

## **Annex VII: UNDP Private Sector Strategy: Catalogue of Service Offers**

This annex to UNDP’s Private Sector Strategy details the initial global service offers related to its work with the private sector, which can be adapted to each the three development outcomes of the Strategic Plan (2018-2021) and directly contribute to the Strategic Plan’s six Signature Solutions, outputs and indicators (see table below). These service offers will need to be implemented in a conflict-sensitive manner.

This catalogue is a living document for the duration of the Strategic Plan. The initial offers described below will be deployed via an easy-to-use application to be curated and managed by a centralized private-sector unit and a cross-functional team. Utilizing the Global Development and SDG Country Support Platforms, the catalogue will be refined as service lines emerge and are added on a continuous basis. These service offers will be further developed to define each service offered to the private sector and governments in more detail and identify the necessary tools for implementation. Further development of the service lines will: include examples of successes and failures; identify expertise and partnerships crucial to advance these services; and detail mechanisms of cost recovery for UNDP.

Service lines	Strategic Plan outcomes	Signature Solutions	Priority Strategic Plan outputs	Priority Strategic Plan indicators
1. <a href="#">SDGs Impact Platform</a>	Outcome 1: Advance poverty eradication in all its forms and dimensions	Signature Solution Poverty #1	1.2.2 Enabling environment strengthened to expand public and private financing for the achievement of the SDGs	<p>Number of countries with an enabling environment in place leveraging additional resources from public and private sources for the SDGs:</p> <p>a) Policy, legal and regulatory frameworks</p> <p>b) Institutional mechanisms</p> <p>Volume of additional resources leveraged through public and private financing for the SDGs with UNDP support:</p> <p>a) At the national level</p> <p>a1) Public</p> <p>a2) Private</p>
2. <a href="#">Policies and productive capacities for sustainable value chains and inclusive business</a>	Outcome 1: Advance poverty eradication in all its forms and dimensions	<p>Signature Solution Sustainable Planet #4</p> <p>Signature Solution Poverty #1</p>	<p>1.4.1 Solutions scaled up for sustainable management of natural resources, including sustainable commodities and green and inclusive value chains</p> <p>1.1.2 Marginalized groups, particularly poor people, women, people with disabilities and displaced people are empowered to gain universal access to basic services and financial and non-financial assets to build productive capacities and benefit from sustainable livelihoods and jobs</p>	<p>Number of MSMEs utilizing supplier development platforms for inclusive and sustainable value chains</p> <p>Number of countries with an improved enabling environment for expansion of decent work and livelihoods:</p> <p>a) Policy, legal, regulatory and institutional frameworks</p> <p>b) Direct creation of employment and support to livelihoods in the:</p> <p>1) Public sector</p> <p><b>2) Private sector</b></p>

<p>3. <a href="#">The private sector and gender equality</a></p>	<p>Outcome 1: Advance poverty eradication in all its forms and dimensions</p>	<p>Signature Solution Gender #6</p>	<p>1.6.1 Country-led measures accelerated to advance gender equality and women's empowerment</p>	<p>Number of key measures in place that set and monitor progress towards numeric targets for women's leadership in the: a) Public sector <b>b) Private sector</b> c) Not-for-profit sector</p>
<p>4. <a href="#">Transforming MSMEs towards the SDGs</a></p>	<p>Outcome 1: Advance poverty eradication in all its forms and dimensions</p> <p>Outcome 3: Strengthen resilience to shocks and crises</p>	<p>Signature Solution Poverty #1</p> <p>Signature Solution Sustainable Planet #4</p>	<p>1.4.1 Solutions scaled up for sustainable management of natural resources, including sustainable commodities and green and inclusive value chains</p> <p>3.4.1 Innovative nature-based and gender-responsive solutions developed, financed and applied for sustainable recovery</p>	<p>Number of MSMEs utilizing supplier development platforms for inclusive and sustainable value chains</p> <p>Number of countries in special situations implementing innovative solutions at scale for sustainable recovery: a) Nature-based b) Gender-responsive</p>
<p>5. <a href="#">Developing and implementing multi-stakeholder partnerships with the private sector as a means of implementing the 2030 Agenda</a></p>	<p>Tier Three: Organizational Performance</p> <p>Outcome 3: Operational service arrangements for United Nations system-wide results, coordination and coherence</p>		<p>3.2 UNDP support to integrated SDG delivery</p>	<p>3.2.1 Percentage of country offices providing a country support platform for integrated solutions</p>

<p>6. <a href="#">Municipal finance led by the United Nations Capital Development Fund (UNCDF)</a></p>	<p>Outcome 1: Advance Poverty eradication in all its forms and dimensions</p>	<p>Signature Solution Poverty #1</p>	<p>1.2.2 Enabling environment strengthened to expand public and private financing for the achievement of the SDGs</p> <p>1.2.1 Capacities at the national and sub-national levels strengthened to promote inclusive local economic development, and deliver basic services including HIV and related services</p>	<p>Number of countries with an enabling environment in place leveraging additional resources from public and private sources for the SDGs:</p> <p>a) Policy, legal and regulatory frameworks b) Institutional mechanisms</p> <p>Volume of additional resources leveraged through public and private financing for the SDGs with UNDP support:</p> <p>a) At the national level 1) Public 2) Private</p> <p>Number of countries with inclusive local economic development (LED) strategies and plans in place; Number with public-private partnerships at scale for accelerating catalytic LED initiatives</p>
<p>7. <a href="#">Financial inclusion and digitization (UNCDF led)</a></p>	<p>Outcome 1: Advance Poverty eradication in all its forms and dimensions</p>	<p>Signature Solution Poverty #1</p>	<p>1.1.2 Marginalized groups, particularly poor people, women, people with disabilities and displaced people are empowered to gain universal access to basic services and financial and non-financial assets in order to build productive capacities and benefit from sustainable livelihoods and jobs</p>	<p>Number and proportion of people accessing financial and non-financial assets, disaggregated by target groups:</p> <p>a) Poor people b) Women c) People with disabilities d) Youth e) Other marginalized groups</p>

<p>8. <a href="#">Government policies that provide an enabling environment for doing business and shape sustainable business and investment practices</a></p>	<p>Outcome 2: Accelerate Structural Transformation for Sustainable Development</p>	<p>Signature Solution Governance #2</p>	<p>2.2.1 Use of digital technologies and big data enabled for improved public services and other government functions</p> <p>2.2.3 Capacities, functions and financing of rule of law and national human rights institutions and systems strengthened to expand access to justice and combat discrimination, with a focus on women and other marginalized groups</p>	<p>Number of countries using frameworks<sup>1</sup> that leverage digital technologies and big data for:</p> <ul style="list-style-type: none"> <li>a) Delivery and monitoring of services</li> <li>b) Public engagement</li> <li>c) Access to and protection of information</li> <li>d) Legal identity and civil registration</li> <li>e) Urban development using smart technologies</li> </ul> <p>Other critical public services (e.g. public procurement)</p> <p>Number of countries with strengthened capacities for governance and oversight of rule-of-law institutions<sup>20</sup></p>
<p>9. <a href="#">UNDP'S role in the insurance sector: Creating resilience through programming and piloting innovation</a></p>	<p>Outcome 2: Accelerate structural transformation for sustainable development</p>	<p>Signature Solution Resilience #3</p>	<p>2.3.1 Data and risk-informed development policies, plans, systems and financing incorporate integrated and gender-responsive solutions to reduce disaster risks, enable climate</p>	<p>Number of countries with data-informed<sup>2</sup> development and investment plans that incorporate integrated solutions to reduce disaster risks and enable climate change adaptation and mitigation</p>

<sup>1</sup> Includes policy, legal and regulatory frameworks and funded programmes/initiatives.

<sup>2</sup> Refers to available evidence regarding disaster prone areas and communities.

			change adaptation and mitigation, and prevent risk of conflict	
10. <a href="#">Improving livelihoods at the bottom of the pyramid through inclusive business</a>	Outcome 1: Advance poverty eradication in all its forms and dimensions	Signature Solution Poverty #1	1.1.2 Marginalized groups, particularly the poor people, women, people with disabilities and displaced people are empowered to gain universal access to basic services and financial and non-financial assets to build productive capacities and benefit from sustainable livelihoods and jobs	Number of countries with a more enabling environment for expansion of decent work and livelihoods: f) Policy, legal, regulatory and institutional frameworks g) Direct creation of employment and support to livelihoods in the: 1) Public sector <b>2) Private sector</b>
11. <a href="#">Closing the energy gap</a>	Outcome 1: Advance Poverty eradication in all its forms and dimensions  Outcome 2: Accelerate structural transformation for sustainable development  Outcome 3: Strengthen resilience to shocks and crises	Signature Solution Energy #5	1.5.1 Solutions adopted to achieve universal access to clean, affordable and sustainable energy  2.5.1 Solutions developed, financed and applied at scale for energy efficiency and transformation to clean energy and zero-carbon development, for poverty eradication and structural transformation	Number and proportion of households benefitting from clean, affordable and sustainable energy access: a) Women-headed b) In rural areas c) In urban and peri-urban areas  Number of countries with strengthened capacities for achieving energy transformation at scale: a) Volume of investment leveraged from public and private sources through UNDP support for national initiatives  b) Solutions applied at scale to accelerate the transition to improved energy efficiency and clean energy

			3.5.1 Energy access re-established for crisis-affected populations, with a focus on gender-sensitive, risk-informed and sustainable recovery	<p>Growth in installed base of power generation from clean and/or renewable energy sources</p> <p>Number of crisis-affected people with energy access restored, disaggregated by gender of head of household and other relevant characteristics</p>
12. <a href="#">Private sector finance leveraged for Nationally Determined Contributions</a>	Outcome 2: Accelerate structural transformation for sustainable development	Signature Solution Poverty #1, 4 and 5	2.1.1 Low emission and climate-resilient objectives addressed in national, sub-national and sectoral development plans and policies to promote economic diversification and green growth	<p>Number of countries with targets<sup>3</sup> for low emission and climate-resilient development in:</p> <ul style="list-style-type: none"> <li>a) Development plans and strategies</li> <li>b) Budgets</li> <li>c) Private sector business plans and strategies</li> </ul> <p>Number of countries with public-private partnerships at the national level to improve the enabling framework<sup>4</sup> for economic diversification and green growth</p>

<sup>3</sup> Includes nationally determined contributions.

<sup>4</sup> Includes dialogue with the private sector on policy, legal, regulatory and institutional frameworks, as well as measures to boost investment and sustainable development.

<p>13. <a href="#">Mobilizing Islamic finance resources towards the SDGs</a></p>	<p>Outcome 1: Advance poverty eradication in all its forms and dimensions</p>	<p>Signature Solution Poverty #1</p>	<p>1.2.2 Enabling environment strengthened to expand public and private financing for achieving the SDGs</p>	<p>Number of countries with an enabling environment in place leveraging additional resources from public and private sources for the SDGs:</p> <ul style="list-style-type: none"> <li>a) Policy, legal and regulatory frameworks</li> <li>b) Institutional mechanisms</li> </ul> <p>Volume of additional resources leveraged through public and private financing for the SDGs with UNDP support:</p> <ul style="list-style-type: none"> <li>a) At the national level <ul style="list-style-type: none"> <li>1) Public</li> <li>2) Private</li> </ul> </li> </ul> <p>Number of countries with inclusive LED strategies and plans in place; Number with public-private partnerships at scale for accelerating catalytic LED initiatives</p>
<p>14. <a href="#">Deforestation-free finance for the implementation of the Paris Agreement</a></p>	<p>Outcome 2: Accelerate Structural Transformation for Sustainable Development</p> <p>2.10. By 2020, promote the implementation of sustainable</p>	<p>Signature Nature-Based Solution #4</p>	<p>2.4.1 Legal and regulatory frameworks, policies and institutions strengthened, and solutions adopted, to address conservation, sustainable use and equitable benefit sharing of natural resources, in line with international conventions and national legislation.</p>	<p>Number of countries with gender-responsive measures in place for conservation, sustainable use, and equitable access to and benefit sharing of natural resources, biodiversity and ecosystems:</p> <ul style="list-style-type: none"> <li>a) Policy frameworks</li> <li>b) Legal and regulatory frameworks</li> <li>c) Institutional frameworks</li> </ul>

	management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation global			Financing frameworks
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## **Service Offer #1: SDG Impact Platform**

**Prepared by Elizabeth Boggs-Davidsen, Senior Advisor, Private Sector Executive Office**

The SDG Impact Platform seeks to catalyse financial investments from the private sector that advance the SDGs. As interest grows among private-sector actors in aligning investment activity with the SDGs, there is a demonstrated need for unifying standards, tools, and services that can be relied upon by investors to support a process of targeting, measuring and achieving development outcomes. In addition, there is also a frequently heard demand for reliable information about SDG-aligned investment opportunities, and for support with linking investors to viable and vetted projects in developing countries. By virtue of its technical knowledge and capabilities, extensive geographic reach and credibility as a neutral partner to over 170 governments, UNDP is well positioned to offer these products to private-sector capital providers as a means of increasing the volume of SDG-enabling investment.

### **Problem statement**

The SDGs have gained significant traction with investors. According to the 2018 Annual Survey from the Global Impact Investing Network (GIIN), 76 percent of impact investors track alignment with the SDGs for all or some of their investments, or intend to in the future. Of those that do track investments against the SDGs, 90 percent indicated that the SDGs are a useful way to communicate impact externally, 73% noted it is important to integrate into the global development paradigm, and 53% indicated that alignment to the SDGs helps attract investors.<sup>5</sup>

While many investors are eager to align their portfolios with the SDGs as part of an impact management process, they lack broadly accepted impact management standards to support the achievement of development outcomes. The creation of impact management standards and a “seal” to guide investors in developing the type of governance, data collection, management and reporting practices needed to make investments that are authentically “SDG-enabling” will be a significant development for the industry, and will provide the market with a universal assurance mechanism.

Despite the broad landscape of impact-related resources available for SDG-aligned investors, there is a lack of consolidated, trusted and actionable information that would help investors to identify concrete opportunities and mitigate the barriers to entering and navigating the impact investment industry. UNDP is well-positioned to become a conduit for delivering high quality, localized industry and regional information to investors.

A related challenge has to do with the often-mentioned lack of match-making for investors and enterprises seeking to understand the landscape of investment opportunities in a particular market, and advice for executing transactions in unfamiliar markets. SDG investor convening by UNDP country offices, comprise a credible body for convening stakeholders around achieving the SDGs, given UNDP’s extensive presence in emerging markets, neutrality, and technical expertise in global development. The UNDP brand empowers its country offices to bring together a wide variety of private-sector actors for SDG investor convening, as well as key actors from governments and civil society.

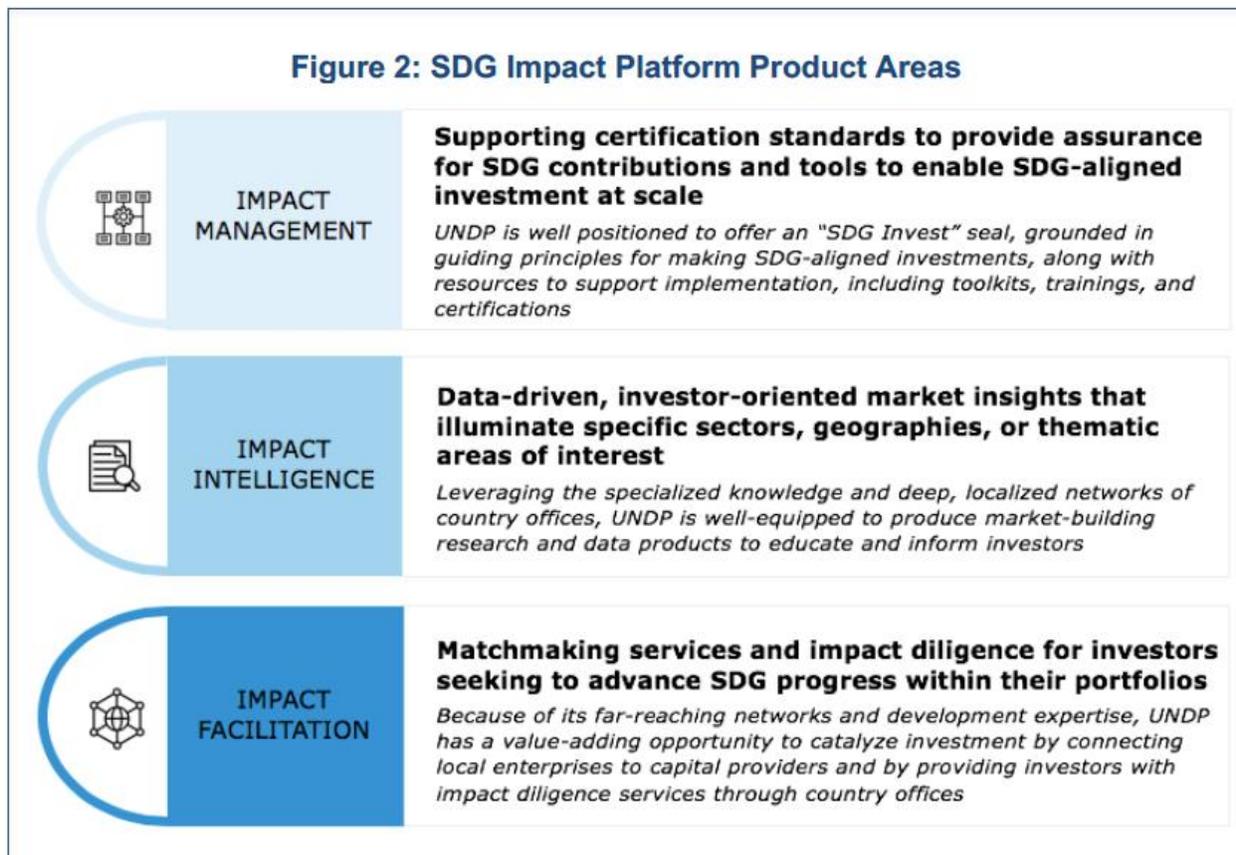
### **What UNDP offers**

UNDP is well positioned to become a standard setter, thought leader and resource provider on best-in-class impact management practices, policies, and resources for SDG-enabling investments.

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<sup>5</sup> GIIN. (2018). Annual Impact Investor Survey 2018. Retrieved from: [https://thegiin.org/assets/2018\\_GIIN\\_Annual\\_Impact\\_Investor\\_Survey\\_webfile.pdf](https://thegiin.org/assets/2018_GIIN_Annual_Impact_Investor_Survey_webfile.pdf).

**Figure 2: SDG Impact Platform Product Areas**



## 1. Impact management standards and Seal programme

UNDP and the Impact Management Project (IMP), working as a joint Coordination Team (with the endorsement and input of a newly appointed high-level advisory board co-chaired by the UNDP Administrator), will develop a core set of standards clarifying the policies and practices related to impact measurement and management that investors are expected to adhere to voluntarily when making "SDG-enabling" investments. The standards will lay the foundation for the creation of an SDG Impact Seal, which will signal an investor's adherence to the standards.

The Seal will be grounded in the impact management frameworks and tools developed by IMP. UNDP will contract one or more academic or training partners to create a week-long, in-person training course for qualified organizations that meet the requirements to become Accredited Independent Certifiers (AICs), tasked by UNDP with awarding the SDG Impact Seal to qualifying investors or businesses. The training course will be implemented by UNDP two to three times per year in each region together with contracted training partners. The training will cover impact management best

practices (defined by through the work of UNDP, IMP and network partners) and a standard Seal certification process for investors and businesses. In addition to developing the week-long in-person course for AICs, the contracted partners will be tasked with creating a number of short online modules for broader use. UNDP will charge users a modest fee for accessing this SDG Impact-branded content, which will provide a high-level introduction to the core elements of the Seal and best practices in impact management. The process of preparing to receive the Seal is expected to help investors to develop and refine their own impact management practices, and assess their alignment with the SDGs.

This collaborative effort will allow both IMP and UNDP to leverage their unique expertise and networks to provide investors with the necessary guidance, tools and resources needed to make SDG-enabling investments, and in turn contribute to achieving the SDGs. The widespread consensus on best practices achieved through IMP, as well as the IMP's growing global network of practitioners, provides the basis for developing definitive standards for making SDG-enabling investments. UNDP is similarly well positioned to support the development of standards for SDG-enabling investments by virtue of its: technical knowledge and close familiarity with the 2030 Agenda and the SDGs; extensive geographic reach; and credibility as a neutral partner in pursuit of global development objectives.

The Seal and its supporting training programme, will be developed in parallel with the standards. Built on these standards, the Seal will have specific assessment criteria, tools, and resources to ensure successful implementation. The Seal would be administered through intermediaries trained to provide an assurance mechanism for public and private investment opportunities.

## **2. Impact intelligence**

In the crowded field of market intelligence, private investors acknowledge UNDP's substantial expertise in emerging markets and the advancement of the SDGs. As such, they recognize a distinct opportunity for UNDP to produce market intelligence through engagement with the private sector, especially in geographies, sectors and thematic areas with limited or no coverage by traditional market research.

A crucial step for country offices to catalyze private investment in support of the SDGs is to understand the most relevant opportunities in their respective markets, and build private sector networks that include investors, intermediaries, and enterprises. SDG investor road mapping reports would kickstart or accelerate these necessary steps by delivering actionable, investor-oriented intelligence on local markets. By implementing a unified research process including desk research, interviews, surveys and analysis of existing data, country offices can initiate informed engagement with key private sector actors while simultaneously collecting relevant data and building relationships in preparation for future activities.

The Better Business, Better World report series developed by SYSTEMIQ and other reports produced by the Global Impact Investing Network (GIIN) offer relevant methodologies. Such research can provide a variety of data and analysis of interest to private investors seeking to support of SDG advancement that also presents clear opportunities for engagement with country offices. Grant funding to finance country mapping reports could be solicited from interested third parties such as industry associations and investor networks.

## **3. Impact facilitation**

As part of their efforts at SDG Impact, UNDP country offices will be encouraged to host SDG investor convening events in order to introduce the impact management standards and Seal programme, launch an SDG country mapping report or initiate that research if the office has the required private-sector networks and local market knowledge. These events will be piloted by select UNDP country offices. It may

be appropriate to partner with aligned co-hosts and a local or regional service providers in order to organize the event and attract participants.

The private investor target audience will vary by country, and might include development finance institutions, advisory firms, corporations, sovereign wealth funds, local financial institutions and investors, local and international foundations committed to catalysing private investment, key policymakers and international investors. The event length and content would also vary depending on the target audience and, in some cases, on the focus of the mapping report. Similar to SDG investor mapping, UNDP could solicit grant support from partner organizations to fund these activities. The events are likely to generate leads that translate into fee-based impact management and/or matchmaking services.

These events would not only serve as the official launch of impact management services, but also as opportunities for UNDP country offices to bolster their private investor networks, generate leads for matchmaking between enterprises and investors, and position UNDP as a more active player in working with investors. There are a number of potential follow-ups to the initial SDG investor convening. At a minimum, country offices could maintain a database of participants and invite them to future private-sector events, and host smaller meetings to follow up on topics of interest and next steps. More ambitious options include leveraging the results of the SDG Impact investor mapping exercise to create advisory groups on themes or geographies of particular interest, followed by additional research and follow-up reports.

#### **4. Matchmaking platform (with United Nations Capital Development Fund)**

A key barrier for investors looking to make SDG-enabling investments has been identifying a robust pipeline of investable opportunities. By virtue of their local knowledge and networks, UNDP's wide network of country offices is uniquely positioned to identify enterprises for SDG-aligned investors, with introductions ideally facilitated by a technology-enabled platform that can also build capacity in the pipeline. To accelerate the capability to play this matchmaking role, UNDP will leverage the SDG Investment Global Grand Challenge (GGC), a private investment project of United Nations Capital Development Fund. Targeted to launch in September 2018, the GGC provides a gateway for UNDP country offices to access investor networks through the comprehensive Capital Finder Database and enterprise-level technical assistance through the Entrepreneur Hub, which is tailored to MSMEs in developing countries.

Creating a platform to connect investors and entrepreneurs responds to national priorities for innovation and sustainability by providing the means to unlock significant investment flows in developing countries. There are few effective intermediaries in developing countries that have the international experience, local knowledge, ability to source deals and market acumen to satisfy investors and development entrepreneurs. Unlike the international financial institutions, which focus on more established markets and larger enterprises, UNDP plays a distinct role through its focus on underserved markets and MSMEs. The UNDP-UNCDF partnership for matchmaking fills this void by connecting parties seeking capital to those looking to invest. UNDP provides the local expertise and networks while UNCDF conducts due diligence and understands how to bolster investment in order to assist private-sector partners in executing transactions. Aligned with UNDP's development priorities, the platform helps to mobilize inert capital by connecting investors to SDG-enabling investment opportunities globally.

#### **Development settings**

The SDG Impact team has collaborated with colleagues across UNDP, engaging with the private sector to identify pilot countries for its three product areas: impact management, impact intelligence, and impact facilitation. In identifying pilot country offices, a number of internal and sector-relevant external

indicators were taken into account. These include: FTSE country classification; UNDP country office private sector staff capacity and funding availability; SDG activities in country such as Mainstreaming, Acceleration and Policy Support (MAPS) and voluntary national reporting; government sustainable reporting policies and sustainability reports published; and performance on the Inclusive Development Index.

### **Target clients**

Private investor target clients vary by country, and may include development finance institutions, advisory firms, corporations, sovereign wealth funds, local financial institutions and investors, local and international foundations committed to catalyzing private investment, policymakers, and international investors.

