BUILDING AN ENABLING ENVIRONMENT FOR SDG FINANCING

JOINT SDG FUND

ABOUT US

The UN Joint SDG Fund (the Fund) is a multi-partner trust fund established by a UN Resolution. Our mission is to activate financing levers as accelerators for the achievement of the SDGs. Under the enabling environment for SDG investing pillar, we support a new wave of SDG-aligned financing strategies- the Integrated National Financing Frameworks (INFFs). This summary provides highlights of the work of the UN system, supported by the Joint SDG Fund, in helping 80 countries define the "financing" behind the "policy" to achieve the SDGs by 2030. The data showcased in this brochure relies on information reported by UN country teams, including a detailed survey on INFF implementation administered by UNDP and available on www.inff.org.

69

Joint Programmes

US$ 920M

Mobilised

US$ 100 M

Budget of which US$ 70 million from the Joint SDG Fund

80

Countries and territories served

25

UN Agencies

300+

Financing reforms initiated

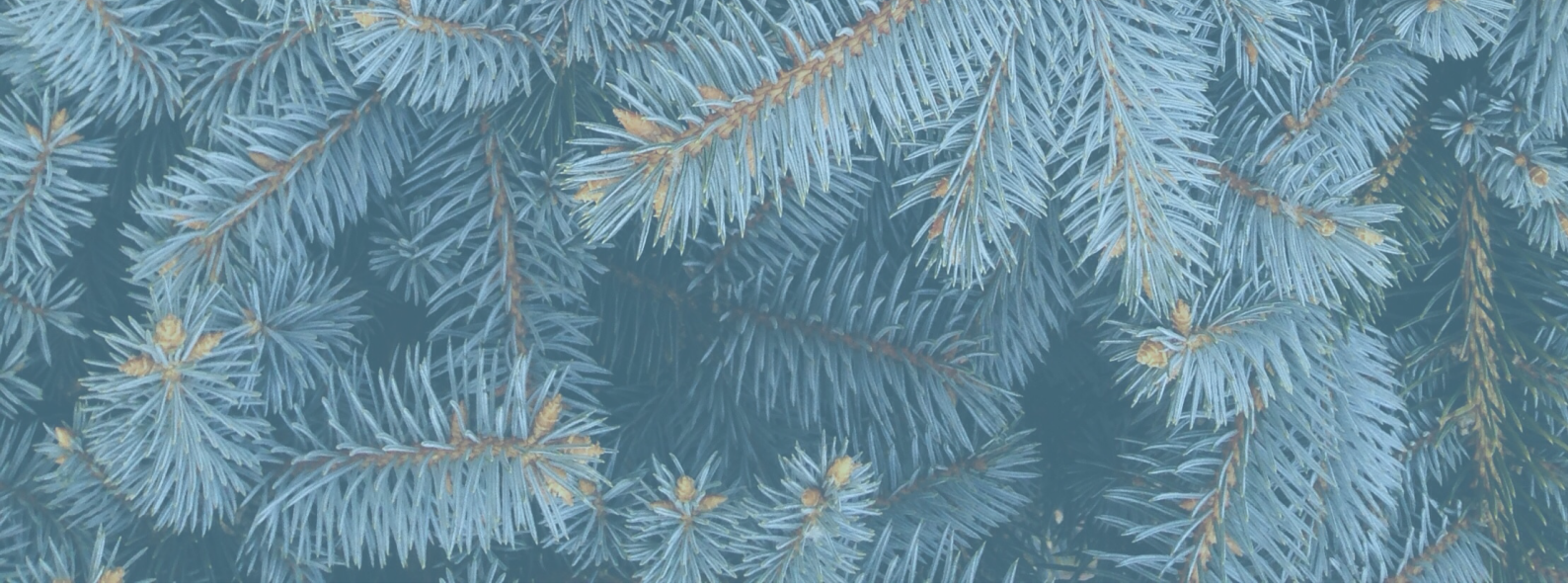
INTRODUCTION

The enabling environment for SDG investing portfolio was launched in the summer of 2020. Our belief is simple: financing is essential to solving today's challenges. The OECD estimates that US$ 4.2 trillion are needed to spur sustainable development each year and create the future envisioned by the SDGs. We aim to close this financing gap by supporting SDG financing strategies and driving financial reforms and innovations to unlock public and private financing. To date, we allocated US$ 70 million to 69 Programmes in 80 countries. Twenty-five UN agencies, under the leadership of UN Resident Coordinators, are collaborating, building on UN-DESA methodological work, UNDP country level technical support and development partners' engagement. The work at the national level is complemented by UN collaboration and at the global level that is placed under the Financing for Development umbrella.

