (and in sealed environments), silos can produce **nitrogen and carbon dioxide gases**, presenting environmental (emission) and physical (explosion) risk.
IMPACT MANAGEMENT	• Investments falling under this IOA are likely to benefit stakeholders (**IMP classification B**), e.g. generating positive effects on positive outcomes for small and mid-scale farmers.

Impact Facilitation: Fostering Partnerships for Investment

SDG Impact also convenes **investor forums** to foster investor connections and partnerships that are aligned with the SDGs, as well as public-private **policy dialogues** aimed at improving the environment for SDG-enabling investments.

How does SDG Impact add value?

Our tools add value for companies in several key ways. They:

- **Embed good practice.** The standards provide guidance for incorporating best practices, using the most up-to-date methods, principles, and frameworks in the field.
- **Provide assurance.** They promote integrity by encouraging users to commit to transparent, universal standards and authenticate investments as SDG enabling.
- **Benchmark.** They allow for high-quality, comparable impact reporting and benchmarking.
- **Elevate standards equally.** Our tools are provided by UNDP as a public good, providing a platform that is neutral and accessible to all.
- **Support trust-building.** The standards give investors confidence that their investments are being analyzed rigorously to assure that they promote the SDGs.
- **Advance the field.** It is our hope that our tools will encourage other investors and enterprises to launch or expand their SDG-enabling ventures.

How does UNDP add value?

- UNDP's worldwide authority and credibility, along with its strategic role in supporting the 2030 Agenda, makes it well placed 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 means that it is well equipped to produce 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 among private sector players and also with policy makers.

Through **experimentation, innovation, and partnership**—backed by solid market intelligence and a common set of standards—we believe that the world can embrace the ambitious targets set forth in the SDGs.

Who can use these tools?

Our Practice Standards and Investor Maps can be used by a wide variety of institutions, including but not limited to asset owners, investors, enterprises, bond issuers, governments, development finance institutions, industry bodies, research houses, and the media.

Our tools encourage investors and enterprises to launch or expand their SDG-enabling ventures.

THE GLOBAL GOALS

For Sustainable Development

1 NO POVERTY

2 ZERO HUNGER

3 GOOD HEALTH AND WELL-BEING

4 QUALITY EDUCATION

5 GENDER EQUALITY

6 CLEAN WATER AND SANITATION

7 AFFORDABLE AND CLEAN ENERGY

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

10 REDUCED INEQUALITIES

11 SUSTAINABLE CITIES AND COMMUNITIES

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

14 LIFE BELOW WATER

15 LIFE ON LAND

16 PEACE AND JUSTICE STRONG INSTITUTIONS

17 PARTNERSHIPS FOR THE GOALS

THE GLOBAL GOALS

sdgimpact.undp.org

info@sdgimpact.undp.org | @sdgimpact | sdgimpact.undp.org

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