### **Joint United Nations partnerships/collaboration**

Providing high-level guidance to inform best practices, UNDP's efforts to leverage private financing will be founded on relevant principles, frameworks, and agreements including the [UN Principles for Responsible Investment](#), [UN Global Compact's Ten Principles](#), [GRI's Standards for Responsible Reporting](#) and [the Stockholm Declaration](#). They will not seek to prescribe a single approach, but rather create a set of critically needed high-level 'rules of the road' for investors seeking to determine how their investments advance the SDGs.

### **What is UNDP's niche?**

- **Strong convening power:** UNDP is recognized as having unique authority to convene stakeholders from the public, private and philanthropic sectors. As a universal framework, the SDGs could inform a prescriptive impact standard with broad consensus and global credibility.
- **Local knowledge across the globe:** UNDP's offer would be most effective if it is inclusive of field-level work done to date. In particular, efforts aimed at impact standardization would benefit from a rigorous underlying methodology, reputable, third-party guiding principles and impact verification mechanisms. At first, interest would likely be concentrated in those sectors and geographies not covered by more mainstream investment advisory services. UNDP could provide valuable perspective on areas that require deep development expertise and policy evaluation. For example, in Armenia, through the SDG Platform, such services can be implemented through the newly established Impact Incubator and Accelerator, and an Impact Investment Fund supported by an in-house SDG Impact measurement and management unit.
- **Deep familiarity with the 2030 Agenda:** UNDP has vast experience with SDG strategies and priorities at the country level, combined with specific technical expertise related to many of the individual SDGs.

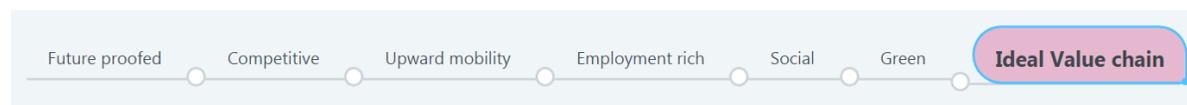
## **Service Offer #2 Policies and Productive Capacities for Sustainable Value Chains and Inclusive Business Prepared by Daniele Gelz, UNDP Regional Hub for Europe and CIS, and Sahba Sobhani, Istanbul International Center for Private Sector in Development (IICPSD)**

### **Problem statement**

Global and regional value chains are under pressure to increase efficiency, compete, innovate and meet consumer preferences. But there is a widening gap between lead industrial economies and factor-based economies.<sup>6</sup> Developing economies often focus on commodities, with high negative externalities, employment generation with limited upward mobility and increasingly deteriorating terms of trade between primary commodities and manufactured products.

The SDGs provide a blueprint for the future that the global community wants to bring to fruition. Sustainability, equality and resilience are at the forefront of this vision, with value chains, productive capacities and consumption central to the equation. Productive capacities and value chains play a major role in all 17 goals – as enablers and inhibitors. Nearly all SDGs will be impacted (positively and negatively) by the development of global value chains and productive capacity. On the other hand, the SDGs represent a huge opportunity for the growth of new markets and a nascent labour force.

The vision elaborated by the SDGs balances economic, social and environmental needs, resulting in long-



term sustainability and opportunities for all. Shifting capacities towards productive sectors that allow for upward mobility and foster a culture of innovation are key to achieving the SDGs.

Optimal value chains produce high added-value, differentiated products, creating decent jobs that allow for upward mobility as well as sustainable and circular production patterns. These value chains tend to focus either on high-quality, niche products in smaller volumes or platform-based products.<sup>7</sup> Interventions in existing value chains (e.g. coffee, palm oil, minerals, fish) should focus on: reducing negative environmental impacts through regulatory reform; economic incentives for sustainable production, consumption and disposal; improving conditions for smallholder producers; tackling international tax evasion; and corporate social responsibility.

Prior to any interventions, all value chains need to be assessed for their competitiveness and environmental sustainability. Support for strengthening value chains and productive capacity should not be provided solely on the basis of the percentage of the labour force active in the sector, but on the potential for economic and environmental sustainability.

### **What UNDP offers**

The initial focus of this service line will be on the sectors prioritized in UNDP's Strategic Plan (2018-2021), including nature-based economic sectors, renewable energy and support to the "fourth industrial

<sup>6</sup> Economies that compete based on primary commodities and unskilled or low skilled labour.

<sup>7</sup> Refers to systems of products that share a platform of compatibility, binding consumers to a certain ecosystem (e.g. Apple, Microsoft, Amazon).

revolution”.<sup>8</sup> These interventions will have a strong emphasis on youth and gender, directly contributing to Signature Solutions 1, 4, 5 and 6.

This service line will take advantage of UNDP’s longstanding work on value chains, building on the experience and methodologies of the supplier-development programme in Latin America, Africa and Asia, which provides concrete services for improving individual companies’ supply chains. It will also build on the regional value chain development work conducted in Africa, which combined multi-stakeholder platforms with catalytic grants for field impact. Finally, it will build upon the experience and networks established through the Green Commodity Platform and UNDP’s Aid for Trade portfolio in Central Asia.

***Green, employment-rich and forward-looking economic sectors (macro and meso levels)***

UNDP will support policies and regulations that favour shifting value chains towards sustainable and differentiated products with high employment potential and low environmental impact. The three main areas of intervention include the following:

1. **Sustainability, resilience and regeneration:** UNDP will ensure that policies and regulations support value chains and productive capacities that are economically, socially and environmentally sustainable along the entire value chain. The emphasis will be on promoting value chains that are: (i) employment rich (decent jobs), allowing for upward mobility; and (ii) competitive, with a shift from vertically specialized value chains towards value chains with greater added value. Policy and regulatory support to value chains and productive capacities will focus on increasing productivity, resource efficiency and competitiveness, enhancing quality and improving standards. Notably, in Africa, UNDP takes part in the Global Environment Facility (GEF) Integrated Approach Programme (IAP) on Food Security, in collaboration with the Alliance for a Green Revolution in Africa (AGRA) to scale up integrated approaches and practices through a value chain approach, utilizing opportunities to make food value chains more environmentally sustainable and resilient to harness global environmental benefits.
2. **Skills and the knowledge for the future:** UNDP will support government policies targeting better skillset matching and knowledge that meets the current and future needs of target value chains. The focus will be on skills for future technologies and methodologies for ensuring that young women and men are equipped with skills that match job opportunities, including technical capacities.
3. **Embracing future opportunities:** The rapidly changing production environment is having dramatic impacts on industry. UNDP supports governments and businesses in preparing for and anticipating these changes. The emphasis will be on forward-looking policies and regulations, and identifying future directions, new economic sectors and circular approaches using trade intelligence and forecasting. In addition, UNDP will support the implementation of new approaches to building productive capacities and facilitating foreign direct investment in new technologies (including automation and digitization).

***Green, circular and employment-rich productive capacities (macro, meso and micro)***

1. **Forward-looking production:** Working with businesses and trade support institutions (TSIs), UNDP will focus on: product development that meets consumer preferences and market requirements (regulatory); increasing productivity; and “datafication” and “technologization” of value chains.

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<sup>8</sup> Schwab, K. (2016) *The Fourth Industrial Revolution*, World Economic Forum.

2. **Skills and knowledge:** The complexity of production and trade remains a key barrier to market entry, maintenance and expansion. UNDP will focus on: (i) enhancing businesses' and producers' knowledge of sustainable and future-focused production technologies that are employment rich (including quality and regulatory standards); and (ii) trade and market intelligence to ensure that businesses and trade-support institutions have access to data and the requirements for market access so that they can quickly adapt to changing trends. Skills development for TSIs will be crucial to ensure that countries do not lose out in the race for production.
3. **Circular economic development:** Jointly with the United Nations Environment Programme (UNEP), UNDP will introduce system-based approaches to resource extraction, flows, stocks, conversions, imports and exports. The predominant trend in developing countries is for economic growth to be accompanied by a gradual decrease in resource efficiency. However, circular economies can curb this trend and allow countries to grow their infrastructure and assets to meet the needs of society in a manner that departs from the linear economic model characterizing industrialization. Instead, UNDP can enable them to adopt resource-efficient development perspectives.
4. **Scaling up sustainable production of large and highly competitive commodities value chains** (e.g. beef, cocoa, coffee, cotton, palm oil, pineapple, rice, shrimp, sugar, tea, tuna and timber): Taking a supply-chain approach and supporting public-private partnerships, UNDP can build sectoral capacity for improved production practices and reduced supply risk.<sup>9</sup> UNDP's Green Commodities approach involves the establishment of national-level commodity-focused platforms in key commodity-producing countries. These programmes can remove barriers and mainstream systemic approaches for scaling up the production of sustainable commodities.<sup>10</sup> This approach involves: addressing environmental risks within supply chains; improving access to technical assistance; and reforming policies to level the playing field and incentivize sustainability. Working with national governments, UNDP can link brands and retailers with national programmes that benefit businesses, rural farmers and supply-chain actors. This service line has a strong focus on climate-smart interventions that reduce emissions.<sup>11</sup>

#### ***The future ahead: Trade and market intelligence (meso, micro)***

Increasingly, value chains are shaped and driven by data. Access to trade and market intelligence is not only critical for linkages to global markets: it is also vital for providing insights into future markets and products.

1. **Trade intelligence for market trends:** UNDP will support governments, TSIs and businesses in accessing and using trade and market intelligence systems to ensure better integration into global markets.
2. **Trade intelligence for green product space:** UNDP will support governments in identifying green product spaces<sup>12</sup> and assessing which green products have the highest comparative advantages for export. This will enable countries to position themselves within global markets and support sustainable economic diversification.

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<sup>9</sup> UNDP. Green Commodities Programme. Retrieved from:

<http://www.undp.org/content/dam/undp/library/Environment%20and%20Energy/Green%20Commodities%20Facility/GCPbrochure-new%20version-.pdf>.

<sup>10</sup> *Ibid.*

<sup>11</sup> *Ibid.*

<sup>12</sup> The green product space methodology was developed by the Massachusetts Institute of Technology (MIT), refined by the United Nations Conference on Trade and Development (UNCTAD) and further developed by UNDP.

3. **Foresighting new markets:** Market foresighting identifies future opportunities in innovation, disruptors and the rise of platform economies. While value chains have traditionally been linear, they will increasingly be circular, with more actors and rapidly changing environments. Traditional value chains resemble linear pathways to commodity management and production, but in platform-based value chains, assets include intellectual leadership and brand loyalty. The products in this sphere do not necessarily compete based on price, but on lifestyle choice and perspective. UNDP will support the formation of these complex and dynamic value chains.

### Development settings

UNDP's interventions will be specific to each geographic context, market structure and degree of security or fragility.

Interventions in **conflict and post-conflict countries** will focus on stabilizing livelihoods and protecting infrastructure. According to the Donor Committee for Enterprise Development, value chain analysis in these settings has "particularly strong benefits...regardless of what phase the conflict is in" to "inform and reinforce conflict analysis, and directly address possible causes of conflict."<sup>13</sup>

Although conflicts can have dramatic impacts on the livelihoods and safety of communities, the private sector usually continues to operate. UNDP's support in this area will focus on simple commodity-based value chains:

- Business support needs to be provided along the entire supply chain in order to offset power vacuums and fragile institutions.
- Investments in productive infrastructure are critical to jumpstart productive capacities. They should be based on the needs of internal markets to focus on building sufficient capacity.
- Identifying the sectors with the highest demand but also growth potential is key to ensuring that investments will continue to pay off in the future. Even in conflict situations, foresighting remains critical.
- One area where the private sector can be fully integrated into – and even benefit from – development efforts is in relief and reconstruction. These efforts can source locally produced goods and develop skills to create a skilled labour force while ensuring that reconstruction meets minimum standards.
- Funding for conflict or post-conflict countries is often provided to international companies through tendering; UNDP can provide support to create a local service-provision culture.

Interventions **for structural transformation in low-income countries** focus on connecting businesses to global markets and ensuring that productive capacities are sustainable and generate employment. UNDP's aim is to shift linear value chains towards greater added value. This involves efforts to ensure that regulatory frameworks support competitiveness and market access. There is an increasing focus on ensuring that trade data are used to identify global trends and consumer demand, and on integrating these findings into existing value chains. UNDP's work around legislation focuses on supporting policies that lead to future-oriented value chains.

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<sup>13</sup> The Donor Committee for Enterprise Development. (2010). Private Sector Development in Conflict-affected Environments. Retrieved from [https://www.enterprise-development.org/wp-content/uploads/PSDinCAE\\_KeyResourcesforPractitioners\\_Final.pdf](https://www.enterprise-development.org/wp-content/uploads/PSDinCAE_KeyResourcesforPractitioners_Final.pdf)

Interventions for **structural transformation of economies with mature value chains** and large, well-integrated and highly competitive linear value chains will be geared towards harnessing innovators and disruptors, as well as foresighting and retrofitting existing competitive industries. Structural transformation interventions will also focus on: integrating environmental costing into product valuation and corporate social responsibility; and ensuring social and environmental sustainability. Policy and strategic support will be geared towards value chains with that are disruptive or circular, maintaining high employment with upward mobility and low environmental impact.

Target clients will be differentiated at the upstream, mid-stream and downstream levels, as well as by those that create growth, support growth and benefit from growth and livelihoods.

- *Upstream (macro)*: At the macro level, UNDP's support will focus on strategic, policy and regulatory issues. Stakeholders at this level include government agencies, TSIs, lead entrepreneurs and international financial institutions; the focus is on building capacity. Countries experiencing emergencies can also be supported with hard investments at this level.
- *Mid-stream (meso)*: At the meso level, UNDP's support will focus on developing the capacities of sector leaders and TSIs.
- *Downstream (micro)*: Support can be provided to both large companies anchoring value chains and MSMEs that need to be integrated into value chains but lack access to capital.

### **Joint United Nations agency partnerships**

In addition to regional cooperation, UNDP's collaboration in this area centers around the following actors:

**The International Trade Centre (ITC)** is the custodian of an open trade and market data platform that includes tariff and non-tariff barriers. Better use and integration of this data platform into UNDP's work on supporting productive capacities could heighten the impact of both UNDP's and ITC's interventions. While ITC focuses on data mining and data availability, UNDP can complement its work by focusing on data usage and adaptation to regional contexts.

**The United Nations Environment Programme (UNEP)** is a leader in eco-innovation and circular economies. UNDP can tap into this knowledge as a driver of job creation initiatives and provider of global policy advisory services.

**The Food and Agriculture Organization of the United Nations (FAO) and the International Fund for Agricultural Development (IFAD)** are the lead United Nations agencies dedicated to increasing agricultural productivity. There are many possible links with their work, especially on inclusive markets for smallholders (IFAD), institutions (IFAD and FAO), and sustainable approaches to agricultural production (FAO). While FAO and IFAD largely work at the smallholder farm level, UNDP's niche is larger-scale production and mid-sized processing.

UNDP's thinking around productive capacities and value chains is very similar to that of the **United Nations Industrial Development Organization (UNIDO)**. Better integration of these efforts at the regional and global levels will enable greater impact. In the field, most of UNIDO offices are housed close to UNDP's, creating natural links between the two organizations' activities. UNDP's niche is in capacity development of mid-sized companies. While UNIDO's focus is at the industrial level, it is increasingly aligning its work with that of UNDP.

**The United Nations Capital Development Fund (UNCDF)** has a 25-year track record in municipal finance and fiscal decentralization. UNCDF deploys its financial instruments in support of local governments in both urban and rural areas of developing countries. It develops, finances and implements capital investment programmes that drive transformative growth through the public and private sectors. While UNCDF focuses on financing instruments and tools, UNDP can bring complementary expertise related to policy and regulatory environments, and capacity building for good governance and transparency – which are required for effective public-private partnerships.

Throughout its 25-year history, the **Global Environment Facility (GEF)**, has helped to transform markets, empower and strengthen the resilience of vulnerable communities, and build countries' capacity to safeguard their natural capital. GEF continues to play a critical role in providing financing to developing countries in order to drive global environmental benefits that reduce or reverse pressures on planetary boundaries. UNDP can collaborate with GEF through a market-driven approach that incorporates the private sector into the sustainability and resilience efforts that address food security challenges in an integrated manner.

### **Service Offer #3: The Private Sector and Gender Equality**

**Prepared by Bharati Sadasivam, Claudia Vinay, Diana Gutierrez and the UNDP Gender Team**

#### **Problem statement**

Gender inequalities in the labour market carry immense economic and social costs. Globally, only 49 percent of women are in the workforce compared to 76 percent of men, which means that half of all women are out of the talent pool for employment.<sup>14</sup> The gender pay gap is 23 percent, which means that women make only 77 cents for every dollar men make.<sup>15</sup> Women also experience more difficulty finding employment: the global unemployment rate for women is 6.2 percent versus 5.5 percent for men.<sup>16</sup>

As entrepreneurs, women today own only 30 percent of formal MSMEs worldwide. Of these, 70 percent do not have access to the capital they need to grow their businesses; there is an annual credit deficit of

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<sup>14</sup> International Labour Organization (ILO). (2017). Employment Social Outlook Trends for Women 2017. Geneva. Retrieved from: [https://www.ilo.org/wcmsp5/groups/public/---dgreports/---inst/documents/publication/wcms\\_557245.pdf](https://www.ilo.org/wcmsp5/groups/public/---dgreports/---inst/documents/publication/wcms_557245.pdf).

<sup>15</sup> Investing in Social Care for Gender Equality and Inclusive Growth in Europe and Central Asia: <http://www.eurasia.undp.org/content/rbec/en/home/library/gender-equality/investing-in-social-care-for-gender-equality-and-inclusive-growth-in-Europe-and-Central-Asia.html>.

<sup>16</sup> World Economic Forum. (2017). The Global Gender Gap Report. Retrieved from: [http://www3.weforum.org/docs/WEF\\_GGGR\\_2017.pdf](http://www3.weforum.org/docs/WEF_GGGR_2017.pdf).

almost US\$300 billion.<sup>17</sup> Women comprise only 5.2 percent of CEOs in S&P 500 companies and 6.4 percent of CEOs in Fortune 500 companies,<sup>18</sup> and hold less than 20 percent of seats on company boards.<sup>19</sup>

These figures reflect the persisting barriers that women face in entering the labour market, setting up businesses and rising to positions of authority. Obstacles include discriminatory norms and attitudes as well as laws, rules and regulations that perpetuate gender inequalities. A major factor in women's low participation in the labour market is the unequal distribution of unpaid care. Worldwide, women perform on average 2.5 times the amount of unpaid care work as men.<sup>20</sup> The same discriminatory norms, values and laws that hinder women in the labour market prevent women entrepreneurs from accessing the finance they need. Women are often not able to offer collateral for loans because of their unequal access to property and other assets.

Reducing gender gaps in the labour market could increase global employment by 189 million, or 5.3 percent, by 2025. This in turn would raise global gross domestic product by 3.9 percent – or US\$5.8 trillion – by 2025.<sup>21</sup> A study by the Harvard Business Review found that diverse companies tend to be more innovative, and innovative companies tend to be more diverse. Companies with a higher level of diversity receive 38 percent higher innovation revenues on average from new products and services.<sup>22</sup>

Women-led enterprises are effective and productive: in Latin America for example, women-led MSMEs default on payments 54 percent less often than those led by men. Although they invest 50 percent less than men in MSMEs, women tend to make 20 percent more in revenue.<sup>23</sup> These figures challenge perceptions that women are not credit-worthy.

The 2030 Agenda and the SDGs are an opportunity for governments to introduce incentives that promote inclusion and gender diversity as part of policies that boost innovation, enterprise development and sustainable business practices. The private sector in many countries is stepping up efforts in this direction, partly in response to government requirements and partly because of the realization that gender parity

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<sup>17</sup> Yates, D. (2017). World Bank Provides US\$1 Billion for Women Entrepreneurship. Daily Observer. Retrieved from: <https://www.liberianobserver.com/business/world-bank-provides-us1-billion-for-women-entrepreneurship/>.

<sup>18</sup> Deloitte. (2016). Women in the Boardroom: A Global Perspective. Retrieved from: <https://www2.deloitte.com/content/dam/Deloitte/ch/Documents/risk/ch-en-women-in-boardroom.pdf>; and CNBC. (2018). Just 24 Female CEOs Lead Companies on the 2018 Fortune 500—Fewer than Last Year. Retrieved from: <https://www.cnbc.com/2018/05/21/2018s-fortune-500-companies-have-just-24-female-ceos.html>.

<sup>19</sup> UNDP. (2017). Investing in Social Care for Gender Equality and Inclusive Growth in Europe and Central Asia. Retrieved from: <http://www.eurasia.undp.org/content/rbec/en/home/library/gender-equality/investing-in-social-care-for-gender-equality-and-inclusive-growth-in-Europe-and-Central-Asia/>.

<sup>20</sup> *Ibid.*

<sup>21</sup> ILO. (2017). Employment Social Outlook Trends for Women 2017. Geneva. Retrieved from: [https://www.ilo.org/wcmsp5/groups/public/---dgreports/---inst/documents/publication/wcms\\_557245.pdf](https://www.ilo.org/wcmsp5/groups/public/---dgreports/---inst/documents/publication/wcms_557245.pdf).

<sup>22</sup> Boston Consulting Group (BCG). (2017). The Mix That Matters: Innovation Through Diversity. Retrieved from: <https://www.bcg.com/en-mideast/publications/2017/people-organization-leadership-talent-innovation-through-diversity-mix-that-matters.aspx>.

<sup>23</sup> European Union and OECD. (2017). Policy Brief on Women's Entrepreneurship. Retrieved from: <https://www.oecd.org/cfe/smes/Policy-Brief-on-Women-s-Entrepreneurship.pdf>.

and diversity are critical to fostering talent, innovation, sustainability, consumer branding and business success.

### **Role of the private sector**

The private sector can make a critical contribution to eradicating gender inequalities in the labour market, especially in the workplace and along value chains. By making gender equality a central pillar of their business, private companies can contribute to growth that is inclusive, sustainable and leaves no one behind. In addition, the private sector can offer women greater opportunities for decent work and quality employment, fair wages and protections.

The private sector can also help to reduce women's disproportionate burden of unpaid work. There is much room for innovation in creating flexible forms of work that benefit both men and women, and eliminate gender inequalities in the workplace – such as the extension of maternity and paternity leave beyond legal rights, “use-it-or-lose-it” paternity leave, family leave policies for care of the sick and elderly, and on-site childcare facilities. Much of this can be achieved with private-sector support for social enterprises and innovative cooperative arrangements between public and private providers.

Women's participation on company boards leads to better financial results as well as better corporate governance. Of 4,216 companies listed in the MSCI Index, those with strong women's leadership generated a return on equity 2.7 percentage points higher than those without.<sup>24</sup>

Companies can reform recruitment and retention practices by using inclusive language in their job vacancies, instituting gender-blind interview practices, creating targeted training programmes working with specialized institutions, buying from women-owned businesses and redesigning communications and marketing materials to eliminate unconscious bias and gender stereotypes.

### **What UNDP offers**

UNDP supports the creation of a gender-sensitive enabling environment for the inclusion of women in economic flows; provides a menu of alternatives for private sector to join in development initiatives to tackle gender inequalities internally; and enables the co-design and implementation of large-scale development solutions contributing to both national and global development objectives.

Understanding that the private sector has varying levels of awareness and capacities to respond to global development agendas and gender equality goals, UNDP engages companies in a spectrum of development initiatives ranging from corporate social responsibility to gender equality aligned to one or more SDGs, and transformational initiatives linked to their core business. These include developing sustainable business opportunities and value chains for women, supporting innovative and alternative forms of

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<sup>24</sup> MSCI. (2017). Women on Boards. Retrieved from: [https://www.msci.com/documents/10199/239004/MSCI\\_Women+on+Boards+Progress+Report+2017.pdf/b7786a08-c818-4054-bf3f-ef15fc89537a](https://www.msci.com/documents/10199/239004/MSCI_Women+on+Boards+Progress+Report+2017.pdf/b7786a08-c818-4054-bf3f-ef15fc89537a).

business such as social enterprises and cooperatives to expand women's economic space, and fostering private-sector investment in the SDGs in order to contribute to national gender equality goals.

UNDP also plays a role in analysing the administrative and legal hurdles that impede women's entrepreneurship and labour market participation. The organization is a key advocate in encouraging governments and other actors to implement change.

This service offering takes advantage of UNDP's longstanding work on gender equality and women's economic empowerment. It builds upon UNDP programmes that engage the private sector and develop capacity for gender-inclusive business practices and workplaces. It also identifies ways to ensure gender equality in the "green transition" by supporting gender-responsive green businesses, and convening global and regional advocacy platforms to advance these goals. These actions contribute to UNDP Strategic Plan Signature Solutions 1, 4, 5 and 6.

**Inclusive and Equitable Local Development (IELD):** IELD is a joint UNDP, UNCDF and UN-Women initiative that addresses the structural impediments women face through local public and private investments that unlock domestic capital for women's empowerment. It identifies, designs and contributes to de-risking local pipelines of women-led enterprises and gender-responsive businesses that are large enough to have transformative impacts on women's livelihoods.

IELD provides enterprises with seed-capital grants, loans, guarantees and reimbursable grants to make them investment ready, and negotiates with domestic banks for financing (United Nations backing lowers commercial banks' risk perception of businesses). While IELD's support goes beyond microloans, its total contribution does not usually exceed 20 percent of the total financing needed. The Women's Economic Empowerment Index, a gender-assessment tool developed for the initiative, measures the gender-responsiveness of businesses and infrastructure projects.

Through this intervention, UNDP can collaboratively support local authorities and businesses in:

- Identifying local barriers to women's economic empowerment;
- Increasing capacity for economic policy making that is gender-responsive and provides an enabling environment;
- Identifying and monitoring gender-responsive private and public investments;
- De-risking gender-responsive investments; and
- Digitizing payments to women suppliers and beneficiaries.

UNDP's role in IELD is to strengthen local institutional capacity in order to promote gender-equitable local economic development. It does this by developing the capacities of local authorities for gender-equitable interventions and investments; and identifying entry points in local government plans, budgets, and investment frameworks for integrating gender-responsive measures into local investments. UNDP also supports UNCDF by identifying a pipeline of investable projects of gender-responsive enterprises.

**UNDP Gender Equality Seal Initiative:** Over the last decade, UNDP has supported partners in more than 20 countries in Latin America and the Caribbean, Africa, Asia, and Europe to certify public and private companies that meet gender equality standards. By incorporating a gender perspective into companies' corporate management systems, the Seal allows businesses to transform their regulations, processes, operations and cultures, creating better and fairer conditions for workers. The aim is to develop transformative company strategies that incorporate gender equality as an integral part of corporate governance and "good business". Participating companies commit to:

- Detecting and eliminating gender-based wage gaps;
- Increasing women's role in decision-making in leadership positions;
- Developing and implementing policies to improve work-life balance with shared social responsibility;
- Increasing women's presence in occupational areas that are traditionally male-dominated and men's presence in female-dominated areas;
- Eradicating sexual and gender-based harassment in the workplace;
- Using inclusive and non-sexist communication inside and outside the company; and
- Promoting women in business and mainstreaming gender equality throughout value chains.

Companies around the world are already reaping in the benefits. In Latin America more than 600 certified companies and 1,700 branches provide a more equal work environment, reduced absenteeism, lower turnover and greater retention of their best talent.<sup>25</sup> They not only have a better employee performance, productivity and competitiveness, but have more engaged and happier employees yielding better services that translate into more satisfied customers and higher returns.

The Gender Equality Seal allows each country to adapt it to their national needs, making the Seal a public policy tool for fostering the achievement of national development goals. Unlike other gender certifications,<sup>26</sup> UNDP supports the creation of nationally-led certification programmes based on national and international established standards of excellence, where public or public-private bodies only certify participating companies. Through the Seal, UNDP helps companies to explore new venues of collaboration with the public sector, using tailored capacity-development packages and a web-based tool that tracks progress in closing gender gaps. Once certified, companies have access to a branding tool supported by UNDP and in some cases fiscal and other incentives.

Since 2016, the Gender Equality Seal initiative has undergone a global expansion, reaching more than 15 countries in Africa, Asia and the Pacific, Eastern Europe and the Arab States. The goal is to continue expanding the initiative and working with other United Nations agencies including UNCDF, the International Labour Organization (ILO), UN-Women, and the United Nations Population Fund (UNFPA).

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<sup>25</sup> UNDP. (2018). IV Global Forum: Business for Gender Equality: the Future of Work and the Agenda 2030. Retrieved from: <http://www.latinamerica.undp.org/content/rblac/en/home/presscenter/events/2018/iv-global-forum--business-for-gender-equality--the-future-of-wor.html>.

<sup>26</sup> Including EDGE certification, the Gender Equality European and International Standard led by Arborus, Canada's Parity Certified Women in Governance and the Winning Women Institute.

**Gender-sensitive inclusive business and value chain development:** Enabling the economic participation of women calls for their inclusion in industries and value chains – not only as suppliers, but as aggregators of value, distributors, sellers, franchisees and even customers. It is estimated that women control 65 percent of household spending and together are responsible for global consumer spending estimated at US\$40 trillion.<sup>27</sup> Unleashing women’s potential to access new markets requires: an understanding of their needs and interests; development of soft and hard skills; the design of gender-sensitive business development services; new technologies; innovative business models; access to financial assets and services; and the creation of peer and mentorship networks. It also requires the sensitization of businesses to identify entry points along value chains, mainstream a gender perspective, establish communication channels to align product and service offers, develop market-based solutions, share technology, knowledge and financing, and find innovative ways to inject capital for business development.

**Advocacy platforms for gender equality and women’s empowerment:** UNDP collaborates with diverse partners to advocate for women’s economic rights, gender equality in the workplace and the transformation of gender norms and stereotypes, as well as the amendment of discriminatory laws. Through regional and global forums on business for gender equality, UNDP highlights the private sector’s important role in eliminating gender inequalities in the workplace and achieving a gender-equal business world by 2030. Initial forums in Chile, Colombia, Mexico and Panama gathered more than 1,500 participants from the private sector, public institutions and trade unions in more than 35 countries.

#### **Development settings**

UNDP’s interventions will be context specific depending on geography, stage of private-sector development and degree of gender equality in each country. In each context, UNDP will work to define the roles and responsibilities of government and the private-sector actors in relation to gender diversity and inclusive business practices.

In least-developed countries, UNDP’s support will prioritize institutional capacity to promote gender-equitable local economic development. In middle-income countries, interventions will aim at structural changes in business practices that promote gender equality in employment and value-chain development.

**Target clients** will be differentiated at the three levels described below and by those that create growth, support growth and benefit from growth and livelihoods.

- *Upstream (macro):* At the macro level, UNDP’s support will focus on the strategic, policy and regulatory dimensions. Stakeholders at this level will be government structures, TSIs, business associations and civil society networks working with companies, lead entrepreneurs and international financial institutions. While support will focus on building soft capacities, countries in emergency situations can also be supported with hard investments.

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<sup>27</sup> World Economic Forum. (2017). The Global Gender Gap Report. Retrieved from: [http://www3.weforum.org/docs/WEF\\_GGGR\\_2017.pdf](http://www3.weforum.org/docs/WEF_GGGR_2017.pdf).

- *Mid-stream (meso)*: At this level, UNDP will develop the capacities of sector leaders and TSIs, social enterprises and cooperatives, business associations and networks, business development service providers and financial institutions.
- *Downstream (micro)*: Clients at this level include businesses, social enterprises, women's savings groups and cooperatives, large anchor companies of value chains, MSMEs and micro-businesses seeking integration into national, regional or global value chains.

## **Joint United Nations agency partnerships**

### **UN-Women**

UN-Women, in partnership with the UN Global Compact, launched the Women's Empowerment Principles (WEPs) through the Equality Means Business initiative in 2010,<sup>28</sup> recognizing that women's empowerment is the key to stronger economies, more just and stable societies, sustainable development and good business practices. The WEPs emphasize treating men and women equally at work and ensuring the safety, health and welfare of workers. Participating businesses sign a statement of support for advancing equality between women and men using the seven WEP principles to guide their actions in the workplace, marketplace and community. The WEPs are effective advocacy platform for mobilizing business leaders' commitments to gender equality, including practical tools to begin moving from principle to practice.

The WEPs and the Gender Equality Seal are complementary initiatives that build upon the mandates, strengths and competencies of each agency. The WEPs constitute a high-level platform for engaging businesses while the Seal offers a way to bring together governments and businesses based on a set of common principles towards gender equality. In addition, a collaboration model is being developed by UNDP and UN-Women aimed at country and regional contexts where both initiatives coincide.

### **International Labour Organization (ILO)**

ILO brings together governments, employers and workers, sets labour standards and promotes decent work with a gender perspective. UNDP and ILO have partnered to promote employment, inclusive growth, gender-sensitive social protection systems and the expansion of economic opportunities for vulnerable populations, especially women.

### **United Nations Capital Development Fund (UNCDF)**

UNCDF has a mandate and instruments to unlock public and private resources, especially at the domestic level, aimed at reducing poverty and supporting local economic development. UNDP and UNCDF have partnered to develop programming for gender-responsive local economic development, leveraging domestic capital for women's economic empowerment and entrepreneurship (within the framework of IELD, in which UN-Women also participates). For example, UNDP works with UNCDF to invest in critical

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<sup>28</sup> UN-Women. Women's Empowerment Principles. Retrieved from <http://www.wepprinciples.org/>.

infrastructure such as safe roads, gender-responsive public spaces and services such as markets and transportation to reduce the time women spend on care activities.

### **What is UNDP's niche?**

- *De-risking*: Increasing awareness and capacities of both financial institutions and women-led and gender-responsive medium-sized enterprises.
- *Brokering South-South cooperation*: UNDP facilitates the exchange of business practices, knowledge and experience to advance gender equality in business, capitalizing on its global presence.
- *Integrating public-private efforts*: UNDP provides a platform for joining public and private forces and building new partnerships that advance gender equality.
- *Amplifying gender-sensitive good business practices*: UNDP supports the transformation of internal business practices and mainstreaming equitable practices along value chains. This includes connecting large companies with MSMEs, small producers and women-owned businesses.
- *Identifying investment opportunities*: UNDP promotes investment in the SDGs to the private sector in support of national development goals.
- *Supporting governments*: UNDP works to eliminate financial and legal barriers, and collaborates with civil society to address socio-cultural norms that impede women's equitable participation in business and the labour market.

## Service Offer #4: Transforming MSMEs<sup>29</sup> towards the SDGs

Prepared by Gokhan Dikmener, IICPSD and Fabrizio Andreuzzi, UNDP Crisis Response Unit

### Problem statement

Micro, small and medium-sized enterprises (MSMEs) are key actors for inclusive growth, economic resilience, and innovation. They are also the major source of employment and economic activity in many developing countries: on average, they provide up to 60 percent of formal jobs and 40 percent of gross domestic product.<sup>30</sup> Economies grow upon the productivity and competitiveness of MSMEs: they help to diversify economic activities and opportunities, and are agents of innovation. MSMEs' capacity to diversify economies is particularly important for resource-rich countries. Since they employ people from all backgrounds and skill levels, they are critical in creating jobs and therefore in addressing inequalities and exclusion.

Despite the small size of each MSME, together they comprise the predominant form of enterprise around the world. Although fewer than 10 percent of all MSMEs operate in the formal sector, MSMEs are by far the largest stakeholder group in the private-sector ecosystem. Enabling them to adapt sustainable practices while growing is essential for their economic resilience and sustainable development. Making MSME business models climate and disaster resilient brings multiple impacts on societies and ultimately the global economy – fostering achievement of the SDGs.

However, the potential of MSMEs' contribution to economic growth and sustainable development is strongly undermined by a lack of access to capital and markets. Of the approximately 500 million formal and informal MSMEs in the world, nearly 50 percent have difficulty accessing finance.<sup>31</sup> Estimates of the developing-country MSME credit gap are near US\$2 trillion.<sup>32</sup> Enhancing MSMEs' access to international markets while broadening their business opportunities also drives their competitiveness, use of technology and adaptation of technological and managerial know-how. Large to medium-sized enterprises that have already advanced in global value chains could guide and integrate their suppliers. However, the combination of global value chains, open economies and lack of support for MSMEs has resulted in two-tiered economies in many developing countries, in which the share of value added is unfairly distributed along the value chain.

The SDGs offer the potential to open up new markets, contribute resources, mitigate risks and accelerate growth and sustainable impact. But compared to large domestic and multinational enterprises, SDG awareness and engagement among MSMEs is relatively limited. Therefore, the first step for MSMEs to benefit from the opportunities generated by the SDGs is to enhance their awareness and facilitate their adoption of SDG-focused business frameworks.

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<sup>29</sup> Definitions of MSMEs vary from country to country. Operational definitions are usually based on the number of persons employed or the amount of fixed capital. For UNDP's purposes, MSMEs are enterprises that employ fewer than 250 persons.

<sup>30</sup> World Bank. (2018). SME Finance. Retrieved from: <http://www.worldbank.org/en/topic/sme/finance>.

<sup>31</sup> International Finance Corporation (IFC) Advisory Service. (2013). Access to Credit among Micro, Small and Medium Enterprises. Retrieved from: <https://www.ifc.org/wps/wcm/connect/1f2c968041689903950bb79e78015671/AccessCreditMSME-Brochure-Final.pdf?MOD=AJPERES>.

<sup>32</sup> IFC and McKinsey&Company. (2010). Two Trillion and Counting: Assessing the Credit Gap for Micro, Small, and Medium-size Enterprises in the Developing World. Retrieved from: <http://documents.worldbank.org/curated/en/386141468331458415/pdf/713150WP0Box370rillion0and0counting.pdf>.

The use of new technologies and concepts can yield an increasing number of innovations and opportunities for MSMEs, such as blockchain-based crowdfunded venture capital solutions through initial coin offerings. In a similar fashion, digitalization can catalyse MSME productivity and digital networks can support business linkages that allow MSMEs to join global markets. The use of blockchain-based fintech can reduce transaction costs and improve access to finance. In addition, big data and artificial intelligence can improve access to markets through advanced, customized and predictive market intelligence. By leveling the playing field for MSMEs, these technologies can enhance their contributions to sustainable development and the SDGs.

On the other hand, the disruptive nature of these technologies and their potential to create power imbalances in value chains, combined with MSMEs' usual lag in adopting technologies, risks further widening the gap between MSMEs and other corporations. Interventions to improve MSME performance, business environments and policies include enhancing MSME access to important resources such as finance and access to markets, and improving their legal, financial, physical and technological systems, and infrastructure.

UNDP's current work in this area is mostly demand based. MSME-related assistance ranges from common services such as policy and strategy formulation to the establishment of MSME promotion agencies and facilitating novel approaches like MSME capability centers,<sup>33</sup> SDG incubators<sup>34</sup> and sustainable economic zones promoting circular economies.<sup>35</sup>

## **What UNDP offers**

UNDP aims to enhance MSMEs' contributions to achieving the SDGs by creating an enabling environment for their engagement in sustainable development and transforming their business models into more sustainable ones that make use of innovation and technology. UNDP's services facilitate MSMEs' access to resources such as knowledge, skills, networks, technology, finance and business opportunities, enhancing their competitiveness while providing incentives and impetus for a bottom-up transformation towards more sustainable business practices. As an initial step, UNDP will focus on MSMEs in priority sectors identified in the Strategic Plan.

## **UNDP's niche**

Although the MSME space is crowded, there has been limited attention to MSMEs' engagement as active stakeholders in achieving the SDGs or marshalling the SDGs to grow MSMEs and make them more sustainable. UNDP will bring an SDG lens to MSME development through interventions on policy, access to finance, connecting markets and business resilience.

This service line must be implemented in partnership with other United Nations agencies, and with global partners such as the International Chamber of Commerce, International Council of Small Business Associations and national stakeholders like chambers of commerce and small business confederations.

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<sup>33</sup> <http://www.tr.undp.org/content/turkey/en/home/projects/applied-sme-capability-building-center--model-factory-.html>

<sup>34</sup> [http://www.dk.undp.org/content/denmark/da\\_dk/home/presscenter/articles/2018/02/14/sdg-accelerator-new-business-solutions-with-the-un-sustainable-development-goals.html](http://www.dk.undp.org/content/denmark/da_dk/home/presscenter/articles/2018/02/14/sdg-accelerator-new-business-solutions-with-the-un-sustainable-development-goals.html)

<sup>35</sup> <http://www.kh.undp.org/content/cambodia/en/home/presscenter/pressreleases/2017/06/29/enhancing-the-economic-and-social-impact-of-special-economic-zones-.html>

### ***Enabling environment for the transformation of MSME business models***

1. A systemic review of national MSME-related policies with an SDG lens can enhance MSMEs' potential for adopting SDG-aligned business models and accessing new markets. An enabling environment that encourages sustainability, inclusion, innovation, and better value by aligning policies with the SDGs would help MSMEs to embrace achievement of these goals. This requires innovative public policy and legislative reforms that are informed by multi-stakeholder policy dialogue. UNDP will work with MSME promotion agencies, chambers of commerce and professional organizations to increase the alignment of MSME policies and support SDG-aligned practices.
2. UNDP will work with MSME promotion agencies and national ministries to enhance the SDG-friendly services provided to MSMEs and inclusive businesses. Novel concepts and approaches include MSME capability-building centers, SDG incubators and sustainable economic zones.
3. Raising awareness of sustainability and making MSME business practices more sustainable while reducing risks to the environment and society can trigger large-scale local impact towards the SDGs. Through partnerships with international professional associations, UNDP will raise awareness of the SDGs as a business case and develop guidance to encourage MSMEs to adopt sustainable business and reporting practices. The UNDP SDG Accelerator Programme for SMEs aims to help MSMEs establish sustainable business practices in line with the SDGs. It offers participating companies an opportunity for developing innovative solutions with business potential and SDG impact. These companies are assisted in communicating their SDG commitments through social media and various other media platforms. Progress and results from the SDG Accelerator are shared as an inspiration for other companies, demonstrating how the new global agenda for sustainable development can be operationalized in a business context. The programme also supports companies in translating the SDGs into internal communications and other activities that strengthen internal awareness of the SDGs and support employee engagement.
4. UNDP, will work to improve coordination across the policy landscape while making information available to MSMEs and exploring the deployment of emerging technologies.
5. Working with national ministries and MSME promotion agencies, UNDP will support MSMEs' adaptation and utilization of industry 4.0 technologies. The focus may include industry 4.0 skills, business and entrepreneurship capacity development, utilization of big data and the "internet of things" in manufacturing, predictive market analytics, intelligence, blockchain for value chains, cluster and cooperative management, coordination and finance, crowdsourcing of investments for MSME innovation and education.

### ***Financing green and nature-based solutions***

1. Nature-based solutions<sup>36</sup> and green technologies have the potential to open up large-scale business opportunities for MSMEs.<sup>37</sup> For example, the World Bank has identified a potential US\$1.2 trillion market for MSMEs in clean technology throughout the developing world for the decade ending in 2023. MSMEs' readiness and capacity are crucial for the deployment of nature-based business solutions as MSMEs are an important venue for disseminating and scaling up these solutions. However targeted interventions are needed to develop their capacity through networks and make them investment ready.
2. With its global presence and a US\$3 billion portfolio in nature-based projects, UNDP is uniquely positioned to initiate dialogue with national governments, corporations and financiers on nature-based investments.<sup>38</sup>
3. UNDP will catalyse investments in nature-based solutions by building an investment pipeline with MSMEs offering these solutions, and screen them for investment readiness.
4. Investments in this sector can be facilitated by (i) mobilizing funds to de-risk investments and increase investor confidence; (ii) creating infrastructure that can mitigate risk and diversify investment portfolios; and (iii) undertaking investing experiments using various finance instruments in order to learn and innovate.

### ***Accessing markets through the Supplier Development Programme***

1. Through its field-proven Supplier Development Programme, UNDP will strengthen entrepreneurial and productive capacities while increasing access to markets and MSMEs' competitiveness in supplying goods and services to other enterprises throughout the value chain.
2. The Supplier Development Programme seeks to implement systems that optimize suppliers' development in productive value chains. The objective is to boost the economy by reinforcing the competitive capacities of strategic sectors. The programme aims to strengthen value chain coordination so that large enterprises – referred to as “track enterprises” demanding goods and services – integrate MSMEs into strategic relationships that allow them to become suppliers. The programme's adaptation in Africa through the [Agribusiness Supplier Development Programme](#) focuses on the agricultural sector and supports smallholder farmers' linkages with markets.

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<sup>36</sup> Nature-based solutions, often called conservation investments, include those identified by the Business and Sustainable Development Commission as: reducing food waste in value chains; monetizing forest ecosystem services such as water; dietary switches; sustainable aquaculture; technology in smallholder farms; micro-irrigation; land restoration; cattle intensification; and urban agriculture, and by Forest Trends as sustainable food and fiber production; habitat conservation; and improved water quality through forest management.

<sup>37</sup> BlueOrchard. (2017). *SMEs and SDGs: Supporting Small and Medium Enterprises to Achieve the Sustainable Development Goals*. Retrieved from: [https://www.blueorchard.com/wp-content/uploads/1702107\\_SME\\_Report\\_web\\_final.pdf](https://www.blueorchard.com/wp-content/uploads/1702107_SME_Report_web_final.pdf).

<sup>38</sup> UNDP. (2018). *Environment and Natural Capital*. Retrieved from: <http://www.undp.org/content/undp/en/home/sustainable-development/environment-and-natural-capital.html>.

## ***MSMEs and resilience***

1. While governments maintain overall responsibility for responding to humanitarian emergencies, local communities and private-sector networks play a crucial role in disaster risk reduction, emergency preparedness, response and recovery. Disasters affect MSMEs disproportionately and their recovery is particularly challenging since they have limited resources. But because of their adaptability and agility, MSMEs can remain functional with smaller amounts of capital, contributing to the recovery of the societies and economies after disasters. Supporting MSMEs before disasters and incentivizing their recovery from them are of strategic importance.
2. MSMEs provide jobs, goods and services that are in particular demand after crises, contributing to recovery and rebuilding of societies and economies. UNDP promotes pre-disaster awareness and preparedness, as well as facilitates recovery through the establishment of recovery funds. In order to restore the entrepreneurial and economic capabilities of the societies, UNDP will focus on engaging MSMEs in the recovery process.
3. One way UNDP engages MSMEs before, during and after emergencies is through the Connecting Business Initiative jointly led with the United Nations Office for Disaster Risk Reduction (UNISDR) and the Office for the Coordination of Humanitarian Affairs (OCHA). This initiative aims to increase the scale and effectiveness of emergency response in a coordinated manner through country-level private-sector networks.
4. Work with MSMEs to support livelihoods and economic recovery in disaster and post-conflict settings is a strategic commitment to enabling viable options for rapid return to sustainable development pathways. This is particularly relevant in fragile and protracted crises characterized high vulnerability and the often protracted displacement of populations. The engagement of MSMEs can boost livelihoods and employment by: providing new employment and apprenticeship opportunities; integrating MSMEs into markets and value chains by linking them to bigger businesses; creating procurement opportunities; funding livelihood and employment initiatives; and involving MSMEs in the delivery of critical services to crisis affected communities (including energy, basic financial services and waste management). UNDP has developed a crisis-response package that includes tools to support post-crisis enterprise recovery and cash-based interventions.
5. UNDP works with and promotes MSMEs that bring about innovation and offer viable options for crisis recovery and resilience building. Such enterprises include start-ups in the field of new technologies (e.g. “tech for good” initiatives targeting young start-up enterprises of crisis affected persons and blockchain applications that increase access to social and financial services and promote market integration). Other enterprises are developing innovative knowledge products for early warning, crisis response and recovery, fostering social cohesion between displaced people and host communities, providing environmental services, and disseminating sustainable energy solutions (e.g. solar energy, waste to energy) that benefit crisis affected communities.

UNDP’s interventions include a specific focus on youth and women, and contribute directly to Signature Solution 1: Keeping people out of poverty, and Signature Solution 3: Enhance national prevention and recovery capacities for resilient societies.

## **Development settings**

In contexts where countries prioritize **poverty eradication**, UNDP’s interventions focus on job and livelihood creation, inclusion and empowerment of women and disabled people while improving

governance at all levels. Since the SDGs place particular importance on small agri-food enterprises, fisheries and sustainable and inclusive tourism activities (MSMEs are the major employers in these sectors), UNDP will work through the Supplier Development Programme to facilitating finance for green and nature-based solutions that lead to food security and sustainable livelihoods.

To **accelerate structural transformations for sustainable development**, MSMEs will be engaged in efforts to make their business models more sustainable and incentivize activities in SDG-relevant sectors (via financing for nature-based solutions). The focus will be on transforming MSME business models, creating employment, developing MSMEs into suppliers and supporting in MSMEs in the SDG-relevant sectors through innovative financing.

In order to **build resilience to crises and shocks**, UNDP considers MSMEs as critical actors in prevention, preparation, response and recovery. Through the Connecting Business Initiative, UNDP will work with national and international partners to strengthen MSME capacities for disaster risk reduction and reduce the exposure of employees, assets and livelihoods to hazards. UNDP will also use its crisis response package to support MSMEs leading economic recovery in various crisis contexts. In protracted crises, UNDP will seek partnerships with diaspora-led enterprises that can play an instrumental role in economic recovery due to their risk appetite, strong business capacity and cultural awareness. UNDP will also concentrate its efforts to work with MSMEs that integrate their products and services in support of governments' efforts towards the resumption (or enhancement) of services and critical infrastructure (energy, markets, communication networks, sanitation etc.). Strengthening gender equality and empowering women and girls will be a priority in all contexts.

### Target clients

Clients will be targeted at the upstream, mid-stream and downstream levels, and by those that create growth, those that support growth and those that benefit from growth and livelihood opportunities.

- *Upstream (macro)*: At the macro level, UNDP's support will focus on strategic, policy and regulatory efforts. Stakeholders at this level will mainly be government agencies.
- *Mid-stream (meso)*: At the meso level, UNDP's support will focus on developing capacities in SDG-relevant sectors through business associations and professional organizations.
- *Downstream (micro)*: MSMEs, large value-chain anchor companies and micro-businesses that need to be integrated into national, regional or global value chains will be targeted.

### Joint United Nations partnerships

**UNIDO's** technical capacity on sustainable and inclusive industrialization will be critical for developing and mainstreaming SDG-friendly industry concepts such as sustainable economic zones. **ITC** provides open trade and market data, which are essential for MSME market analysis. UNDP could help MSMEs to utilize these data and explore ways to enhance them with new technologies. **The United Nations Conference on Trade and Development (UNCTAD)** aims to encourage the use of investment finance and technology for inclusive and sustainable development, and leverage its significant capacity in entrepreneurship training.

**OCHA** brings together humanitarian actors for coordinated crisis response. UNDP will continue to partner with OCHA on the Connecting Business Initiative and seek to expand this partnership for building resilience to crises and shocks. **ILO** and UNDP will work jointly on assessing and mitigating the impacts of industry 4.0 on MSMEs and their employees.

UNDP also benefits from **UNCDF's** performance-based and reimbursable grants, concessionary loans and credit enhancements, which promote financing for start-ups, provide market information to investors and incentivize business and financial service providers to reach poor and underserved households. This de-risks investment in small businesses, attracting public and private finance to scale up ideas that work.

In collaboration with the Office of the United Nations High Commissioner for Refugees (UNHCR), the United Nations Children's Fund (UNICEF) and World Food Programme (WFP), UNDP will strengthen partnerships to promote engagement with MSMEs in crisis contexts. UNDP will also strengthen its role in networks such as the Donor Committee for Enterprise Development (DCED) and the Small Enterprise and Education Promotion (SEEP) network.

## **Service Offer #5: Developing and implementing multi-stakeholder partnerships with the private sector as a means of implementing the 2030 Agenda**

**Prepared by Nazila Vali, Business Call to Action**

Achieving the ambitious targets of the 2030 Agenda requires mobilizing all available resources and bringing together local and national authorities, civil society, the private sector and United Nations organizations. Multi-stakeholder platforms are an effective way to forge partnerships, take collective action and ultimately realize the SDGs.

### **Problem statement**

Our planet's population is heading towards 9 billion, putting the earth's resources under immense pressure. Increasingly, the challenges and opportunities we face are large and complex. Our actions are linked with the actions of others, our solutions are embedded in a web of interlinked interests and we cannot work alone. There is a profound need for innovative approaches to how we govern ourselves, use and share resources, and create harmony among people.

Creating a better world takes partnership. Increasingly, governments, businesses, civil society and multilateral organizations recognize the need to work together to tackle the 21<sup>st</sup> century's challenges and bring about positive change. Many of the issues we confront – and the opportunities we would like to exploit – are embedded in a shifting network of social, economic, political, and environmental factors. While many groups are concerned with the same issues, they view these issues from different perspectives and with different interests.

Although no one group can bring about change on its own, one can be enough to block the actions of others. To avoid this, we need to develop shared perspectives, new understandings and collective commitment to action – even among groups that may initially have conflicting viewpoints.

Developing trust and understanding can be a slow and difficult process when people have opposing interests or are competing for resources. It may take time for all partners to agree on shared decisions and take collective action. However, the SDGs can only be achieved through strengthened multi-stakeholder partnerships. As the United Nations Secretary-General recognizes, it will be the collective efforts of partnerships everywhere that make the difference.

### **What UNDP offers**

UNDP's new [Strategic Plan](#) (2018-2021) highlights the organization's key role as an integrator, its commitment to help countries to "connect the dots" on the toughest development challenges and its comparative advantage in building capacities towards sustainable development. UNDP's business model will be adapted to ensure that the required capacities and systems are in place to deliver integrated services in support of the 2030 Agenda. The Strategic Plan proposes country-level support platforms that facilitate cross-sector solutions in collaboration with a wide range of actors towards the SDGs.

In addition, UNDP can provide global development advisory and implementation services that bring together high-quality policy and technical expertise to deliver signature solutions in diverse contexts.

UNDP's global, regional and national multi-stakeholder partnerships have been instrumental in advancing solutions to global development challenges and realizing the potential of private-sector actors for development. These partnerships' combined systems, services, knowledge and skills are changing how UNDP organizes and deploys its assets and capabilities. These strategic pools of expertise utilize business models that ensure efficient, scalable and cost-effective service delivery in different country contexts.

**Multi-stakeholder partnerships involving the private sector** catalyze UNDP's limited financial resources while furthering the achievement of SDG 17 and the Addis Ababa Action Agenda. More than an opportunity to harness private-sector resources for development, these platforms offer a range of benefits.

- First, the partnerships offer a means to leverage the financial resources of many actors across sectors. This in turn provides opportunities for engaging the private sector in development and incentives for governments and civil society to collaborate on economic transformation and job creation.
- Second, multi-stakeholder partnerships can leverage commercial, market-driven investments, and private-sector innovation towards sustainable, inclusive and equitable outcomes. They facilitate cross-sector dialogue that aligns diverse actors and interests around a common agenda for action towards systemic change. This enhances the effectiveness of development assistance by reducing fragmentation and duplication – an increasing concern for donors.
- Third, these partnerships promote inclusive participation in solving sustainable development challenges. By providing opportunities for grassroots involvement in projects, partnerships promote local ownership.

By their very nature, multi-stakeholder partnerships are complex and challenging to implement due to partners' various roles, functions, drivers, and activities. UNDP's Istanbul International Center for Private Sector in Development (IICPSD) has developed and incubated many multi-stakeholder partnerships, including the SDG Philanthropy Platform, the Business Call to Action and the Connecting Business Initiative. The UNDP Green Commodity Programme has also supported the development of national platforms such as the Responsible Production and Trade of Pineapple in Costa Rica, and the *Kelapa Sawit Berkelanjutan* Palm Oil Forum in Indonesia. In Africa, UNDP's Regional Service Centre has utilized a multi-stakeholder platform and ecosystem approach in its past and ongoing engagements, most notably regional value chain development initiatives, Inclusive Business Ecosystem Initiatives and the GEF IAP, which all combine collective action with catalytic grants for direct field impact.

Promoting and supporting multi-stakeholder partnerships is also complex, requiring considerable financial and human resources. Trust and transparency are critical for fruitful, lasting partnerships among diverse stakeholders.

**This service line** focuses on the design and establishment of multi-stakeholder partnerships tackling economic, social and environmental issues, as described in UNDP's Strategic Plan. These partnerships should be designed with a strong youth and gender lens (to address the root causes of gender inequalities) and should directly contribute to all the Strategic Plan's Signature Solutions. The service line builds upon UNDP's longstanding experience in multi-stakeholder engagement at all levels.

Partnerships raise awareness among all actors, bring them together and catalysing solutions developed by new coalitions of stakeholders. These "solutions packages", comprising sets of activities aimed at furthering the 2030 Agenda, include public-private partnerships and context-specific multi-stakeholder approaches. While each package is unique, they all address challenges that affect many sectors and groups, and therefore cannot be addressed by one stakeholder alone.

Solutions packages need to be implemented by true coalitions of partners and underwritten by diverse funding sources, with appropriate data and reporting systems for impact verification. Country platforms are especially critical in crafting country- and context-specific solutions to challenges like addressing critical bottlenecks; supporting governments in aligning national development plans, budgets and

implementation strategies with the SDGs; and creating “whole of society” approaches to achieving the SDGs.

Country, regional and global partnerships must support the creation of such diverse solutions packages.

#### Examples of UNDP’s activities in this area include:

- Workshops and feasibility studies to create and harness ideas for solutions packages;
- Funding mechanisms to get solutions packages off the ground and support stakeholder groups’ engagement in them; and
- Capacity development to ensure that all stakeholders are capable of participating in – and contributing to – solutions packages.

#### Development settings

UNDP’s interventions will be context specific, with a focus on geography, the status of markets and countries experiencing fragility or conflict.

#### Target clients

Target clients will change depending on the multi-stakeholder partnership, but will include businesses, civil society, governments and NGOs.

The multi-stakeholder partnerships in which UNDP engages seek to distance themselves from client centricity, instead adopting a “relationship-centric” model in which stakeholders declare their interdependence as partners.



#### Joint United Nations partnerships

Most multi-stakeholder partnerships are set up jointly with other United Nations agencies. Depending on the context, issue and the opportunities, UNDP partners with many other United Nations agencies in building and implementing partnerships for the 2030 Agenda.

#### What is UNDP’s niche?

- **Strong convening power:** UNDP brings together governments, civil society, the private sector and a range of United Nations actors at the local, national and global levels.
- **Trusted partner and exemplary level of transparency:** As a trusted partner of a large number of governments, UNDP benefits from an exemplary level of transparency, giving it a

comparative advantage in establishing multi-stakeholder partnerships with private-sector partners for the SDGs.

- **Resources and capacities:** Benefitting from a wide range of internal resources and capacities, the organization participates across networks and has the ability to draw stakeholders from different sectors.
- **Local knowledge across the globe:** In its offices around the world, UNDP has a large number of engaged staff doing outstanding work and innovating every day.

## Service Offer #6: Municipal finance

### Prepared by UNCDF

UNCDF's municipal finance expertise forms an integral part of UNDP's value proposition. Through their unique collaboration, UNDP's and UNCDF's complementary assets lead to innovative approaches that draw attention to the importance of municipal finance for sustainable development. Local governments are at the forefront of fighting global issues: they are often the most effective implementers of cross-cutting, multi-sector programmes, and the most appropriate units of measurement for SDG attainment. Without active engagement at the local level, the SDGs cannot be achieved and our future on the planet cannot be secured.

### Problem statement

Managing cities and urban growth has become one of the pressing development challenges of the 21<sup>st</sup> century. The importance of this challenge is explicitly recognized in SDG 11: Make cities and human settlements inclusive, safe, resilient and sustainable. Urbanization is causing a historic global demographic shift that is one of the biggest drivers of economic growth in the 21<sup>st</sup> century. Today, one half of the world's population lives in cities, which generate more than 80 percent of global gross domestic product.<sup>39</sup>

One third of the world's urban population resides in developing countries, and this portion is growing rapidly. While only one tenth of the world's largest urban areas are in least-developed countries, 30 of the 35 most rapidly growing large cities worldwide are located in these countries.<sup>40</sup> The world's fastest-expanding urban agglomerations are currently found in the global South. Rural-to-urban migration, combined with the effects of urban population growth, could add another 2.5 billion people to the world's urban population by 2050. Close to 90 percent of this increase will be in Asia and Africa.<sup>41</sup>

The Intergovernmental Panel on Climate Change notes that urban climate change-related risks are increasing. Extreme events can damage housing, especially informal structures. Ensuring that cities are resilient to natural disasters, in line with the Sendai Framework, will be increasingly important if disasters become more regular and intense.

Urban growth is not limited to capital cities but is having a profound impact on secondary cities and towns as well. Bangladesh and Myanmar each have three cities on the list of the world's largest urban areas. The United Nations Department of Economic and Social Affairs reports that close to half of the world's urban dwellers reside in settlements of less than 500,000 inhabitants compared to one eighth living in mega-cities with over 10 million.<sup>42</sup>

### The challenge of urbanization

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<sup>39</sup> McKinsey Global Institute. (2011). Urban World: Mapping the Economic Power of Cities. Retrieved from: [https://www.mckinsey.com/~media/McKinsey/Featured%20Insights/Urbanization/Urban%20world/MGI\\_urban\\_world\\_mapping\\_economic\\_power\\_of\\_cities\\_full\\_report.ashx](https://www.mckinsey.com/~media/McKinsey/Featured%20Insights/Urbanization/Urban%20world/MGI_urban_world_mapping_economic_power_of_cities_full_report.ashx).

<sup>40</sup> United Nations. (2018). World Urbanization Prospects 2018. Retrieved from: <http://esa.un.org/unpd/wup/CD-ROM/Urban-Rural-Population.htm>.

<sup>41</sup> United Nations Department of Economic and Social Affairs. (2018). World's Population Increasingly Urban with more than Half Living in Urban Areas. Retrieved from: <http://www.un.org/en/development/desa/news/population/world-urbanization-prospects-2014.html>.

<sup>42</sup> United Nations, Department of Economic and Social Affairs. (2014). World Urbanization Prospects: The 2014 Revision. <http://esa.un.org/unpd/wup/Highlights/WUP2014-Highlights.pdf>.

The future of developing countries and their ability to meet the SDGs largely depend on how well urbanization is managed. Cities have the potential to be engines for economic growth that structurally transforms local economies and expands access to basic services for many people.

Urbanization is driven by the reality that urban life offers more socio-economic potential than rural life. Economic opportunities in cities are more diverse (especially in countries where agricultural employment is declining), education and healthcare are more accessible, and gender roles are often less restricted. But sustainable urban life requires investment that is lacking in much of the developing world. Unless significant investment takes place, developing-country cities will not be able to provide stable livelihoods for their citizens, further fueling migration and limiting achievement of the SDGs.

Urbanization often takes place in low-income countries without effective land use planning or inclusive access to basic services. There is abundant evidence that developing countries are under-prepared for the scale of urbanization that is taking place and are struggling to face the challenges of urban growth.

The economic potential of cities will not be fully realized until municipal governments have the tools to manage these staggering development challenges and the resources to improve economic, environmental, and social conditions. Municipalities in developing countries lack the sustainable long-term financial resources to invest in urban infrastructure and services for transformative, sustainable growth.

### **What UNCDF offers**

UNCDF's support to municipal finance has developed over the last 25 years; the agency now is recognized within the United Nations system as a leader in municipal finance.<sup>43</sup> This support includes: designing, piloting and testing inter-governmental transfer systems; introducing innovations in local taxation; structuring public-private partnerships; and supporting municipal bond issuance.<sup>44</sup> Local government finance systems in over 20 countries are based on UNCDF-supported designs.<sup>45</sup> Billions of dollars have been transferred to local governments through the scaling up and adoption of UNCDF pilots.<sup>46</sup> In addition, the World Bank has collaborated with UNCDF on the design of systems that lead to finance support.

The 13-country Local Climate Adaptive Living Facility (LoCAL) gives local governments direct access to international climate finance mechanisms such as the Green Climate Fund.<sup>47</sup> LoCAL is producing private-

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<sup>43</sup> United Nations General Assembly. (2017). Report of the High Level Independent Panel to Assess and Enhance Effectiveness of UN Habitat, Note by the Secretary-General. Retrieved from: <http://www.un.org/News/dh/infocus/HLP/UN-Habitat-Assessment-Report-3%20August-2017.pdf>.

<sup>44</sup> United Nations Department of Economic and Social Affairs, Financing for Development Office and UNCDF. (2017). Financing Sustainable Urban Development in the Least Developed Countries. Retrieved from: <https://uncdf-cdn.azureedge.net/media-manager/71892?sv=2016-05-31&sr=b&sig=dVC4g4lOdbllh%2Ba0rdteSEQTnj%2FLzf4VSKhRgcWbZ4%3D&se=2018-05-09T18%3A59%3A04Z&sp=r>.

<sup>45</sup> UNCDF. (2010). Performance-Based Grant Systems – Concept and International Experience. Retrieved from: <https://europa.eu/capacity4dev/public-pub.sector-reform-decentralisation/document/uncdf-2010-performance-based-grant-systems-concept-and-international-experience>.

<sup>46</sup> Steffensen, J. et al. (2017). Fiscal Leverage by UNCDF from Piloting of Local Development Fund Schemes and Initiatives: Generating Fiscal Space and New Intergovernmental Fiscal Transfer Modalities for Local Governments, Case Studies.

<sup>47</sup> UNCDF. (2017). Financing Local Adaptation to Climate Change: Experiences with Performance-based Climate Resilience Grants. Retrieved from: [https://www.local-uncdf.org/uploads/2/4/0/3/24030503/local\\_experiences\\_report-web-eng-lr-aug18.pdf](https://www.local-uncdf.org/uploads/2/4/0/3/24030503/local_experiences_report-web-eng-lr-aug18.pdf).

sector investment opportunities that promote climate resilience – de-risked by complementary local government grants.

UNCDF has a network of municipal investment officers and a project preparation facility to structure municipal capital investment projects and secure their financing. Domestic commercial banks are “crowded in” through deployment of UNCDF’s de-risking financial instruments directly to local governments and special-purpose vehicles. Currently, UNCDF supports an active pipeline of transformative local government infrastructure investments in several countries to unlock domestic finance from the private sector, creating demonstration models that others can replicate. Tanzania’s Government has requested that all local government associations structure public-private partnerships along these lines. The United States Agency for International Development (USAID) Development Credit Authority is reviewing the UNCDF pipeline with a view to providing loan guarantees.

In addition, UNCDF is partnering with the Cities Alliance to develop diagnostic tools in Ghana and Uganda that will drive private investment.<sup>48</sup> Work on loan due diligence aimed at promoting financial intermediaries to lower the cost of capital for municipal finance is underway in Cameroon, Madagascar, Mali, Nepal and Niger.<sup>49</sup> UNCDF has also supported 10 Bangladeshi municipalities in obtaining credit ratings, nine of which are investment grade, and is working with regulatory authorities on municipal bond issuance.

As a centre of excellence and innovative fund for local government finance, UNCDF is the official provider of data from least-developed countries to the United Cities and Local Governments and Organisation for Economic Co-Operation and Development (OECD) flagship World Observatory on Subnational Government Finance and Investment,<sup>50</sup> and a regular trainer on the Public Expenditure and Financial Accountability (PEFA) Framework for global experts on fiscal decentralization and public finance.<sup>51</sup>

### **UNCDF’s Niche**

In the area of municipal finance, UNCDF has:

- A proven track record and recognized competence;
- A team more than 40 local government finance experts and investment officers with experience in local government and infrastructure finance;
- Recognition as a credible strategic partner for city networks; and
- The ability to lend and guarantee local government investments, and collaborate with domestic banks to “crowd in” finance for public-private partnerships and market development.

### **Creating a financial ecosystem for municipal finance**

The imperative of urbanization makes strengthening municipal finance a global development priority. The Addis Ababa Action Agenda commits to engaging local authorities in financial sustainable development

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<sup>48</sup> Cities Alliance. (2016) Joint Work Programme for Promoting Equitable Economic Growth in Cities. Retrieved from: <http://www.citiesalliance.org/equitable-econ-growth>.

<sup>49</sup> Knowledge Transfer and Exchange Workshop with the Members of the Network of African Financial Institutions for Local Governments. Retrieved from: <http://www.uncdf.org/article/3367/atelier-dchange-riafco>.

<sup>50</sup> Launch of the Observatory on Subnational Government Finance and Investment (2017): <https://www.uclg.org/en/media/news/launch-world-observatory-subnational-government-finance-partnership-between-oecd-and-uclg>.

<sup>51</sup> PEFA for the Subnational Level (2016): <https://pefa.org/events/pefa-subnational-level>.

and promoting international cooperation to strengthen the capacities of municipalities and other local authorities.<sup>52</sup>

However, mobilizing revenue for long-term investment in inclusive and sustainable development is not easy for cities, especially in developing countries. Challenges include meeting recurrent expenditure obligations, maximizing source revenue, achieving predictable and stable fiscal transfers from central governments, and developing alternative sources of finance such as loans, public-private partnerships and bonds. Weak institutions, inadequate legal frameworks, underdeveloped capital markets and a lack of capacity all deepen these challenges. Yet an adequate ecosystem for municipal finance is essential if the SDGs are to be achieved.

UNCDF and United Cities and Local Governments have formed a coalition to advocate for repurposing municipal finance towards an SDG-focused financial ecosystem for municipalities.<sup>53</sup> This global coalition, including private-sector actors and development institutions engaged in municipal finance, promotes global policy goals necessary to unlock finance for cities. These include public accounting on national debt, pooled financing and institutional investors' asset-allocation strategies. The coalition's annual meetings nourish this advocacy by showcasing innovations in municipal finance and identifying required financial mechanisms and regulatory reforms.

UNCDF deploys its sub-sovereign and municipal financial instruments, along with technical assistance, together with partners such as *Fonds Mondial de Ville* and the Cities Alliance. Together, the coalition members design, test and invest in municipal finance innovations with the aim of replication and scaling up by central governments, development banks, pension funds and commercial banks. Coalition members' joint advocacy and innovation are forging a new financial ecosystem for municipalities.

### **United Nations partnerships**

**UN Habitat:** UNCDF partners with UN Habitat on global advocacy to support the United Cities and Local Governments coalition for municipal finance. This includes engaging mayors and supporting the inclusion of municipal finance at events such as the Financing for Development Forum and the High-Level Political Forum on Sustainable Development, which recently focused on SDG 11.

**UNDP:** While UNCDF focuses on financing instruments and tools, UNDP is involved in policy and regulatory environments, and capacity building for good governance and transparency to make public-private partnerships work. UNDP also brings a global presence and relationships, enabling UNCDF to deploy financial instruments in support of local governments. UNDP's advocacy and capacity support allows UNCDF to design, finance and implement capital investment programmes that drive transformative growth through both the public and private sectors.

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<sup>52</sup> United Nations. (2015). Addis Ababa Action Agenda of the Third International Conference on Financing for Development. Retrieved from: [http://www.un.org/esa/ffd/wp-content/uploads/2015/08/AAAA\\_Outcome.pdf](http://www.un.org/esa/ffd/wp-content/uploads/2015/08/AAAA_Outcome.pdf).

<sup>53</sup> UNCDF. (2018). Holds a High-Level Dialogue on Municipal Finance in Malaga. Retrieved from: <http://www.uncdf.org/article/3479/uncdf-holds-a-high-level-dialogue-on-municipal-finance-in-malaga>.

## Service offer #7: Financial Inclusion and digitization

### Prepared by UNCDF

Through its well-established collaboration with UNDP, UNCDF's financial inclusion and digitalization service line will yield innovative approaches to increasing access and digitization of financial services as enablers of inclusive development. The common goal of these organizations is to reduce poverty through a synergistic approach to interventions, raising awareness of financial inclusion and enabling coordination among diverse stakeholders.

### Problem statement

Financial inclusion is on the rise: the 2017 Global Findex Database shows that 1.2 billion adults have obtained bank accounts since 2011, including 515 million since 2014. Between 2014 and 2017, the share of adults with an account through a financial institution or mobile money service rose globally from 62 percent to 69 percent. In developing economies, that share rose from 54 percent to 63 percent. Yet women in developing economies are 9 percent less likely than men to have a bank account.<sup>54</sup>

Approximately 1.7 billion adults worldwide remain unbanked. Because account ownership is nearly universal in high-income economies, virtually all these unbanked adults live in the developing world; 56 percent of all unbanked adults are women and poor people account for a disproportionate share of the unbanked.<sup>55</sup>

With growing empirical evidence on the important contribution of financial inclusion to poverty reduction, women's economic empowerment and inclusive growth, access to financial services is now a target of seven SDGs. Giving poor people a safe place to save builds assets and increases resilience to shocks. It can also boost domestic economies, increase the sustainability of financial service providers and help clients to access other formal financial services. The 138 financial service providers supported by UNCDF have achieved a net increase in deposits of US\$6.5 billion since 2013,<sup>56</sup> demonstrating the potential for well-targeted development assistance to catalyse domestic resources for development. Impact studies consistently highlight the positive benefits of women's access to savings.

Millions of unbanked adults around the world still receive regular payments in cash. Digitizing such payments is a proven way to increase account ownership. Globally, 9 percent of adults – or 13 percent of account owners – opened their first accounts specifically to receive private-sector wages, government payments or funds from the sale of agricultural products. But there are still approximately: (i) 100 million unbanked adults worldwide receiving payments from governments in cash, including 60 million women; (ii) 13 percent of unbanked adults – about 230 million people – receiving private-sector wages in cash; and (iii) about 235 million unbanked adults in developing economies receiving agricultural payments in

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<sup>54</sup> World Bank Group. (2017). The Global Findex Database 2017: Measuring Financial Inclusion and the Fintech Revolution. Retrieved from: <https://globalfindex.worldbank.org/>.

<sup>55</sup> *Ibid.*

<sup>56</sup> Executive Board of the United Nations Development Programme, the United Nations Population Fund and the United Nations Office for Project Services. (2018). Report on Results Achieved by the United Nations Capital Development Fund in 2017 (p. 8). New York: United Nations. Retrieved from: <https://undocs.org/DP/2018/13>.

cash. Clearly, there is enormous potential for increasing account ownership by transferring these payments into accounts, especially since the majority of these earners have mobile phones.<sup>57</sup>

### **What UNCDF offers**

UNCDF's support to the digital financial services sector has evolved. From an initial focus on increasing access, UNCDF has worked to drive usage and is now helping to adapt digital solutions to pressing economic challenges. For example, pay-as-you-go models are empowering poor people to purchase goods and services in increments that better fit household cash flow. Household solar electricity is one of the initial "use cases" UNCDF has been advancing in this area.

By building digital ecosystems, UNCDF's Mobile Money for the Poor (MM4P) programme has contributed to an increase of 6.7 million adults with active digital financial services accounts in eight countries.<sup>58</sup> In Zambia, UNCDF contributed to an increase in active account holders from 2 percent of the adult population in 2014 to 18 percent by 2017. That same year, the roll-out of an e-wallet called Sunga, developed with UNCDF support, gained active account usage of 136,000.<sup>59</sup> MM4P is also focused on expanding access to the most vulnerable and excluded populations, including rural families and refugees. Working with UNHCR, UNCDF has been instrumental in enabling the use of refugee identification to open a mobile money account. Research is now being conducted to identify how digital financial services can help mothers to address the specific challenges they face and develop the business case for service providers to deliver products that meet their needs.

Further, UNCDF supports mobile network providers in designing and testing a variety of client-centric products. This work is beginning to shape the design of other providers' products. In Uganda, UNCDF has supported payment digitization in agricultural value chains, which resulted in 71,000 new rural customers using mobile money in 2017.<sup>60</sup> UNCDF is also engaging with fintech firms – which are needed to connect across multiple service providers – and institutions that leverage digital financial services for payment and financing, such as bulk payers in agriculture smallholder supply chains.

The joint UNCDF-UNDP Pacific Financial Inclusion Programme has significantly increased access to finance in the South Pacific, supporting the access of 1.7 million people to savings, loans, mobile wallets, micro-insurance and remittances using primarily digital channels. The programme has also contributed to the financial inclusion of women, with 800,000 women becoming formally banked since 2008. In 2017 alone, 170,000 women were reached through the financial products and services supported by UNCDF.<sup>61</sup>

Via YouthStart, a programme to increase access to finance for low-income youth in Africa, 830,000 young people (43 percent of them women) have gained access to savings accounts and accumulated over US\$22 million in savings since 2010. Of these, 210,000 young entrepreneurs (54 percent women) accessed

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<sup>57</sup> World Bank Group. (2017). The Global Findex Database 2017: Measuring Financial Inclusion and the Fintech Revolution. Retrieved from: <https://globalfindex.worldbank.org/>.

<sup>58</sup> UNCDF. (2018). Retrieved from: <http://www.uncdf.org/mm4p/home#>.

<sup>59</sup> UNCDF. (2018). Zambia: The State of Digital Financial Services in 2017. Retrieved from: <http://www.uncdf.org/article/3903/zambia-the-state-of-digital-financial-services-in-2017>.

<sup>60</sup> Executive Board of the United Nations Development Programme, the United Nations Population Fund and the United Nations Office for Project Services. (2018). Report on Results Achieved by the United Nations Capital Development Fund in 2017 (p. 5). New York: United Nations. Retrieved from: <https://undocs.org/DP/2018/13>.

<sup>61</sup> *Ibid.*

loans totalling US\$29 million. For the first time in 2017, the aggregate value of loans to youth was greater than their collective savings, indicating that both financial service providers and youth are more confident in young people's ability to repay loans.<sup>62</sup>

UNCDF also reached over 2.2 million new customers (70 percent women) through savings products developed through the [MicroLead programme](#). With UNCDF support for market research and product development, most grantees were able to offer new savings products and partner financial service providers developed viable business models to reach rural populations. In addition, the financial service providers enabled 900,000 savings group members to open accounts in 10 countries. Because of this experience, UNCDF has been recognized by peers as a leading agency in linking savings groups with formal financial services.<sup>63</sup>

### UNCDF's niche

With its proven track record, UNCDF has:

- Led the development of digital ecosystems and essential last-mile infrastructure to extend financial services to poor men, women and youth – between 2014 and 2017 it supported 18 million clients in using digital payments to access basic services and engage in their local economies;
- Built a team of digital experts (mainly from the private sector) to align UNCDF's development objectives with private-sector business targets, ensuring sustainability and scale;
- Become a recognized strategic partner of major private-sector actors;
- Developed a focus on inclusive innovation to drive digital development at the bottom of the pyramid;
- Become recognized as a neutral broker that can work with all digital stakeholders at the country, regional and global levels; and
- The ability to leverage existing teams, experience and relationships for quick impact in many countries.

### Enabling environment for a market development approach to digital ecosystems

Policy dialogue is needed to develop national multi-stakeholder forums that can advise governments on public policies related to the digital economy. UNCDF has introduced public private digital-finance working groups, including major mobile network operators, in over a dozen countries. These groups have already begun to address issues related to **access beyond finance** and the links between digital payments and the real economy. This working group structure will be expanded to address issues around the **digital economy**.

[The Better than Cash Alliance](#), which includes 28 governments, provides a forum to share research and promote best practices. This alliance also sponsors exchanges such as that carried out in 2017 for African members to learn about innovative work in India. The alliance is helping UNCDF to increase its training activities and gain exposure to emerging practices on digital inclusion in Africa, Asia and Latin America.

UNCDF works to ensure democratic and inclusive processes by helping governments to set up inclusive national platforms that support financial inclusion roadmaps (19 so far in Africa and Asia) and digital

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<sup>62</sup> Executive Board of the United Nations Development Programme, the United Nations Population Fund and the United Nations Office for Project Services. (2018). Report on results achieved by the United Nations Capital Development Fund in 2017. (p.8) New York: United Nations. Retrieved from <https://undocs.org/DP/2018/13>

<sup>63</sup> *Ibid.*

payment roadmaps. This work has led governments in Benin, Liberia, Malawi, Senegal, Sierra Leone and Uganda to begin digitizing their payments, and Senegal's Government to begin digital tax and rate collection.

Other critical UNCDF initiatives include business pipeline development, technical assistance, convening and policy de-risking. UNCDF has the mandate, policies, processes and tools to provide policy advice, technical assistance, grants, loans, loan guarantees. It excels in deploying a maturity model that takes projects from proof of concept to pilot and scale using the right mix of instruments. At its core is technical expertise deployed through in-country teams that combine international and local experts, including digital experts from the private sector.

As an organization created to de-risk, UNCDF provides grants to offset the risk of early-stage projects in which the business case is unclear. This support can then grow into loans and loan guarantees. However, a key part of de-risking is being an active and honest advocate for policies and regulations that make projects work. Creating regulatory certainty enables the private sector to invest in new products and business models, and serve new market segments.

### **Development settings**

Interventions on **financial inclusion and digital financial services** will primarily focus on job and livelihood creation, inclusion and empowerment of women and youth while improving governance at all levels.

For **market development approaches to digital economies**, an ecosystem approach to digital financial services will be used.

In **building resilience to crises and shocks**, the focus will be on leveraging partnerships with UNHCR and other United Nations agencies, and on savings-based approaches for women and youth.

In all contexts, strengthening gender equality and women's empowerment will be a priority.

### **Target clients**

Target clients will be differentiated at the upstream, mid-stream and downstream levels, as well as by those that create growth, those that support growth and those that benefit from growth and livelihoods.

- *Upstream (macro)*: At the macro level, support will focus on strategies, policies and regulations, building on existing partnerships with central banks and ministries of finance. Most stakeholders at this level will be government agencies.
- *Mid-stream (meso)*: At the meso level, support will focus on developing sector-specific capacities through business associations and professional organizations.
- *Downstream (micro)*: Priority will be given to direct interaction with a wide range of private-sector partners, including multinationals, commercial banks, pay-as-you-go enterprises, energy companies, fintechs and MSMEs engaged in priority value chains.

### **Joint United Nations partnerships**

The Better than Cash Alliance includes numerous United Nations agencies that have committed to digitizing cash payments, including UNDP, IFAD, UNFPA, UNICEF, UNHCR, WFP and the United Nations Secretariat.

## **Service offer #8: Government policies that provide an enabling environment for doing business and shape sustainable business and investment practices**

*Prepared by Elodie Beth and Livio Sarandrea, UNDP Bangkok Regional Hub*

### **Problem statement**

Over the last several decades, the volume of global capital and trade flows has ballooned, pulling hundreds of millions of people out of poverty and generating new levels of wealth and revenue. New industries have taken root and private enterprises have played an increasing role in fostering economic and social growth. While recognition is growing that the private sector is central for delivering on the SDGs, there is a risk that the international community will underestimate the fact that more – not less – governance will be required to achieve them.

Poor governance, lack of rule of law and corrupt practices are significant challenges to doing business that discourage investment. Corruption adds up to 10 percent to the cost of doing business globally and up to 25 percent to the cost of procurement in developing countries. Governments have a central role in setting policies that minimize the cost of doing business and promote responsible business practices. Governments need to accelerate efforts to establish policy and regulatory environments that promote ease of doing business along with innovative practices that encourage responsible conduct. Governments should also ensure that sound accountability frameworks are in place to promote the rule of law.

On the other hand, people are increasingly expecting companies to act responsibly. With the globalization of production chains, new challenges have emerged, with global value chains being linked to contaminated water supplies, accelerated deforestation and increased air pollution. In some countries, segments of some global value chains are equated with hazardous working environments and corrupt practices, lending themselves to disabilities, forced labour, child labour and sexual harassment and exploitation. Therefore companies should ensure at the minimum that they comply with standards such as UN Global Compact Principles, the UN Guiding Principles on Business and Human Rights, and the United Nations Convention Against Corruption.

SDG 16 highlights the importance of building effective, transparent and accountable institutions in both the public and private sectors, and providing access to justice in the event of disputes. Governments and the private sector are jointly responsible for minimizing the negative impacts of the private sector on development.

Furthermore businesses need encouragement to embrace the SDGs as part of their overall business strategies; SDG indicators and reporting frameworks reflect the private sector's positive contributions. Companies are increasingly taking steps to mainstream governance within their overall business strategies and become responsible partners in achieving the SDGs. Investors can reward meaningful SDG engagement through Responsible Business standards such as the Principles of Responsible Investment. By joining efforts to pursue the SDGs, the private sector will be better positioned to unlock opportunities for growth in new markets.

## What UNDP offers

UNDP Strategic Plan (2018-2021) highlights the need for UNDP to become a catalytic organization that helps governments to create an enabling environment for the private sector to align its business with the SDGs. The interventions in this service line will contribute to the Strategic Plan's Signature Solutions on poverty, governance and gender equality.

This service offering takes advantage of UNDP's longstanding work on governance, transparency, accountability, anti-corruption, human rights and gender equality. It will tap into the organization's growing work on responsible business conduct, including initiatives on business transparency and integrity,<sup>64</sup> business and human rights,<sup>65</sup> and gender in the private sector.<sup>66</sup> UNDP will also expand its ongoing engagement with the inclusive business through the Business Call to Action.

### Providing an enabling environment for doing business

UNDP will support policies and regulations that reduce transaction costs, minimize the risks of doing business and support an enabling environment for innovation.

- **Transparency, Simplification and ease of doing business:** This work entails ensuring that regulations, policies and electronic systems promote ease of doing business in areas such as business licensing, permits, taxation and customs, and promote a level playing field for companies through transparent and competitive public procurement.
- **Government-based incentives for innovation and responsible business conduct:** UNDP will work with governments to introduce incentives in regulations, policies and procurement processes that encourage innovation, facilitate MSME development and promote responsible business conduct, including through compliance programmes.
- **Access to justice, anti-corruption and redress:** This involves enabling companies' and investors' access to redress mechanisms that are time-bound, independent and corruption-free; ensuring property rights and the rule of law; and facilitating the settlement of disputes

### Increasing companies' compliance of with international standards for responsible business, with a focus on anti-corruption, human rights and gender equality

UNDP will encourage businesses to comply with international standards on anti-corruption, human rights and the environment through advocacy and training all along the supply chain. Efforts will be focused on promoting collective action and tapping into innovative technologies such as real-time imaging and artificial intelligence to increase due diligence and empower communities to report non-compliance.

- **Business integrity:** Companies and state-owned enterprises must be encouraged to adopt strong compliance, anti-corruption and integrity measures in line with the United Nations Convention against Corruption and ISO 37001 anti-bribery management system. Mechanisms include safe reporting channels, whistleblower protection and strong internal control and audit mechanisms. UNDP works with governments to develop and implement laws and national strategies that tackle

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<sup>64</sup> UNDP Regional Project on Promoting a Fair Business Environment in the Association of Southeast Asian Nations (ASEAN)

<sup>65</sup> UNDP Regional Project on Business and Human Rights in Asia

<sup>66</sup> UNDP Gender Seal Programme

corruption in the private sector, including areas such as liability of legal persons and beneficial ownership.

- **Human rights:** This involves supporting governments in designing and implementing National Action Plans on business and human rights in line with the United Nations Guiding Principles on Business and Human Rights. It also involves assisting companies in carrying out Human Rights Impact Assessments as part of comprehensive human rights due diligence processes in line with international human rights standards.
- **Gender equality:** Working with companies to promote gender equality in the context of the Gender Seal Programme, UNDP can develop company-wide actions plans on gender equality to increase the representation of women in boards and senior management, build inclusive workplaces that are free of harassment and reduce pay gaps.

### **Promoting an enabling environment to influence businesses' adoption of sustainable business models and investment criteria**

UNDP works with governments, businesses and civil society to: provide incentives for aligning business strategies with the SDGs; and promote environmental and social governance standards through instruments such as the Principles of Responsible Investment.

- **Environmental and social corporate governance:** This involves advocating for investors' use of responsible business standards to screen potential investments, reward meaningful SDG engagement and provide accountability mechanisms that communities can use to report negative impacts.
- **Reporting social and environmental results:** UNDP works with governments, companies, civil society and other partners to develop meaningful reporting on the private sector's contributions to the SDGs, and provides incentives for businesses to integrate the SDGs into their business strategies.
- **Impact measurement and management:** These services help companies to measure and manage their SDG impact by assessing impact-measurement readiness, designing impact frameworks, monitoring impact and analysing data.

### **Development settings**

UNDP's interventions are context specific based on geography, stage of private-sector development and fragility. Depending on the stage of private-sector development, they may include efforts to delineate the roles and responsibilities of government and the private sector in relation to responsible business practices.

In fragile contexts, UNDP's support includes the development of regulations and policies that define the state's legal duty to protect local communities against human rights abuses and corruption, and minimize risk from the private sector. It may also include efforts to promote an enabling business environment for the rule of law, and empower communities and victims to access remedies.

In lower-middle-income countries, UNDP's interventions promote user-friendly regulations, strengthen taxation systems and ensure strong property rights and legal systems to reduce informalities and increase trust in public institutions.

In middle-income countries, interventions for structural transformation will aim to shape business models and investment practices in ways that promote environmental, social and corporate governance, and help businesses to align their strategies with the SDGs.

### **Joint United Nations partnerships**

**UN Global Compact** supports companies in doing business responsibly by aligning their strategies and operations with the Ten Principles on human rights, labour, the environment and anti-corruption. It is also involved in a joint effort with the Global Reporting Initiative and the World Business Council for Sustainable Development to align business metrics with SDG indicators and monitoring frameworks.

**The United Nations Working Group on Business and Human Rights** is a Special Mandate Holder that oversees and reports to the United Nations Human Rights Council on implementation of the United Nations Guiding Principles on Business and Human Rights: the “Protect, Respect and Remedy” Framework.

**United Nations Office on Drugs and Crime (UNODC)** houses the secretariat for the United Nations Convention against Corruption (UNCAC), which includes provisions on business integrity. UNDP and UNODC work closely on corruption prevention and have a memorandum of understanding on implementation of the UNCAC.

**UN-Women**, a foundational actor on gender equality, has developed a set of operating guidelines with the UN Global Compact that provides the business case for gender equality (accompanied by a gender gap analysis tool).

### **What is UNDP’s niche?**

**Convener:** UNDP provides a joint platform for businesses, governments and civil society to design innovative policies that create an enabling environment for doing business and aligning business practices with the SDGs.

**Thematic knowledge:** The organization is a repository of thematic knowledge in the areas of transparency, accountability, anti-corruption, human rights and gender, promoting a human rights-based approach.

**Multi-national enterprises:** UNDP’s established partnerships with multinational enterprises provide an entry point for influencing corporate practices through training and knowledge transfer. These efforts promote sustainable corporate governance and other practices within the private sector, including MSMEs.

**Innovation:** Working closely with innovation partners, UNDP promotes the use of innovative technologies such as artificial intelligence in areas like risk assessment and due diligence.

**Local presence across the globe:** UNDP has offices and influence around the globe, including an SDG integration platform, and the ability to influence policies.

## **Service offer #9: UNDP'S role in the insurance sector: Insurance for Development – Creating resilience through programming and piloting innovation**

**Prepared by Jan Kellet and Tenke Andrea Zoltani, UNDP Climate Development Team**

**Background and challenge statement:** In its role as a manager and carrier of risk, as well as one of the world's most significant investor groups, the insurance industry impacts each of the SDGs. From health and employment to infrastructure and homes, and from the macro-economic and national to the community and household levels, insurance is intrinsic to successful, resilient development. The challenge for the international community and its industry partners is to expand the role of insurance in delivering more solutions to a wider set of developing countries and more vulnerable people worldwide.

UNDP's leadership in the Insurance Development Forum is the organization's signature engagement with the insurance sector: this leadership has provided a new impetus to develop a consolidated strategy for work in this sector. As a leader in the sector, UNDP is working to develop insurance solutions with over 200 development, financial and insurance industry members of the forum.

In the insurance-for-development sector, UNDP has expertise in facilitating multi-stakeholder discussions of risk-financing mechanisms, conducting market research and driving solutions through field testing. For more than a decade, UNDP has facilitated support for vulnerable communities through partnerships aimed at supporting insurance products, "first financing", building capacity, feasibility assessments and product rollout. This has led to work on weather-index products, advocacy for financial inclusion, improving insurance coverage of those most at risk and advocacy around macroeconomic stability and risk. Prior to its involvement with the Insurance Development Forum, UNDP's insurance solutions in developing contexts included engagement across agriculture, climate, and disaster coverage, reducing commercial risk exposure in export finance, micro-pension development and programme support related to financial inclusion.

Building on this experience, UNDP is making insurance a core component of its strategic agenda and will continue to engage partners in dialogue, capacity building, and implementing resilient insurance solutions. UNDP's significant experience in the sector has shown that generating sustainable insurance solutions is essential for achieving the SDGs.

### **UNDP's comparative advantage**

UNDP is particularly well positioned to be a leader in this growing space, with an unmatched country presence, established stakeholder relationships and an understanding of vulnerability across contexts. Developing governance and institutional capacity is at the heart of UNDP's work, and the organization has helped to transform the understanding of risk through its involvement in risk governance (including legislative frameworks for disaster risk reduction). Operating at the juncture of government, society and development, UNDP is the ideal partner to convene, enable and implement insurance for development.

- **Convening:** This key UNDP service reflects the importance of acknowledging the disparate needs and opportunities in the insurance sector. The Insurance Development Forum is a clear example of a successful convener mobilizing a diverse set of private-sector actors around a development agenda. UNDP builds multi-stakeholder engagement across the public and private sectors at the national, regional and global levels to move from dialogue to action. These efforts to bring critical actors together in order to deliver insurance-related solutions for both protection and investment.
- **Governance and enabling environment:** UNDP is a powerful force for enabling good governance, capacity development, institution building and legislation; indeed, these efforts comprise the bedrock of UNDP's support to developing countries. Its experience related to the governance of risk is

particularly solid, with decades of global experience in areas such as financial planning, budgeting and the development of national action plans for climate mitigation and adaptation.

- **Advocacy and evidence:** The greatest obstacle to insurance penetration is behavior change – both on the “buy” and “sell” sides. The difficulty persuading low-income populations to purchase insurance is often rooted in cultural norms, and the difficulty confronting these norms prevents the private sector from increasing its investment in insurance products that foster development. Insurance providers and investors are often reticent to develop accessible products, perceiving the risks and costs to outweigh the short-term returns. But much of the insurance industry’s reluctance to invest in developing contexts results from its unfamiliarity with these contexts – and the opportunities inherent in them. With the ability to compile evidence on best and innovative practices, and share lessons learned across countries, UNDP’s advocacy potential for insurance is unmatched.
- **Implementing insurance for development:** UNDP’s presence at the country level makes it feasible to map local markets and identify potential clients. UNDP is poised to identify vulnerable but receptive contexts in which there is government support, and advocate to change behaviours and attitudes. Its services in this area include community awareness and outreach, marketing and education, investment monitoring and evaluation, and communicating best practices to scale up successful initiatives. It is focusing on three critical areas at this time – all developed in partnership with the private sector and all focused on connecting global-level opportunities with country-level needs. These include a unique set of insurance products built on natural capital, a very significant increase in micro-insurance penetration, and together with BlackRock, the development of a resilient infrastructure vehicle targeted to insurance investors (who collectively hold about US\$25 trillion).<sup>67</sup>
- **Measuring impact:** With a critical role in supporting the 2030 Agenda and marshalling the energies of the entire United Nations system to deliver on the SDGs, UNDP has unique expertise in measuring the impact of initiatives related to insurance. This role is being enhanced through UNDP’s roll out of SDG platforms in every developing country as part of its new Strategic Plan.

In this era, UNDP has renewed its emphasis on insurance, seeing it as a crucial part of the toolkit that countries can use for protection, risk mitigation and resilience.

### What UNDP offers

UNDP’s work on insurance clearly touches all the Strategic Plan’s six Signature Solutions. Through the output “Increase the private sector’s contribution to resilience”, this service line is built around:

- Programming – development of and access to micro-insurance, insurance investments in infrastructure, nature-based solutions and macro-insurance products – all aligned with the SDGs;
- Partnerships – expanding the role of business in protection, recovery and resilience, and embedding impact measurement and reporting into partnerships at all levels; and
- Advice – guidance on insurance approaches, tools and partners that responds to the needs of different stakeholders.

UNDP’s insurance-for-development services are focused in four priority areas that will evolve as its work in insurance and risk transfer matures:

- **Natural Capital as a Protective Asset:** Our significant past and present work in environmental, risk-reduction and biodiversity projects present us with significant leverage potential for insurance initiatives. For example, the Reef2Resilience initiative aims to develop parametric insurance for reefs

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<sup>67</sup> [The total assets that insurance companies have in investment portfolios in the world–Lubber, M. \(2014\). Insurers Have Huge Role as Clean Energy Investors. Retrieved from: https://www.forbes.com/sites/mindylubber/2014/03/03/insurers-have-huge-role-as-clean-energy-investors/#8336a6f72693.](https://www.forbes.com/sites/mindylubber/2014/03/03/insurers-have-huge-role-as-clean-energy-investors/#8336a6f72693)

in ten vulnerable coastlines by 2020, protecting the lives of millions and assets worth billions of dollars.

- **Micro-insurance and leaving no one behind:** UNDP is working to ensure that no one is left behind as countries grow and develop. Micro-insurance is a critical way in which communities and households – especially the most marginalized – can access the protection and benefits of the insurance sector. And most importantly, micro-insurance has been proven to open up opportunities for access to banking, pensions and related services. For UNDP the current focus is on the 2020 Initiative (designed with the International Cooperative and Mutual Insurance Federation [ICMIF] and other partners), which includes plans to deliver micro-insurance legal frameworks and related programmes (as well as public education) in 20 critical countries by 2020.
- **Insurance and investment – Risk as a catalyst to financing:** The insurance industry has manages close to US\$25 trillion and its understanding of the risks to investment is critical to its business. Given the massive investment gap, it represents an absolutely critical sector with which to engage towards the 2030 Agenda. UNDP is focusing on: a major investment facility developed with BlackRock targeting insurance investors and shifting finance towards emerging markets; and work with Willis Towers Watson to develop technical assistance for utilizing risk analytics modelling to underpin investments in infrastructure.
- **Building on existing initiatives:** A final focus area is building on existing UNDP initiatives with beneficiary populations that are already identified and receiving support, or where there is clear potential for deepening impact. In these cases, the addition of an insurance component not only strengthens the existing initiative, but provides a targeted beneficiary population with access to insurance. Discussions are ongoing regarding the use of this approach in three priority areas: disaster recovery and prevention; water-basins; and ecosystems.

Finally, UNDP's service offer on insurance is underpinned by evidence-based thought leadership and advocacy to increase awareness and use of insurance by investors, companies, supporting organizations and governments. This includes the systematic collection and ongoing analysis of data on UNDP's own work and past interventions. Importantly, UNDP's enhanced insurance offering will be integrated into its existing programmes on adaptation, environment and gender.

## Service offer #10: Improving livelihoods of low-income populations through inclusive business

Prepared by Paula Pelaez, Business Call to Action and Tomas Sales, David Mueller, Christian Pirzer, UNDP Private Sector Team in Addis Ababa

### Problem statement

Notwithstanding impressive development progress in the past decades, the economy is not working for everyone, with many populations excluded from opportunities to participate in – and benefit from – this progress. Over 800 million people still live in extreme poverty and one in five persons in developing regions lives on less than US\$1.25 per day.<sup>68</sup> Women are still overrepresented in the population of people living in poverty and gender barriers continue to deny women the opportunity to realize their full potential.

Inclusive growth is critical to building prosperous and resilient businesses and societies. By developing inclusive business models, companies have much to gain from more inclusive economic prosperity, including access to new markets, innovation, competitive advantage, improved operating environments and greater social stability needed for markets to function. In turn, poor people can benefit from increased access to needed goods and services, improved productivity, employment, business opportunities and access to markets, resulting in increased incomes, improved living standards and empowerment.

Inclusive businesses have the potential to deliver solutions aligned with the SDGs, make long-term, scalable improvements in the lives of low-income populations (often referred as those living at the base of the pyramid)<sup>69</sup> and facilitate the transition from informal markets. However, many inclusive businesses struggle to survive and scale or replicate their models. Growing and scaling inclusive business models takes time, and companies are often faced with numerous internal and external barriers,<sup>70</sup> as shown in Figure 1. Addressing those barriers is key to ensuring long-term economic transformation. More broadly, inclusive market development is necessary to provide a conducive environment for inclusive businesses (e.g. by developing policies and incentives) and ensure that the benefits of growth include supportive infrastructure and access to finance.

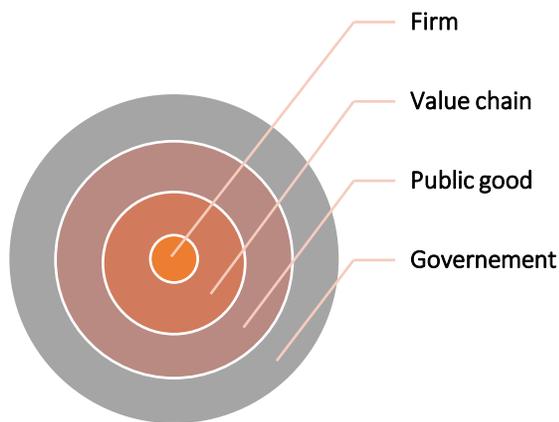
**Figure 1: Internal and external barriers to inclusive business**

- Weak business models
- Weak value proposition to customers/producers
- Weak leadership/lack management and technical skills
- Lack of capital
- Aversion to risk
- Informal markets

<sup>68</sup> SDG 1: No poverty. UNDP. (2018). Retrieved from: <http://www.undp.org/content/undp/en/home/sustainable-development-goals/goal-1-no-poverty.html>.

<sup>69</sup> People with less than US\$10 per capita per day in purchasing power parity are referred as people at the base of the pyramid.

<sup>70</sup> Baker, M. (2014). *Marketing Strategy and Management* (5th ed., p. 280). Basingstoke, UK: Palgrave Macmillan.



Adapted from *Beyond the Pioneer: Getting Inclusive Industries to Scale* (2014); and Ted London, *Building Better Ventures at the Base of the Pyramid: A Roadmap* (2013).

#### Value chain

- Lack of suitable labour/inputs
- Weak sourcing channels from small-scale producers
- Weak distribution channels to customers at the bottom of the pyramid
- Weak links between small-scale producers and end demand
- Lack of financing for customers, distributors and producers

#### Public good

- Lack of awareness of new market-based solutions
- Lack of market information and industry knowledge
- Absence or ineffectiveness of standards
- Lack of hard infrastructure

#### Government

- Inhibitory laws, regulations and procedures
- Inhibitory taxes and subsidies
- Adverse intervention by politicians or officials

## Low-income market opportunity

Rapid growth and improved living standards in developing countries have created unprecedented demand for goods and services among low-income populations, whose collective purchasing power exceeds US\$5 trillion.<sup>71</sup> Rarely has there been a better time for companies to use inclusive business models to initiate or deepen their investments in developing economies and contribute to the SDGs through co-financing and transforming business practices towards sustainability.

Low-income markets have enormous potential for economic growth. New technologies such as mobile-money platforms are enabling poor communities to access products and services that greatly improve their lives. Beyond a focus on consumers, companies can leverage the SDGs by building inclusive supply chains that make the most of natural and human resources in underserved areas. Low-income populations can be integrated into inclusive businesses as suppliers, distributors, retailers, consumers, shareholders, and employees, which can improve business growth while providing higher incomes and sustainable livelihoods.

### What UNDP offers

This service line focuses on:

#### 1. Facilitating uptake and scaling up inclusive business models in developing countries through:

- **Tools and technical assistance** aimed at strengthening the capacity of low-income populations and inclusive businesses to address internal barriers, promote responsible business conduct, adhere to sound environmental, social and governance standards, and support impact measurement to drive business value and maximize contributions to the SDGs;
- **Access to finance** for both companies and governments to mobilize financing for inclusive business, including impact and mainstream investors, access to blended finance and

<sup>71</sup> According to the World Bank Global Consumption Database, the estimated 4.5 billion new customers are located in 92 developing countries and emerging markets (spending power in purchasing power parity terms) Retrieved from: <http://datatopics.worldbank.org/consumption/>.

- innovation grants and dedicated financial vehicles such as a proposed hybrid finance impact investment fund for Africa;
- **Networks and opportunities for collaboration** to enable the scale up of effective inclusive business models and create global awareness and knowledge on inclusive businesses' impact on the SDGs;
  - **Shared learning** among companies to scale up and replicate successful models, and collect, analyze, document and disseminate evidence of impactful businesses that can serve as role models, including through the African Inclusive Markets Excellence Centre (AIMEC), which UNDP helped to establish; and
  - **Support for impact measurement and management**, providing companies with timely insights into their successes and challenges. Recent experiences from the Business Call to Action Impact Lab demonstrate the demand from companies for developing SDG-aligned impact-measurement frameworks. Enabling the creation of evidence that guides strategic decisions and improves accountability can serve as an impetus for inclusive business replication and scaling up.

In order to overcome the challenging market conditions characteristic of low-income communities, inclusive businesses need a supportive environment. This service line includes a focus on an inclusive business ecosystem – a network of interconnected, interdependent actors whose actions make it possible for inclusive businesses to succeed and generate impact at scale.

## 2. UNDP's support creates inclusive markets and an improved inclusive business ecosystem by:

- **Building capacities of local intermediary institutions** such as chambers of commerce, business associations and accelerators as key supporters of inclusive business in the long run;
- **Supporting selected value chains** to become more inclusive, sustainable and resilient (e.g. food value chains, given their broad impacts on food security, nutrition and employment);
- **Enabling public-private dialogue** and advocating for policies and incentives that create a more conducive ecosystem for inclusive business;
- **Developing inclusive business ecosystem initiatives** and platforms that connect key industry and ecosystem players (e.g. government, civil society, investors), and facilitate the creation of roadmaps for collaborative actions in specific sectors;<sup>72</sup>
- **Providing dedicated innovation funds** that enable companies to test and replicate inclusive business models based on in-depth sector and ecosystem diagnostics; and
- **Establishing collaborative platforms** that combine public-private dialogue, technical assistance and catalytic grants. UNDP successfully applied this modality in its regional work to develop food value chains in collaboration with regional economic commissions. This work will continue through the GEF Integrated Approach Pilot Food Security programme as well as the ongoing Inclusive Business Ecosystem Initiative (IBEI).

This service line will build upon UNDP's extensive experience in inclusive business development, including: (i) UNDP's ecosystem approach in Africa, including the African Inclusive Markets Excellence Centre (AIMEC); (ii) IBEI, which coordinates diverse ecosystem actors at multiple levels; (iii) the pan-African impact investment coordinating network Impact@Africa; and (iv) a proposed hybrid finance impact investment fund for Africa that will utilize blended financing. In addition, the global Business Call to Action platform supports over 200 inclusive businesses through capacity building and advocacy. Other successful

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<sup>72</sup> UNDP is currently implementing inclusive business ecosystem platforms for mobile money and financial inclusion in Lesotho, tourism in Uganda and solar energy in Senegal.

examples of UNDP’s work with inclusive business include the Malawi Challenge Fund, the *Incluir* Initiative in Brazil UNDP’s work with the G20.

### Development settings

UNDP’s interventions in this area will be implemented in line with the analytical framework provided in its Strategic Plan (2018-2021).

Context	Focus
<b>Poverty eradication</b>	Inclusion of low-income populations in companies’ core activities and key value chains as employers, consumers, suppliers and distributors.
<b>Accelerating structural transformation for sustainable development</b>	Business opportunities in engaging towards the SDGs and inclusive business as a driver of innovation and revenue generation.
<b>Building resilience to crises and shocks</b>	<p>Role of inclusive business in building innovative solutions that strengthen economic, social and environmental resilience.</p> <p>Focus on building holistic resilience through inclusive markets for at-risk populations.</p>

### Target clients

UNDP’s target clients include businesses, intermediary organizations and governments.

### Joint United Nations partnerships

There are strong opportunities for collaboration with other United Nations agencies and initiatives, especially IFAD and FAO on the inclusion of smallholder farmers in value chains; UN Global Compact on business sustainability; and ILO on inclusive and decent employment.

### What is UNDP’s niche?

UNDP is part of an ecosystem with many diverse players supporting inclusive business and markets for sustainable development. These include donors, international organizations, government networks, development finance institutions, intermediaries, impact investors, consultancies and research institutes.

Through this service offer UNDP will hone its reach, convening power, expertise in inclusive policy advice and hands-on experience with base-of-the-pyramid communities and local markets. It will build upon its track record of developing practical tools and capacity among inclusive business and intermediary organizations, and its knowledge of impact measurement and evaluation.

## Service offer #11: Closing the energy gap

Prepared by Oliver Weissbein, Finance Specialist, Global Environment Facility (GEF)

### Problem statement

Cleaner, affordable, renewable energy is a critical enabler of sustainable development in all contexts. For this reason, it is at the heart of SDG 7: Ensure access to affordable, reliable, sustainable and modern energy for all.<sup>73</sup>

It is estimated that 1.6 billion people worldwide lack access to electricity and 3 billion people lack access to modern cooking fuels. Global energy demand is projected to increase by 33 percent by 2040, with the majority of this demand in developing countries.<sup>74</sup> Fossil-fuel combustion represents over half of global greenhouse gas emissions, resulting in environmental degradation and biodiversity loss.<sup>75</sup>

Therefore, closing the energy gap is at the forefront of global efforts to develop low-carbon energy systems and green economies, eradicate poverty and achieve sustainable development. Developing climate-friendly products and processes, increasing energy efficiency in production and use, expanding the role of renewables, and making fossil fuels more climate friendly are all prime examples of the transition towards more sustainable global energy use.<sup>76</sup>

The estimated annual funding required for the global transition to sustainable energy systems ranges from US\$1.05 billion to US\$1.26 billion until 2030, compared with US\$514 billion in 2016.<sup>77</sup> It is clear that the limited finance available to the public sector must be used to catalyse a far greater sum of private finance.

### What UNDP offers

UNDP's efforts will focus on sectors highlighted in its [Strategic Plan](#) (2018-2022): increasing energy access; promoting renewable energy; and enhancing energy efficiency.

UNDP will support countries in their transitions towards sustainable energy systems through market transformation and assistance with de-risking the investment environment. The aim of this support is to enable access to low-cost, long-term financing for sustainable energy. UNDP's De-risking Renewable Energy Investment Framework<sup>78</sup> is an innovative quantitative tool for supporting governments, systematically identifying investment risks and matching cost-effective mitigation approaches to these targeted risks.

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<sup>73</sup> <https://sustainabledevelopment.un.org/topics/energy>

<sup>74</sup> OECD and International Energy Agency (IEA). (2015). World Energy Outlook 2015. Retrieved from: <https://www.iea.org/publications/freepublications/publication/WEO2015.pdf>; OECD and IEA (2016). World Energy Outlook 2016. Retrieved from: <https://www.iea.org/publications/freepublications/publication/WEO2015.pdf>.

<sup>75</sup> OECD. (2007). OECD Contribution to the United Nations Commission on Sustainable Development 15. Retrieved from: <https://www.oecd.org/greengrowth/38509686.pdf>.

<sup>76</sup> *Ibid.*

<sup>77</sup> UNDP Strategy Note on Sustainable Energy (2017-2021): Delivering Sustainable Energy in a Changing Climate.

<sup>78</sup> [www.undp.org/DREI](http://www.undp.org/DREI)

### ***Market transformation approach***

In partnership with governments and other stakeholders (such as development banks), UNDP will attract and leverage private-sector investments in sustainable energy. This can only be achieved by cost-effectively addressing the risk-return profile of investment opportunities:

- (a) *Reducing risk*: Through its extensive policy work, UNDP has built a comparative advantage in removing the underlying barriers that create risk (policy de-risking).
- (b) *Transferring risk*: UNDP and development banks collaborate to shift risk from the private to the public sectors (financial de-risking).
- (c) *Compensating for risk*: Any residual risk can be compensated for by targeted subsidies (direct financial incentives).

### ***Policy support***

A public investment package targeting the barriers and risks to investment, and enabling all three approaches, is necessary to catalyze private-sector investment in sustainable energy. UNDP's comparative advantage lies in assisting developing countries with the first approach – reducing risk – which typically involves sustainable energy policies such as power market regulations favouring sustainable energy. Clear, transparent and long-term policies are a key requirement for private sector investment at scale.

### **Development settings**

#### ***Eradicate poverty in all its forms and dimensions***

SDG 7 focuses on enabling access to energy; this includes electricity as well as cooking fuels. UNDP's interventions in this area target selected countries in sub-Saharan Africa and South Asia deemed “high impact”. Within these countries, UNDP focuses its support on rural areas, which have the least access to modern energy solutions.

Private-sector solutions have seen drastic growth rates, disrupting existing systems and shaping off-grid electrification. These transformations have resulted from trends such as low-cost and energy-efficient applications, a drastic decrease in solar photovoltaic hardware costs and digital energy service offers. Developing countries are a key market in this sector. Through its interventions, UNDP will make use of the Multi-Tier Framework for energy access, which allows for variable interventions with different levels of access.

In order to expand access to clean cooking fuels, UNDP will rely on a two-fold approach: in urban areas, it will promote the transition to liquefied petroleum gas-based systems; in rural areas, it will support countries in initiating cleaner and more efficient cook stoves – making biomass fuel sustainable. Alternative sources of energy such as solar may be included as well.

#### ***Accelerate structural transformation for sustainable development***

In **middle-income countries** where energy services are already present, UNDP's interventions for structural transformation will aim to increase energy efficiency and productivity and encourage countries' transition towards sustainable energy systems while increasing their share of renewable energy.

In the **transport sector**, a shift towards a greater electrification of mobility and changes in user models are urgently needed. UNDP will remain an important agent in this field, supporting policy and regulatory measures, and incorporating the use of behavioural economics to achieve policy goals.

UNDP also works in **small island developing states** to transition towards 100 percent energy access. The aims of this work are to increase both energy efficiency and the promotion of renewable energy alternatives to fossil fuel-based systems.

### ***Build resilience to shocks and crises***

Unexpected and extensive displacement create significant environmental pressures, which severely increase energy needs. Furthermore, displaced and crisis-affected populations, especially women, face severe risks of human rights violations when looking for wood fuel in insecure environments.

Interrupted energy also creates challenges for provincial and local government coordination of crisis response. UNDP, in collaboration with humanitarian and development actors, supports decentralized energy solutions based on clean renewable energy sources (or hybrid systems) to substitute for destroyed or unsustainable systems.

**In development settings where the primary objective is poverty eradication**, the main focus will be on access to clean and affordable energy services. Energy-access projects funded by GEF/Green Climate Fund on the promotion of renewable energy-based mini-grids, solar home systems, rural off-grid energy, rural electrification, improved cook stoves and biogas are key examples of UNDP's service offer in this area.

**When energy is already available to most people**, UNDP supports countries in the transition towards more sustainable energy systems. Its interventions include: large-scale grid-based electricity projects using wind, solar, biomass and geothermal energy; sustainable cities initiatives emphasizing energy and waste management; policy-based energy-efficiency projects introducing minimum energy performance standards and building codes; and projects focused on the commercial entities such as energy service companies.

**In crisis and recovery settings**, UNDP's work focuses on gender-sensitive, risk-informed and sustainable recovery. This includes work to re-establish lost energy access by replacing destroyed or unsustainable energy systems with sustainable alternatives; and enabling sustainable recovery of energy systems. Projects that respond to these outcomes emphasize energy services for crisis-affected populations and post-crisis recovery through off-grid solutions, clean cooking and waste management.

### **Joint United Nations partnerships**

To ensure the successful implementation of this service line, UNDP will strengthen its collaboration with the United Nations Energy Framework and the Sustainable Energy for All initiative (for which UNDP supports regional hubs in Africa, Asia and the Pacific, and Latin America), along with regional commissions, regional development banks, civil society (including women's organizations) and other partners.

## **Service offer #12: Private sector finance leveraged for Nationally Determined Contributions**

***Prepared by Alexandra Soezer, Climate Change Technical Advisor, BPPS New York and Sahba Sobhani, Global Programme Advisor-Private Sector, BPPS***

### **Problem statement**

The SDGs represent an unprecedented global consensus to align our efforts on a comprehensive and ambitious development agenda (Agenda 2030). This level of ambition now needs to be matched with the necessary resources, innovation capacity and partnerships to drive implementation. The private sector, in this context, is an indispensable partner. In developing countries, private sector operations constitute 60 percent of GDP, while generating 90 percent of jobs and 80 percent of capital inflows<sup>7980</sup>.

According to the IPCC<sup>81</sup>, achieving the goals of the Paris Agreement requires a peak in emissions around 2020, which must then fall quickly to avoid catastrophic impacts of climate change.

Research indicates that as much as USD 3.5 trillion of investment is needed by developing countries in the period up to 2030 to meet their Paris Agreement commitments<sup>82</sup> - or Nationally Determined Contributions (NDCs) - to reduce greenhouse gas (GHG) emissions and adapt to the impacts of climate change. In order to avoid locking in investment for the next decades to come, the next two to three years are recognized as a critical window when many policy and investment decisions are taken that will lock in development pathways<sup>83</sup>. The world is therefore at an absolutely critical moment to rapidly scale up efforts and target key barriers that can set the world on the right path. Urgent action<sup>84</sup> is critical.

The required amount of funding vastly exceeds what can be paid from public budgets. Instead, most of this will need to come from private capital. The problem is not that the money doesn't exist, but that it is not being invested in the kind of low-carbon infrastructure and in the parts of the world where it is needed. Therefore, public funding should be used in ways as to maximize leveraging private capital. Some estimate that private sector contribution will amount to around 85 or 90 percent of the total cost of funding the Paris Agreement. However, it is also acknowledged that this investment is currently not happening, neither at the pace nor at the

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<sup>79</sup> OECD. "Development Co-operation Report: Making Partnerships Effective." 2015.

<sup>80</sup> Achim Steiner, UNDP Administrator, Welcoming remarks at UNGA Side Event 'Partnerships for Inclusive Growth: Private sector investment in the SDGs', 15:00 - 18:00 – 22 September 2017

<sup>81</sup> <https://www.ipcc.ch/>

<sup>82</sup> Analysis: Developing countries need \$3.5 trillion\* to implement climate pledges by 2030. Carbon Brief – Clear on Climate, 9 December 2015.

<sup>83</sup> <https://newclimateeconomy.report/2018/>

<sup>84</sup> In the context of Service Offer #12 'action' means implementing climate actions that lead to real and measurable mitigation outcomes and quantifiable co-benefits that contribute directly to the target of the Paris Agreement and the goals of the Agenda 2030.

geographical scale we need. Currently, most private sector investments are happening in developed countries and not in developing countries, which is home to 5 out of 6 billion people on earth. An accelerated shift of investments into these markets is urgently needed to put the world on a low carbon pathway.

In addition to targeting the underlying barriers that create investment risks through long-term policy de-risking, also direct financial incentives are needed to address the urgency of climate change. Accepting the unfavorable investment environment in developing countries, the high costs of debt financing, the currency and political risks in addition to project risks, it is critical that direct financial incentives as targeted de-risking measure are available for domestic investors to access lower cost finance and for international investors invest in new markets, currently not targeted. The need for direct financial support is also acknowledged by developing countries, who have stated in their NDCs that they need financial support to achieve their NDCs and increase their ambitions over time.

Also, private sector investors lack access to information about social and environmental impacts of projects. Lack of access to verified and quantifiable information on the social and environmental returns on investments has made it difficult for the private sector, both corporates and individuals, to value the contribution of their investments. A recent study by PWC<sup>85</sup> found that only 13% of private investors have access to such data, making it difficult for them to identify investment opportunities with the highest levels of impact.

UNDP's new distinct service line #12 will complement the political de-risking UNDP does and address the private sector need for financial incentives to accelerate private sector investment in developing countries' not fully developed financial markets (services 1 & 2 below) and the lack of quantifiable information on SDG impacts of investments (service 3) with the ultimate goal to boost private sector investments into climate actions across all regions of the world.

### **What UNDP offers**

UNDP at global, regional and national level is in the unique position to increase transparency while acting as a convener to governments to engage private sector at scale by systematically and strategically transforming policy intent into workable and financially viable investments. Closing this gap will be offered as "service offer #12".

This service line will take advantage of UNDP's longstanding work on climate and carbon finance. It builds on the significant achievements of [MDG Carbon](#) which was established in 2007 as UNDP's

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<sup>85</sup> [https://www.pwc.com/gx/en/sustainability/SDG/SDG%20Research\\_FINAL.pdf](https://www.pwc.com/gx/en/sustainability/SDG/SDG%20Research_FINAL.pdf)

corporate framework for innovative carbon finance to assist developing countries in implementing low-carbon interventions and leveraging significant amounts of private sector investments. As founding member of the [Nairobi Framework Partnership](#), UNDP supported governments to scale-up sector-wide mitigation programmes. Through its corporate framework for carbon finance, UNDP built a highly sustainable project pipeline, implemented in collaboration with bilateral and multilateral development partners. Finally, this service line will complement the work of the [NDC Support Programme](#) which focuses on strengthening NDC implementation and financing plans and resource mobilization strategies, Measurement Reporting and Verification (MRV) systems of financial report received (among others), strengthening the enabling environment with investment de-risking strategies, establishment of sustainable financial mechanisms, and capacity building.

UNDP will offer *three distinct services* to leverage private sector finance for climate actions in NDC priority sectors with the objective to achieving real, measurable GHG mitigation outcomes and quantifiable sustainable development impacts:

### **1. Carbon Finance**

The service will unlock private capital for the implementation of the NDCs in sectors where the mitigation potential is high and carbon finance can be a financially viable de-risking approach. It will crowd-in private sector through financially de-risking of investments into Government endorsed programmes and projects in NDC sectors and sub-sectors through the following provisions:

- Support Government with selection of priority sectors, sub-sectors and programmes where private sector engagement is most needed;
- Provide technical and institutional support for the set-up of accounts in existing registries for transparent accounting and reporting of Mitigation Outcomes (MOs);
- Blending private and public finance through performance-based payments in exchange for MOs.
- Provision of USD or EUR-based payments in exchange for the delivery of mitigation outcomes to reduce costs for currency hedging.
- Advise the Government on setting-up a Government managed share of proceeds account through mandatory payments of proceeds per tCO<sub>2</sub>e reduced by the private sector actor for projects that contribute directly to increased resilience to climate change. The share of proceeds fund will give Governments a strong incentive to encourage private sector participation in NDC implementation, accelerate implementation of climate actions and increase climate ambition of Governments.

Provision of performance-based payments is offered in return for UNFCCC accredited third party verified MOs to crowd-in private capital into nascent markets. Recipients of performance-based payments are project aggregators with an aggregated portfolio of high impact projects (such as [AERA group](#)) or finance arrangers (such as [Climate Mundial](#)<sup>86</sup>.)

Project aggregators have the opportunity to refinance low carbon projects by utilizing the [Paris Climate Bond](#) concept.

This service line will target exclusively SDG impact mitigation sectors and sub-sectors which are critical for the achievement of the targets of the Paris Agreement and have also the potential to create significant co-benefits in addition to MOs. In particular, projects directly contributing to ocean protection and rehabilitation, forestry, circular economy and energy access will be prioritized for the following reasons.

High impact sectors for ocean protection and rehabilitation, forests, improved material management and energy access are: climate smart agriculture, waste water treatment, manure management, low-carbon measures in the shipping and aviation sectors, recycling and composting, energy efficiency measures in thermal applications, renewable energy generation. We will also participate in CORSIA to ensure careful selection of projects that lead to net emission reductions. These sectors will be prioritized because of their GHG mitigation potential plus high SDG co-benefits. The service offered here will have a dedicated budget and replace third party funding sources, thereby accelerating our capacity to provide this support.

- Taking oceans into account is critical for successfully addressing climate change. Oceans have a central role in regulating the global climate system and buffering against the impacts of climate change. Oceans have absorbed over 90% of the heat from climate change, and are the sink for roughly 30% of human-caused CO<sub>2</sub> emissions. Reducing acidification, eutrophication and plastic pollution will help to rehabilitate oceans and maintain key ecosystem functions.



- Another critical factor for the success of the Paris Agreement is resource efficiency and material management. 67% of global greenhouse gas emissions are related to material management. To feed our world economy, roughly 84 billion tons of raw materials each year are extracted to build infrastructure, mainly in the developing world. Prioritizing

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<sup>86</sup> MoU with Climate Mundial signed: <http://www.africa.undp.org/content/rba/en/home/presscenter/articles/2018/gambia--undp-and-climate-mundial-partnering-to-increase-access-t.html>

circular design and sustainable material management through regenerative construction material instead of carbon intensive materials, recycling, reuse and composting will be essential in achieving the goals of the Paris Agreement.



- Forests currently remove around a quarter of the CO<sub>2</sub> humans add to the atmosphere each year, while 11% of global carbon emissions stem from land-use change, primarily deforestation and forest degradation. Forests are critical to avoid the most severe impacts of climate change. Nature-based climate solutions can deliver more than a third of the cost-effective CO<sub>2</sub> mitigation needed through 2030. Within this, reducing deforestation provides the single largest opportunity to generate emission reductions. This critical role of forests is recognized within Agenda 2030 and in the Paris Agreement, as well as in individual countries' NDCs. Approximately a quarter of planned emission reductions in current NDCs come from the land use sector, and within this, primarily forests. However, while most NDCs reflect some sort of forest and land-based actions, only about 31 % of those include quantifiable targets corresponding to the forest sector. Private sector finance can contribute to optimizing and scaling up these approaches to ensure that the full mitigation potential of forests and broader nature-based solutions can be harnessed.



- Both, Agenda 2030 and the Paris Agreement have highlighted the critical role for energy access in spearheading economic growth that protects the planet and sustains development. Key to this is the need for countries to transform their energy production and consumption quickly to avoid stranded assets in the future. While most developing countries could benefit from lessons learned in OECD countries in terms of reducing energy demand without compromising their economic development, many have abundant renewable energy resources, such as solar, wind, and hydro, though the deployment of such solutions has met various significant challenges despite the clear economic, social and environment benefits.

*Example:*  
*Measures to Adapt to Climate Change and Reduce GHG Emissions in the Philippine*

In the Philippines, UNDP supports the Government to spearhead the adoption of Alternative Wetting and Drying (AWD) in the rice production through a national programme that provides financial incentives to Irrigation Associations (IA) with farmer-members adopting AWD.

Rice is one of the basic commodities in agriculture that are extremely vulnerable to the impacts of climate change. On the other side, rice cultivation contributes to climate change by producing atmospheric methane (CH<sub>4</sub>) that accounts 5-20% of the total greenhouse gas (GHG) emissions from all anthropogenic sources. In the Philippines, the agriculture sector is the second largest contributor of CH<sub>4</sub> emission with rice production the top within the sector. AWD has been identified as one of the promising water management technology that can correct the inefficient water use and reduce GHG emissions.

The Project is made financeable through revenues that can be generated from the sale of Mitigation Outcomes (MOs), which result from the reduction in methane emissions caused by AWD adoption, to the [Transformative Carbon Asset Facility](#) of the World Bank (TCAF-WB). Under the proposed pricing of USD 3.25 per ton of carbon dioxide equivalent (tCO<sub>2</sub>e), which shall be for a duration of seven calendar years (2020-2026), the project will allocate USD 1.75 to cover the Project implementation costs, including capacity building, introduction of a farmer field school (FFS) program, financing and administration. The remaining USD 1.5 per ton shall be deployed as an economic incentive for the IAs participating in the Project. The positive social Net Present Value due to increased cropping intensity and GHG mitigation is US\$ 283 million.<sup>9</sup>

The project is properly measured and documented according to the international standards agreed under the United Nations Framework Convention on Climate Change (UNFCCC).



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<sup>87</sup> Cash flows arise over 8 years (i.e. year 0 plus 7). Cash flows reduced to present value using the social discount rate of 15% recommended by ICC.

## 2. Structured Finance to De-Risk Key Phases of Project Implementation in Partnership with UNCDF

This service line will unlock private capital for the implementation of the NDCs in sectors where the mitigation potential is low and where we do this for other reasons such as energy/SDG7 benefits and where carbon finance is not a financially viable de-risking approach. An important condition for a successful implementation of this component will be an international tender for financial service providers and a careful selection of suitable financial partners and the assessment of their service costs.

In order to leverage significant amounts of private sector and de-risk all project phases, public funding will be used to structure equity, subordinated to private sector investments during construction phase. We will focus on sectors where construction risk is typically low such as with PV projects. After projects are in commercial operation, debt will be re-financed, and public funds will guarantee risks such as payment failures of a public utility.

**1. Construction Finance:** Following financial close, a project moves into a high-risk construction phase, whereby public funds are made available to project developers and paid upon delivery of predetermined technical completion milestones. The aim of the construction finance is to provide a project developer sufficient flexibility to share risks and sufficient resources to ensure a project can quickly reach commercial operation.

**2. Commercial Operation:** The Commercial Operation occurs once the project becomes fully operational. At this point, public funds will be refinanced in its entirety through international commercial debt (long-term loan) and transferred into a guarantee account at UNCDF in order to de-risk the debt solution. The private sector actors will be permitted to access the Escrow only for predefined breaches of the loan agreement, where such breaches arise due to factors outside the control of the private sector actor and are not the result of willful misconduct. For example, a case where a national utility breached the PPA by failing to pay would be regarded as one such factor.

**3. Refinance:** A project developer has the option to assign the outstanding loan balance through Paris Climate Bond.

This service will crowd-in private sector through financially de-risking of investments into Government endorsed programmes and projects in NDC sectors and sub-sectors through the following provisions:

- Support Government with selection of priority sectors, sub-sectors and programmes where private sector engagement is most needed;
- Provide technical and institutional support for the set-up of accounts in existing registries for transparent accounting and reporting of MOs;
- Conduct legal and regulatory due diligence to ensure compliance of financing structure with local and international rules;
- Conduct technical project feasibility assessment, including cost assessment and technology selection;
- Support with the preparation of a detailed financial model and business plan;
- Conduct tender to ensure transparency of participating private sector actor selection;
- Engage with financial arrangers such as Climate Mundial to (i) arrange commercial finance for project developers, (ii) facilitate re-financing of grant contribution from construction

### ***Paris Climate Bond***

The [Paris Climate Bond](#) (PCB) is similar to a green bond but differs in that it is specifically designed to enable the private sector to contribute to implementation of the Paris Agreement in the area of climate finance. Another key point of differentiation is that all projects participating in PCB are certified as additional to business as usual through the UNFCCC, have been formally approved by the implementing country and are therefore fully traceable for investors. The Mitigation Outcomes issued by projects participating in PCB are surrendered to the issuing facility and cancelled through the UNFCCC to ensure the highest levels of environmental integrity. The PCB security is issued to raise capital from institutional and other investors, primarily from the private sector, and delivers a lower cost of capital.

- phase to operation phase, (iii) set-up a guarantee reserve (in collaboration with UNCDF);
- Engage with UNCDF to (i) manage the Guarantee Reserve, (ii) make guarantee payments to project developers on basis of pre-agreed triggering events;

Provision of de-risking to private sector will be provided to project developers carefully selected by UNDP through international tenders. The service offered here will have a dedicated budget and replace third party funding sources, thereby accelerating our capacity to provide this support.

### 3. Tracking Impacts of Project Investments

The latest study by the Global Impact Investing Network (GIIN)<sup>88</sup> has found the SDGs to be a useful communications framework to simplify and articulate the relationship between investments and impact goals. The study also confirms that the SDGs offer a simple and attractive entry point for new investors, not yet engaged in impact investing, to begin to build an impact investing portfolio, driving more private capital toward achieving the SDGs.

UNDP has developed a [Climate Action Impact Tool](#) to identify, describe and quantify significant impacts of a climate action in relation to SDGs, while also defining indicators, setting targets and tracking the progress of this specific action. The tool allows investors to track the impact of their investments and to make informed decision. It allows for corrective action to be taken where necessary to ensure projects maximize social and environmental impacts. It allows for MRV and data collection with the aim of aligning the efforts to national reporting requirements, to the UNFCCC for NDCs and to track progress made towards the SDGs. The tool is a bottom-up tool,

#### *Example: Investing in Grid-Connected Solar PV in The Gambia*

The aim of the project is to support financing of grid-connected renewable energy Independent Power Producers (IPPs), which will be supplying electricity based on renewable energies (solar PV) into the two regional electricity grids (on the North- and Southbank of the Gambia river). The targeted capacity is 7 MW on the North Grid and 3.5 MW on the South Grid with the option to increase the capacity in the future as the program and financing is ramped up.

The overall public contribution from the donor, the [NAMA Facility](#) is US\$ 11 million, which will be used to leverage private sector capital of around US\$ 15.5 million to meet the overall investment requirements of US\$ 26.5 million. This leverage shall be achieved by structuring equity funds to de-risking the investment environment through first loss instruments, whereby returns on such investments are subordinated to private sector investments. This will allow The Gambia to add up to 10.5 MW of solar PV to its energy mix in all regional grids within the current NDC cycle. The project will further enable The Gambia to transparently verify the environmental impacts in an economically viable and investable manner and contribute mitigation outcomes to its unconditional NDCs under the Paris Agreement. With the experience gained from the first few years of commercial operation in The Gambia, network capacity can be increased, and additional investments will be made without needing to request further inputs of public finance. Investment costs for zero carbon technologies will decrease through the tendering procedures. Thus, the lower investment costs will contribute to an increased financial viability of zero carbon technologies. During the first NDC cycle, investment costs for zero carbon technologies are expected to have come down to a level which will make future solar PV additions bankable even in The Gambian context and allow the Gambia to increase its climate ambitions.

<sup>88</sup> GIIN (2016) Achieving the Sustainable Development Goals: The Role of Impact Investing.

providing a series of questions and prompts and will be applied to track 'significant, direct impacts' of actions.

The tool will be applied to all climate actions, UNDP is supporting to help tracking progress towards the SDGs and Agenda 2030 and will serve as a starting point for data collection with the aim of aligning the efforts to national NDC reporting requirements to the UNFCCC while tracking progress made towards the SDGs and NDCs. A first example of such an application at national scale is currently under way in Vanuatu.

Early application of the tool indicates that private sector investment increases significantly with the use of this consistent, detailed SDG impact assessment methodology: Investments on the TRINE platform increased by 42 per cent when SDGs were assessed and presented by the Climate Action Impact Tool.

*Example:*  
*UNDP – TRINE Partnership on SDG Impact Assessment*

In March 2018, UNDP and the impact investment platform [TRINE](#) announced their [partnership](#) in the off-grid solar industry. UNDP will assess and monitor the sustainable development impacts of each TRINE financed project using UNDP's proprietary Climate Action Impact Tool and its 170 country offices. TRINE conducts due diligence of each project's financial viability and leadership, while ensuring their compliance with UNDP's standards.

The [first assessment](#) was done on [BBOXX](#), a next-generation utility that deploys off-grid solar systems. BBOXX has partnered with TRINE to launch a €6 million investment initiative for off-grid solar solutions aimed at expanding BBOXX operations in Kenya. The assessment was carried out on two levels: company level and consumer level. Through the assessment BBOXX was found to have an impact on 10 out of the 17 SDGs and contributing directly to Kenya's NDC and SDG targets.

A comprehensive analysis by TRINE after completion of the assessment showed that the main hypothesis that UNDP's impact assessment would increase trust and willingness among investors to invest into the off-grid solar sector was confirmed:

- 
- 129% increase in willingness to invest when being reached by the SDG impact investment and communication through email (compared to control group);
  - 32% increase in investment size for investors receiving the UNDP message in the email channel;
  - 100% increase in social media advertising reach when including the SDG impact assessment and UNDP in the advertisement content (indicative);
  - Up to 18% increase in total amount invested when showcasing UNDP and the impact assessment on the TRINE investment platform;
  - 42% increase in investment on the TRINE investment platform;
  - 40% increase in willingness to share on social media by the investors;
  - 33% increase in investment frequency (click-to-investment) for registered users (not yet investors) reached by a conversion email with UNDP and impact assessment information (indicative).
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#### 4. Circular Economy Growth Strategies<sup>89</sup>

As explained in the problem statement of Service Line #2, developing economies often focus on commodities, with high negative externalities, employment generation with limited upward mobility and increasingly deteriorating terms of trade between primary commodities and manufactured products.

However, since the Paris Agreement has moved away from the bipolar world of developed and developing countries, within a more equal global climate regime, international cooperation along supply chains under Article 6 of the Paris Agreement could be a means to create incentives for reducing the consumption and use of carbon intensive products such as cement and steel. Envisioning a long-term sustainable development perspective for a country or region will mean addressing resource efficiency and greenhouse gas mitigation in tandem. 67 per cent of global GHG emissions are related to material management<sup>90</sup>. Material extraction has fuelled economic progress since the Industrial Revolution, at the same time causing human-made greenhouse gas emissions. Over the last four decades, the global use of materials almost tripled, from 26.7 billion tonnes in 1970, to 92.1 billion tonnes in 2017.<sup>2</sup> Not only has material use been increasing, it has been accelerating, and is forecast to grow to between 170 and 184 billion tonnes by 2050.<sup>91</sup>

Through Circular Economy approaches sustainable growth and low carbon development can be addressed systematically and holistically, offering socio-economic and environmental benefits to encourage the reversal of the critical development challenges of a linear take-make-waste model and its heavy reliance on temporary resource rents to stimulate economic growth.

The proposition of this service line is to build on developing countries existing knowledge and expertise and support them to develop Circular Economy Strategies through an innovative 4-steps sustainable development approach, derived from the earlier [UNDP project in Lao PDR](#), to identify jointly with public and private sector a series of circular economy business strategies, prioritized for implementation and replication across regions:

These 4 steps promote an approach which looks at a country as a living metabolism in the fastest growing sectors of their economy to ensure these sectors develop sustainably. UNDP will analyze a country's economy-wide material flows to identify and reinforce the most promising circular economy growth strategies for a country. This assessment will be done with the objective to open concrete sustainable development perspectives and strategies in these growth sectors to put the

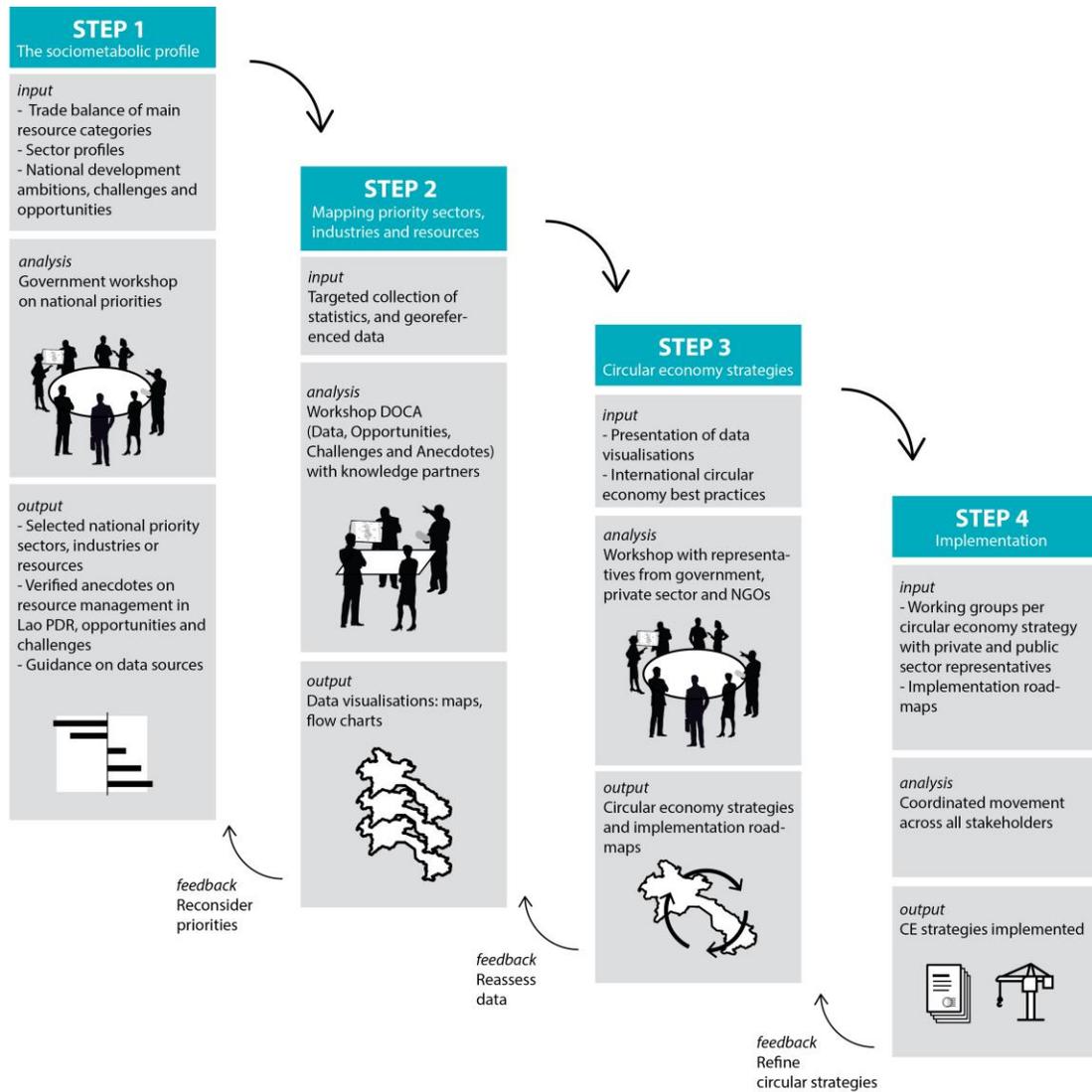
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<sup>89</sup> Linking with Service Line #2 on Policies and Productive Capacities for Sustainable Value Chains and Inclusive Business

<sup>90</sup> UNDP, "Circular economy strategies for Lao PDR – A metabolic approach to redefine resource efficient and low-carbon development" 2017, available from: <http://www.undp.org/content/undp/en/home/librarypage/climate-and-disaster-resilience/circular-economy-strategies-for-lao-pdr.html>

<sup>91</sup> Circularity Gap Report, 2019: [https://docs.wixstatic.com/ugd/ad6e59\\_ba1e4d16c64f44fa94fbd8708eae8e34.pdf](https://docs.wixstatic.com/ugd/ad6e59_ba1e4d16c64f44fa94fbd8708eae8e34.pdf)

country on a sustainable development pathway and ultimately engage private sector to implement the identified strategies.



The **first step** is to develop an understanding of the socio-metabolic profile of a country, based on its imports and exports, land use, and anecdotal information on specific locations. Priorities will be identified based on national development ambitions, land-use conflicts, cases of loss of material value or underused assets, and pressing environmental issues. In this step the national government is the main counterpart.

The mapping under **step 2** will focus on the priority sectors identified in step 1. National development priorities will then guide data collection and make the identification of circular economy strategies more focused. In **step 3** the data will be visualized and discussed in targeted sector workshops. In these workshops, international circular economy best practices can inspire avenues for change. Together with the private sector, the most promising circular economy strategies will be selected and elaborated in concrete implementation roadmaps. In **step 4**, the strategies will be supported with expertise from a Pool of Experts, which includes experts on circular business models, financing, tax reform, developing a Community of Practice, circular urban planning, value chain collaboration, etc. Private and public sector change agents can request for support, whether it is on tax reform, attracting financing for circular business models or even legal support with structuring a product as a service. The objective is to have investment-ready pilots at the end of this process and private sector interested to move the opportunities into concrete actions to transform the country's economy. Prior to starting step 4, project participants can assess and select the most promising opportunities which deserve support.

## Development settings

Services described under this service line have been implemented in collaboration with colleagues across UNDP, in particular the country offices of the Philippines, The Gambia, Ghana, Kenya and Nigeria, engaged with private sector delivery partners and signed strategic MoUs to systematically leverage private sector climate finance and accelerate results for all three services:

First projects have commenced and are advancing quickly and successfully. Examples are described above. UNDP country offices are fully engaged and keen to expand their service offers to put a stronger emphasis on private sector partnerships and carbon finance envelopes. UNDP has also partnered with UNCDF to deliver on the service *Structured Finance to De-Risk Key Phases of Project Implementation* and with the World Bank to deliver on the services *Carbon Finance* and *Tracking Impacts on Project Investments*. Joint impact assessment trainings for climate mitigation projects have been conducted and carbon envelope finance readiness assessments have been piloted with the World Bank in Ghana, Uganda and Nigeria.

## Target clients

Climate Finance project developers will vary by country. Target clients will be differentiated at the upstream, mid-stream and downstream levels, as well as by those that create growth, support growth and benefit from growth and livelihoods.

- Upstream (macro): At the macro level, UNDP's support will focus on strategic support to Governments to engage in the selection of high priority climate actions, legal, financial and technical assessments and business plan developments.
- Mid-stream (meso): At the meso level, UNDP's support will focus on engaging and strengthening private sector actors to leverage finance for climate actions within the constraints of UNDP's rules and regulations for working with the private sector.
- Downstream (micro): At the micro-level, UNDP will ensure that the needs of the target beneficiary groups at community level are heard and consultations being held to engage them from the outset. At this level, UNDP will also assess the impacts of the climate actions on sustainable development, job creation, business development etc.

## Joint United Nations partnerships/collaboration

As a founding partner and active member of the [Nairobi Framework Partnership](#), UNDP advances NDC implementation through enhanced inter-agency collaboration. Key areas of collaboration include climate finance, technology transfer, regulatory mechanisms, Article 6 instruments with the overall goal to promote investment in climate actions. UNDP pursues this goal through a variety of different inter-agency initiatives, including climate actions, trainings, forums and joint publications.

The key partners within this transformative climate partnership are listed below:

**The United Nations Framework Convention on Climate Change (UNFCCC):** Based in Bonn, Germany, the UNFCCC secretariat provides organizational support and technical expertise to the negotiations and institutions of the UNFCCC and the Paris Agreement.

The **United Nations Environment Programme (UNEP)** and its **UNEP DTU Partnership (UDP)** is the United Nations' designated entity for addressing environmental issues at the global and regional level. In the area of climate change, UNEP's approach aims at reducing barriers to market development, building capacities, and easing the costs and risks of entry of new actors, in both the public and private sectors.

**The International Emissions Trading Association (IETA)** is a non-profit business organization of major companies and the leading voice of this community on emissions trading, whose goal is to ensure that the objectives of the UNFCCC and, ultimately, climate protection, are met.

**The World Bank Group (WBG)** has set two goals for the world to achieve by 2030: End extreme poverty by decreasing the percentage of people living on less than \$1.90 a day to no more than 3%; and promote shared prosperity by fostering the income growth of the bottom 40% for every country. It is a vital source of financial and technical assistance to developing countries around the world.

**The African Development Bank (AfDB)** is a multilateral development finance institution with the overarching objective of fostering sustainable economic development and social progress in its Regional Member Countries (RMCs), thereby contributing to poverty reduction.

**West African Development Bank (BOAD)** is the common development finance institution of the member countries of the West African Monetary Union (WAMU) with a mandate to promote development in West Africa and foster economic integration within the subregion.

The **United Nations Conference on Trade and Development (UNCTAD)** promotes the development-friendly integration of developing countries into the world economy. UNCTAD has progressively evolved into an authoritative knowledge-based institution with a particular focus on ensuring that domestic policies and international action are mutually supportive in bringing about sustainable development.

**Inter-American Development Bank (IDB)** is devoted to improve lives by providing long-term financing for economic, social and institutional development in Latin America and the Caribbean. The IDB is the leading source of multilateral development finance to the region and provides policy advice, technical assistance and training to its public and private sector clients.

**The Development Bank of Latin America (CAF)** has the mission to promote sustainable development and regional integration by financing projects in the public and private sectors, and provide technical cooperation and other specialized services.

The **United Nations Economic and Social Commission for Asia** (ESCAP) promotes rigorous analysis and peer learning in our core areas of work; translates these findings into policy dialogues and recommendations and provides technical assistance to member States in the implementation of these recommendations.

The **Asia Development Bank** (ADB) assists its members, and partners, by providing loans, technical assistance, grants, and equity investments to promote social and economic development. Our Work

Furthermore, UNDP's will partner with the **United Nations Capital Development Fund** (UNCDF) on guarantees. UNCDF has a 25-year track record in municipal finance and fiscal decentralization. It develops, finances and implements capital investment programmes that drive transformative growth through the public and private sectors.

Successful collaboration with these partners includes among others, (i) a joint report titled [Assessment of Sri Lanka's Power Sector – 100 percent Electricity Generation through Renewable Energy by 2050](#) with the ADB which describes the technical challenges to meet this ambitious 100 per cent renewables target and how this target could be financed, (ii) collaboration with the WB on joint applications of the [Mitigation Action Assessment Protocol](#) to improve the design of technical, financial and sustainable development components of climate actions, (iii) an opinion piece with UNEP DTU on how [Article 6 mechanisms shall contribute to the SDGs](#) which discusses the need for the Paris Agreement to be fully embedded in Agenda 2030 to achieve truly transformational, lasting impacts for communities that are able to quickly respond to and recover from adverse situations and (iv) annual Climate Weeks in all regions of the world such as the upcoming [Africa Climate Summit](#) in March with the overall objective to promote and advance critical work in transformational areas via the three levers of policy, technology and finance.

### **What is UNDP's niche?**

- **Strong convening power:** UNDP has in-depth expertise in policy and programme development coupled with a strong convening capacity for multi-stakeholder partnerships. Through the establishment and implementation of the service lines, UNDP will highlight the role different stakeholders can play in climate finance to facilitate alignment around common objectives and promote collective actions to help achieve the Paris Agreement targets.
- **Capital flows:** Through the implementation of the service lines, UNDP will take action to help align private capital with the climate actions and SDGs. UNDP assets such as its geographical reach, its role in supporting climate change planning, budgeting and implementation at the national level, its long history of private-public dialogue platforms, its pipeline of projects, the value of the UN brand and the enabling work with governments are all attractive propositions to private capital.

- **Ability to catalyze:** UNDP's long-term strategy to empower developing countries are targeted policy de-risking measures to address the underlying barriers that create investment risks. Short-term measures to crowd-in private sector in developing countries with low investment ratings include direct financial de-risking. This service lines will provide direct incentives to engage private sector at scale. Through this service line, UNDP will also work with Governments to ensure public sector commitment to facilitate private sector engagement in priority sectors by providing result-based financing in parallel with public funding.

### **Service offer #13: Mobilizing Islamic finance resources towards the SDGs**

**Prepared by Mariana Gonzalez, Partnership Advisor, UNDP Bureau of External Relations and Advocacy, Nihat Gümüş, UNDP Regional Bureau for Europe and the Commonwealth of Independent States, and Funda Süzer, IICPSD**

#### **Problem statement**

The scale and ambition of the 2030 Agenda, as embodied in the SDGs, calls for financial and technical resources estimated at between US\$5 trillion and US\$7 trillion each year for the next 15 years.<sup>92</sup> The Islamic finance sector has the potential to provide needed financing for the SDGs. The core principles of Islamic finance – asset-backed, shared risk, ethical, participatory and subject to good governance – are closely aligned with these goals.

Islamic finance has proven to be resilient against such shocks as the 2008 global financial crisis, enhancing its relevance and the market's appetite for its products and services. Islamic finance assets reached US\$2.2 trillion at the end of 2016 and are expected to reach US\$3.8 trillion by 2022.<sup>93</sup> The case for Islamic finance is also strengthened by the fact that Organisation of Islamic Cooperation member countries host 40 percent of the world's poor people (living on US\$1.25 a day or less).<sup>94</sup>

Impact investing shares common principles with Islamic finance and the SDGs: impact investments are investments in companies, organizations, and funds with the intention of generating positive social or

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<sup>92</sup> United Nations Conference on Trade and Development. (2014). World Investment Report. Geneva. Retrieved from: [http://unctad.org/en/PublicationsLibrary/wir2014\\_en.pdf](http://unctad.org/en/PublicationsLibrary/wir2014_en.pdf).

<sup>93</sup> Islamic Corporation for the Development of the Private Sector (ICD) and Thomson Reuters. (2017). Islamic Finance Development Report. Retrieved from: <https://www.icd-ps.org/en/Publication/GeneralReports?rId=23>.

<sup>94</sup> Islamic Development Bank. (2014) Annual Report. Retrieved from: [www.isdb.org/irj/go/km/docs/documents/IDBDevelopments/Internet/English/IDB/CM/Publications/Annual\\_Reports/40th/IDB\\_Annual\\_Report\\_1435H\\_English.pdf](http://www.isdb.org/irj/go/km/docs/documents/IDBDevelopments/Internet/English/IDB/CM/Publications/Annual_Reports/40th/IDB_Annual_Report_1435H_English.pdf).

environmental impacts alongside financial returns.<sup>95</sup> A recent survey of the world's leading impact investing and finance organizations revealed nearly US\$114 billion in current impact assets.<sup>96</sup>

The principles of Islamic finance and impact investing complement each other: both Islamic finance and impact investment: are value-based investments; associate themselves with a moral purpose; offer access to finance for those excluded from conventional financing; and share a broad understanding of the relationship between business and society. Therefore, bridging the two sectors offers a promising avenue for responding to the growing challenges of development financing through collaboration, cross-learning and reaching new markets. Together, Islamic finance and impact investing offer a potent new mechanism for fulfilling SDG poverty-reduction targets by harnessing targeted private-sector finance, especially for MSMEs.

UNDP is working to develop the nascent market of Islamic finance and impact investing. This involves creating an enabling environment as part of broader global dialogue on inclusive financial systems and responsible investment principles. It also includes support for the creation of a capital market system for Islamic finance and impact investing, including intermediaries. Finally, it involves well thought out and comprehensive regulatory, accountability, tax and legal frameworks.

It is important to be aware of the convergence points between Islamic finance and impact investing. Standards for impact measurement and reporting should be established for both so that measurement metrics can be aligned with the global impact investment community's common practices. Key stakeholders from governments, the private sector and support organizations in both Islamic finance and impact investing need to be brought together to discuss critical bottlenecks, learn from best practices, establish relationships and benefit from the exchange of ideas and shared beliefs.

### **What UNDP offers**

In 2018, UNDP is developing a corporate approach on Islamic Finance that will assist country offices and regional bureaux in accessing and applying Islamic Finance towards the SDGs (in collaboration with governments, international financial institutions and the private sector). With a presence in over 170 countries and more than 50 years of experience, UNDP can support governments in leveraging Islamic Finance towards national development goals, help Islamic Finance organizations to align with the SDGs and assist them in monitoring, reporting and communicating development impact.<sup>97</sup> The [Global Islamic Finance and Impact Investing Platform \(GIFIIP\)](#) launched by UNDP and the Islamic Development Bank in 2016 aims to position Islamic finance and impact investing as leading enablers of global SDG implementation.

The platform's main objective is to promote market-based solutions to sustainable development challenges through a collaborative working space involving Islamic finance and impact investment actors. GIFIIP will take the lead in positioning Islamic finance and impact investing as part of the global dialogue on politically neutral, inclusive financial systems, and will connect innovators and interested parties to raise awareness and encourage cooperation.

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<sup>95</sup> Global Impact Investing Network (GIIN) definition.

<sup>96</sup> Mudaliar, A., Schiff, H., Bass, R., and Dithrich, H. (2017). Annual Impact Investor Survey. Retrieved from: <https://thegiin.org/research/publication/annualsurvey2017>.

<sup>97</sup> UNDP's Islamic finance landscape analysis and opportunities assessment can be found at: <https://intranet.undp.org/unit/pb/resmob/SitePages/Islamic%20Finance.aspx>.

This platform will be implemented in collaboration with country offices and regional bureaux, especially in regions where Islamic principles are recognized. In target countries, UNDP will take advantage of the organization's existing pipeline of bankable projects aligned with Islamic finance principles and the SDGs.

***Creating an ecosystem and enabling environment: Defining opportunities and challenges (macro)***

Taking advantage of its expertise, convening power and field presence, UNDP will support policies and regulations that facilitate the engagement of Islamic financiers and impact investors in achieving the SDGs.

1. Considering that this is a nascent area, UNDP will create an Islamic finance and impact investing ecosystem by conducting mapping studies. A report by UNDP and the Islamic Development Bank, "*I for Impact: Blending Islamic Finance and Impact Investing for the Global Goals*", highlights the convergence and compatibility between Islamic finance and impact investing. Further analysis will: (i) increase governments' understanding of the gaps in the Islamic finance and impact investing ecosystem by detailing the relationships between various stakeholders; and (ii) identify opportunities for governments to capitalize on the resources they offer through national policies and development strategies.
2. This market intelligence will be utilized to support governments in identifying investment partnerships and areas for joint investment, and advising them on investments conducive to achieving the SDGs.
3. Through its multi-stakeholder platform, GIFIP will cooperate with governments and private-sector representatives from Islamic finance and impact-investing markets.
4. UNDP will support governments in assessing the status of their national Islamic finance markets and identifying Islamic finance opportunities for development. For example, UNDP supported the development of Indonesia's first-ever sovereign green *sukuk* to fund green infrastructure projects. Such initiatives can be scaled up by leveraging UNDP's global presence and extensive project portfolio.
5. UNDP also convenes government and private-sector representatives to discuss business opportunities in which Islamic finance could be applied to achieve SDG-related results. These workshops, conferences and symposiums aim to: (i) raise awareness of how Islamic finance could support the SDGs; (ii) provide a platform for stakeholders to discuss opportunities and ask questions about Islamic finance and impact investing; and (iii) promote business partnerships.
6. The lack of private-sector engagement in policy making represents a major challenge to private sector-driven inclusive, circular and sustainable growth. The workshops and conferences described above provide an important opportunity for the private sector to be involved in policy dialogue. They also contribute to de-risking private capital by providing advice on regulatory frameworks, blended financial vehicles and standards.

***Convening for Islamic finance and impact investing (meso, micro)***

1. Through GIFIP, UNDP will amplify its convening power by organizing matchmaking and networking events for Islamic financiers and impact investing enterprises. These events will help impact enterprises to access new sources of finance, seize growth opportunities and reach global markets – leading to stronger impacts. Islamic financiers will benefit from global recognition of their industry and exposure to a range of investment opportunities in line with the principles of Islamic finance.
2. These events will provide financial facilitation to incubate and accelerate new business models that support the SDGs while enabling the private sector to access socially and environmentally impactful investments.

3. The events will encourage investors to strengthen their engagement in facilitated and simplified investment processes. Islamic financiers will be able to diversify their portfolios through investments that not only match their standards but are aligned with the SDGs.
4. In addition to creating sizable investment opportunities, UNDP will focus on accelerating small businesses with Islamic finance resources, fostering positive social and environmental impacts for enterprises that usually encounter difficulties accessing financing.
5. UNDP will promote Islamic microfinance and crowdfunding tools by blending them with compatible technologies such as web-based platforms and blockchain to support impactful projects.
6. Work with governments and private-sector partners, UNDP will catalyse Islamic social finance tools such as *Waqf*, *Sadaqah*, *Zakat*, and *Qard Al-Hasan* in support of SDG-aligned private-sector development. It will also look for opportunities to combine these social-finance tools with Islamic microfinance and crowdfunding platforms through partnerships with domestic and international private-sector stakeholders.
7. Through its existing project pipeline, UNDP will extend opportunities to participate in networking events and workshops, increasing access to finance for its project beneficiaries. Country offices will identify projects aligned with Islamic principles so that UNDP can support them in becoming investment-ready.
8. UNDP will initiate an interactive website through GIFIP that will facilitate the digital engagement of both Islamic financiers and impact-investing enterprises.

#### ***Building and enhancing private sector capacity towards Islamic finance and the SDGs (micro)***

1. UNDP will review existing Islamic finance and impact investing tools, and identify instruments suitable for funding private sector-led social- and environmental-impact projects. This research will foster a better understanding of the gaps within the business ecosystem, and how to enhance existing instruments. The goal is to formulate Islamic financial tools that fit SDG investments, and then promote them so that private companies associate Islamic financial products with SDG investments.
2. In addition, UNDP will design and implement programmes to train professionals in Islamic finance and impact investing. These finance professionals will benefit from skills that enable them diversify their portfolios while helping to achieve the SDGs. The training will develop the capacity of impact-investing professionals to explore financing opportunities in the Islamic finance market – as well as conventional financiers who might consider Islamic finance as an alternative for their impact investments.

#### ***Green investments and Islamic finance***

With its asset-based structure, Islamic finance is well positioned to provide funds for green investments, particularly renewable energy and infrastructure projects. Both the private sector and governments can utilize Islamic finance tools such as the *sukuk* to finance energy and infrastructure projects. Green *sukuks* are new asset-based financial instruments that provide funds for renewable energy and environmental projects. UNDP will support private companies and governments by raising awareness and sharing knowledge of these new instruments, drawing on – and enhancing – UNDP’s expertise in climate finance.

#### **Development settings**

UNDP's interventions on Islamic finance with the private sector and impact investing will be implemented through GIFIP. These efforts will focus on countries where Islamic finance principles are recognized and practiced, and will be aligned with UNDP's approach to leveraging Islamic finance for the SDGs. They will provide an important channel for investors from developed economies to invest in developing countries.

Islamic microfinance has the potential to harness Islamic social principles in order to provide financial access for businesses in countries where formal financial services are not utilized because of religious beliefs. Through GIFIP, UNDP will provide a multi-stakeholder platform for both Islamic financiers and impact enterprises to explore how Islamic finance can be deployed towards achieving the SDGs – and how they can engage in positive business relationships in support of these goals.

UNDP will also support governments in accelerating structural transformations in development financing. By gathering data and market intelligence on Islamic finance and impact investing through mapping studies, UNDP will help to create new markets in many countries and support the development of existing ones. This market intelligence will be utilized to link Islamic financiers with social- and environmental-impact enterprises.

In addition, UNDP will support governments in creating policies and regulations that nurture both Islamic finance investors and enterprises contributing to the SDGs. By mobilizing Islamic finance into green and renewable energy investments, UNDP will contribute to countries' environmental resilience.

### **Target clients**

UNDP's target clients will be differentiated at the upstream, mid-stream and downstream levels, as well as by those that create growth, those that support growth and those that benefit from growth and livelihoods.

- *Upstream (macro)*: At the macro level UNDP's support will focus on policies, strategies and regulations; stakeholders at this level will largely comprise government agencies.
- *Mid-stream (meso)*: At the middle level UNDP will focus on developing sector-specific capacities through business associations and professional organizations.
- *Downstream (micro)*: At the micro level, UNDP will support Islamic financiers, impact investors and impact-investing enterprises including banks, private equity firms, venture capital firms and fintech companies.

### **Joint United Nations partnerships**

**UNCDF** offers finance models that unlock public and private resources for poor people in the world's 47 least-developed countries.

**UNIDO's** technical capacity on sustainable and inclusive industrialization for poverty reduction will be key for developing and mainstreaming SDG-friendly industry concepts such as sustainable economic zones.

**UNCTAD** facilitates the use of trade investment finance and technology for inclusive and sustainable development. It also has long-standing capacity in entrepreneurship training.

**The United Nations-supported Principles for Responsible Investment** comprise a responsible investing approach that incorporates good environmental, social and governance practices into investment decisions. The aim is to manage risk more effectively and generate sustainable, long-term returns.

**UNEP** promotes environmental sustainability and encourages partnerships between public- and private-sector actors, supporting their contributions to the environmental dimensions of the 2030 Agenda.

**UN Global Compact** is mobilizing a global movement of sustainable companies and stakeholders to achieve the 2030 Agenda.

## **Service offer #14: SDGs Holistic Innovation Platform (SHIP)**

**Prepared by the Japan Innovation Network (co-organizer of SHIP)**

### **Problem statement**

The private sector recognizes its role as a key actor towards achievement of the SDGs. But many private-sector actors are still struggling to build profitable and scalable business models that also accelerate achievement of these goals. New methodologies are needed to integrate the SDGs into business and innovation strategies, develop innovative business models that address SDGs-related issues and facilitate effective collaboration with global actors in implementing solutions.

### **What UNDP and Japan Innovation Network offer**

UNDP's office in Tokyo and the Japan Innovation Network (JIN) co-founded the SDGs Holistic Innovation Platform (SHIP) in July 2016 as an open innovation platform that detects opportunities for tackling the SDGs with private sector know-how and technologies. Since the Platform's launch, UNDP and JIN have jointly provided business model development services to more than 80 Japanese private corporations willing to contribute to achieving the SDGs.

SHIP combines the expertise of JIN in innovation acceleration and business model development with UNDP's global network of country offices that recognize SDGs-related issues requiring the private-sector intervention. The programme also utilizes the expertise of SHIP ecosystem members, which include government agencies, international organizations, financial institutions, innovation hubs, start-ups, NGOs, academia, business organizations and others to make the business models developed through SHIP more effective and sustainable.

After two years of operations in Japan, SHIP is ready to apply its methodology to other countries and provide services in areas where UNDP has a presence.

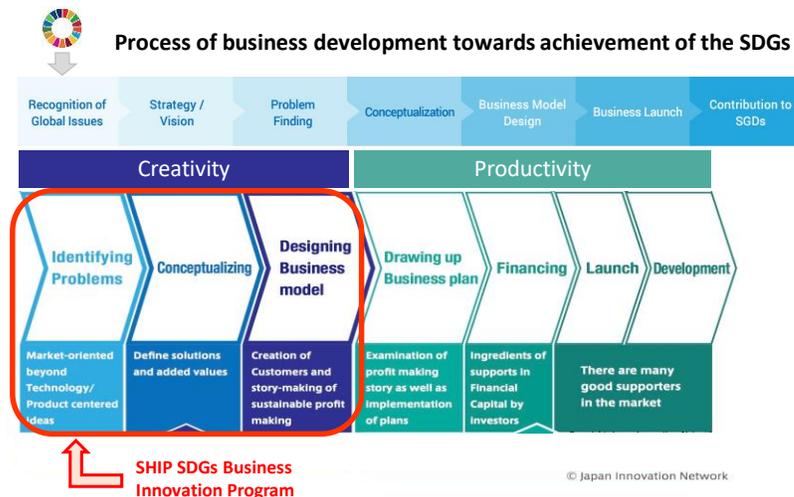
### ***Programmes to offered by SHIP***



1. **SDGs business workshop:** Half-day or one-day workshops for private corporations and individuals who want to understand the SDGs and their targets in detail, as well as how the SDGs and targets are related and can be integrated into corporate strategies and solutions. JIN facilitates the workshop and the UNDP country office provides insights on development issues in the country that requires private-sector intervention.



2. **SDG business innovation programme:** This long-term (three months or more) consultation and business incubation programme for private corporations and groups of ecosystem members aims to develop a business model for achieving the SDGs. The programme offers intensive sessions geared towards learning about innovations and JIN’s methodology for building innovative business models. These sessions are followed by the identification of problems that need to be solved by the private sector. Meetings are then organized to define and conceptualize solutions, and design responsive business models. JIN provides this consultation service in collaboration with UNDP country offices and local service providers.



**Target clients:**

Start-ups and MSMEs that need to add value to their business models, and those seeking investment opportunities that require integration into local and global value chains;  
Large corporations seeking a methodology for developing innovative business models addressing the SDGs and opportunities to collaborate with multi-national corporations;  
Business associations such as chambers of commerce seeking a methodology for developing the capacities of their member corporations;  
Innovation hubs looking to provide showcasing opportunities to their member start-ups, and those seeking opportunities to broaden their global networks; and  
NGOs seeking opportunities to collaborate with private corporations in implementation and expansion of their projects.

**Development settings**

These joint interventions to promote innovative business models in developing countries are expected to have positive outcomes for:

Low-income countries – practical value chains will be developed and capacities of start-ups and MSMEs strengthened; and

Middle-income countries – local businesses will be connected to global markets and business ecosystems, drawing investments from multi-national corporations and venture capital.

### **Joint United Nations partnerships**

In providing services in developing countries, partnering with United Nations and their networks of business communities is expected to maximize the outcomes of all involved actors.

### **What is UNDP's niche?**

By utilizing its expertise in developing capacities of social entrepreneurs, MSMEs, youth and women, as well as its broad networks involving governments, local communities, businesses, NGOs and other United Nations agencies, UNDP will shift its role in partnership with the private sector from “just a partner” to that of a business incubator, changing the way it mobilizes resources towards the SDGs.

## **Service offer # 14: Deforestation-free finance for the implementation of the Paris Agreement**

**Prepared by UNDP Climate and Forest Team**

### **Problem statement**

Between 2010 and 2015 there was an annual global loss of 7.6 million ha of forests and an annual gain of 4.3 million ha, resulting in a net annual decrease in forest area of 3.3 million ha. The largest forest area loss occurred in the tropics, particularly in South America and Africa (FAO, FRA 2015). The rate of loss in those areas has decreased substantially between 2010 and 2015 and increased again in 2016 onwards.

Increasing agricultural production and improving food security without reducing forest area is one of the greatest challenges of our times. According to the IPCC ‘Special Report on Land and Climate Change’, reducing greenhouse gas (GHG) emissions and increasing removals of carbon from the atmosphere through halting forests loss and restoring forests have a mitigation potential of 5.3 GtCO<sub>2</sub>e/year by 2030. This could double if afforestation, agroforestry, and carbon sequestration in soils are included. Forests and agriculture can provide up to one third of the solution to the climate crisis and help achieve all other sustainable development goals.

To tackle this challenge, action is needed from all sectors of the economy and at all levels, fostering public-private partnerships to bring more investments into forest and low carbon agricultural practices, including through forest carbon credits. Today’s forest finance landscape consists of a fragmented set of mechanism and initiatives that are implemented in siloes and largely without coordination (Streck, 2019). An effective implementation of REDD+ depends on coordination among government agencies, different donors, private sector and the financial sector into a clear understanding of the actions that drive deforestation in each country and each region.

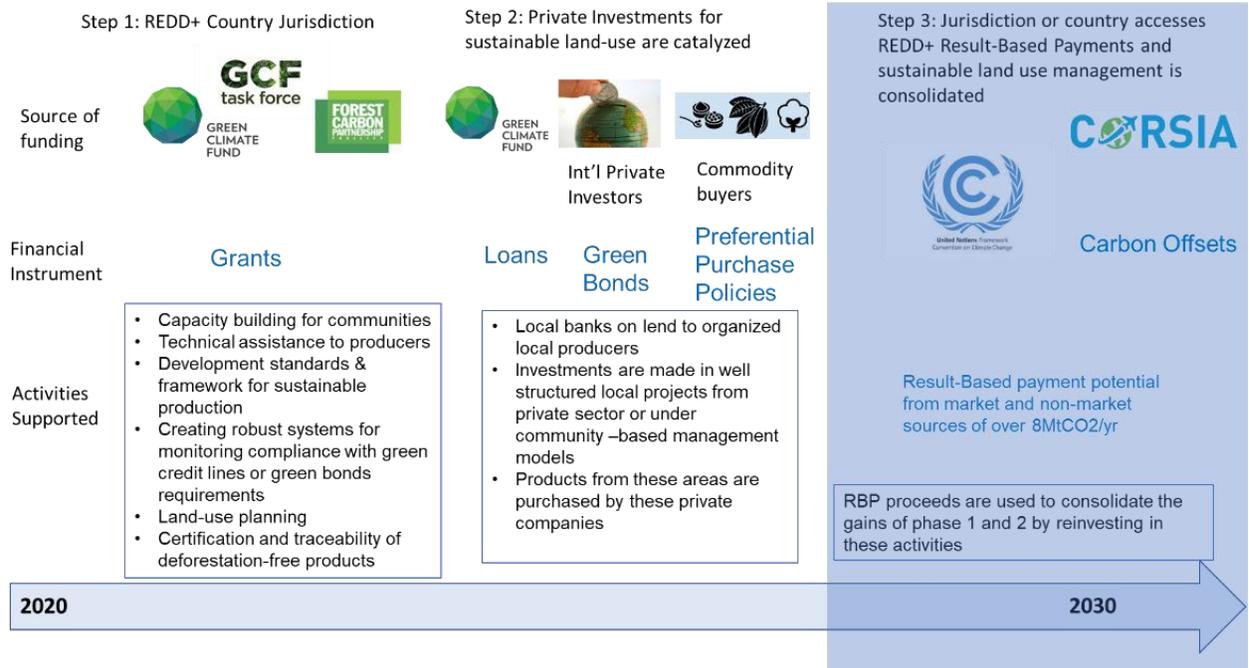
### **What UNDP offers**

UNDP has implemented many projects in the land use and forest sector and has an important on the ground presence in many developing countries. UNDP would support the establishment of:

- Enabling conditions for the implementation of policies and measures to reduce deforestation and forest degradation through the National REDD+ Strategies and the Nationally Determined Contribution (NDC) with the active participation of various stakeholders (governments, companies, producers, consumers, civil society, and academia);
- Credible monitoring systems to allow for the traceability of the impact in forests and from land use;
- Systems for measuring, reporting and verification of emission reductions achieved at the national and subnational levels;
- Safeguard processes to mitigate potential risks associated with creating sustainable jurisdiction, including but not limited to land grabbing, socio-economic impacts on smallholders' livelihoods, among others;
- Synergies between the various types of finance including REDD+ results-based payments and international carbon markets on-the-ground to enhance the economic incentives for farmers to participate;
- A clear finance strategy for the forest and land use sector to redirect grey finance and assist countries in the implementation of the land use, land-use change and forestry (LULUCF) component of the NDC.

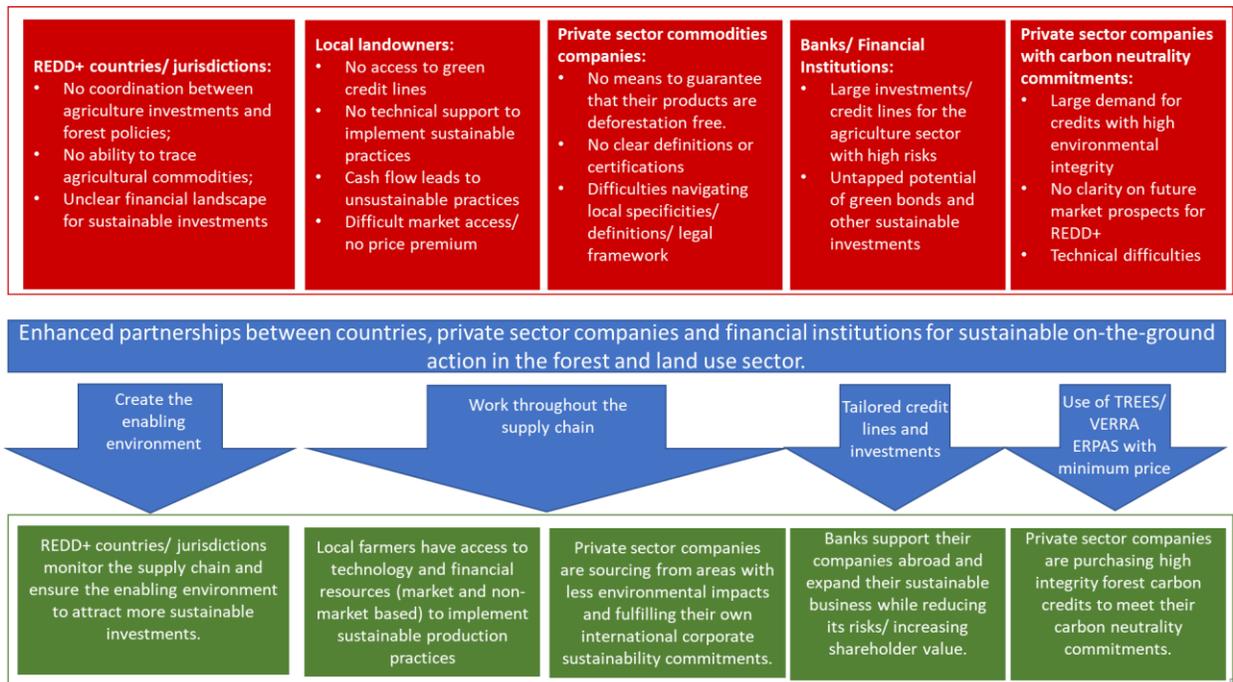
#### ***Market transformation approach***

Develop a public-private partnership between international private sector companies sourcing commodities that drive deforestation worldwide, REDD+ countries /jurisdictions, financial institutions, donor countries and private companies interested in purchasing carbon credits to create a coherent and financially viable strategy to reduce deforestation and forest degradation and implement the LULUCF component of the NDC.



## Policy Support

UNDP has an important experience working with REDD+ countries to create an enabling environment to attract large-scale investments in sustainable agriculture with low or no impact on forests, de-risking, capacity building and transitioning to a green economy. The figure below presents the Theory of Change for enhanced partnerships between countries, private sector companies and financial institutions for sustainable on-the-ground action in the land use and forest sector.



## **Development settings**

### ***Accelerate structural transformation for sustainable development***

In **middle-income countries** where forests are threatened by agroindustry development and GHG emissions are largely driven by the forest sector, UNDP's interventions for structural transformation will aim to sustainably enhance productivity and reduce deforestation and forest degradation impacts. This will be done by integrating sustainable supply chain initiatives, innovative financial mechanisms and international carbon markets into a coherent package of policies and measures to shape investment decisions of local farmers and communities. The aim is to incubate and scale up investments in sustainable jurisdictions with the aim of contributing to the global efforts to mitigate and adapt to climate change.

### ***De-risk foreign investments in the land use and forest sector in key countries***

International companies and banks have been investing in the land use and forest sector in many developing countries. These initiatives often have impacts on forests. These risks can be mitigated by working with national governments and private sector companies to promote greater synergy and coordination of various in-country investments, avoiding investments that are conflicting and incubating and scaling-up sustainable investments that contribute to the global efforts to mitigate and adapt to climate change.

### **Joint partnerships**

UNDP is currently in partnership with the Italian government working in a similar partnership with high potential for scaling up and expanding. Through this partnership, built through GIORNI support, an enabling environment is created for investments and measures that will achieve forest emission reductions. Private investments are made through loans from Cassa Depositi e Prestiti (CDP) and Nat'l Private Banks, to incentivize deforestation-free and climate resilient practices, in areas where private sector Italian companies (e.g. Ferrero, Lavazza) source their products from. Carbon markets will kick-in to provide result-based finance and consolidate the finance landscape. Eni (Italian oil company) is keen to purchase large-scale volumes of forest emission reductions over the next years.