PRIORITY SDGS

Figure : 1 JPs' contribution to each SDG with more weight on SDG 17, SDG 5, SDG 1 and SDG 16

The Joint Programmes (JPs) under this portfolio are contributing to all 17 SDGs. As partnerships are the bottom line for SDG-aligned financing strategies, all JPs contribute directly or indirectly to SDG 17, which cover to the means of implementation for all other 16 SDGs. In addition to the natural link to SDG 17, SDG 5, 1, 16 are the most referred as indicated in the Figure 1.



While some countries are supported in creating overarching financing frameworks, 17 are prioritizing certain SDGs and thematic areas within broader national frameworks. All programmes are unique in responding to the country's development challenges, but their contribution can be broadly grouped into four thematic areas: Blue Economy; Energy and Climate; Food Systems; and Social Impact as shown in Figure 2. These impact areas include specific targets from multiple SDGs, demonstrating integrated approaches , and exemplifying the key transitions needed to achieve the SDGs by 2030.

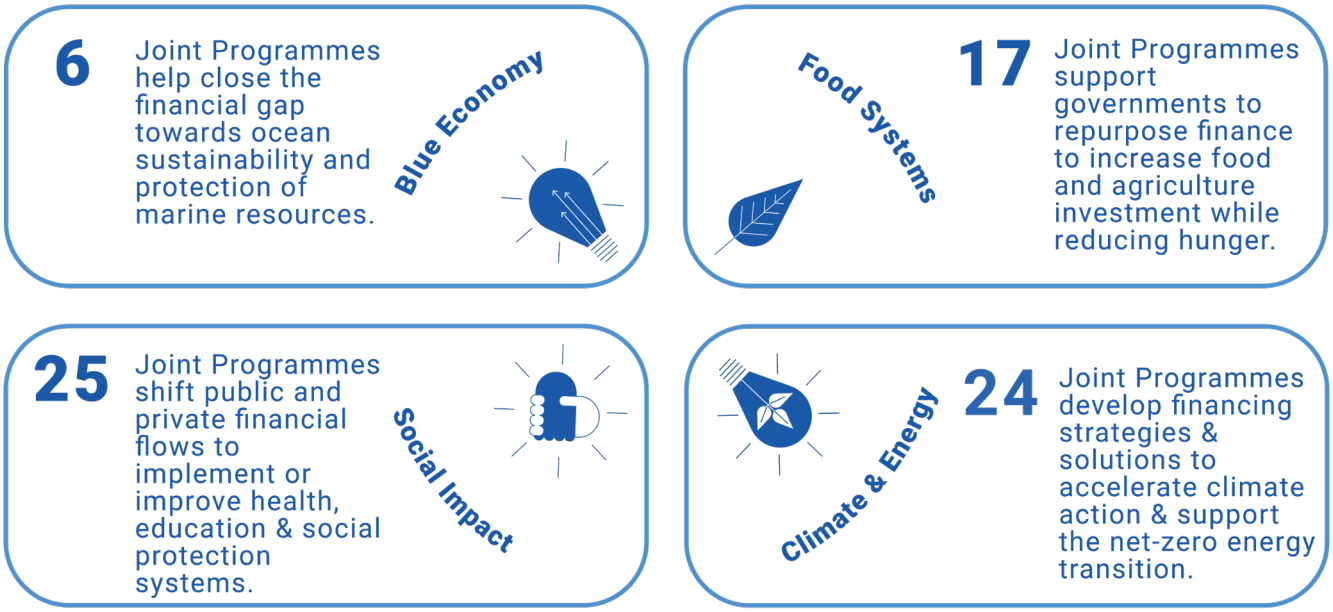


Figure 2: Number of Joint Programmes under the Enabling Environment portfolio by thematic impact area

RESULTS AT A GLANCE

Although each programme has priority themes, most JPs support governments in the development of SDG financing strategies – mostly in the form of Integrated National Financing Frameworks (INFFs). In a nutshell, they help countries define the "financing" behind their development "policies" and build the related capacities to operationalize financing reforms and solutions. The UNCTs help to link planning and long-term priorities with financing and actual budgets as well as to ensure adequacy and coherence of existing policies and institutional arrangements.

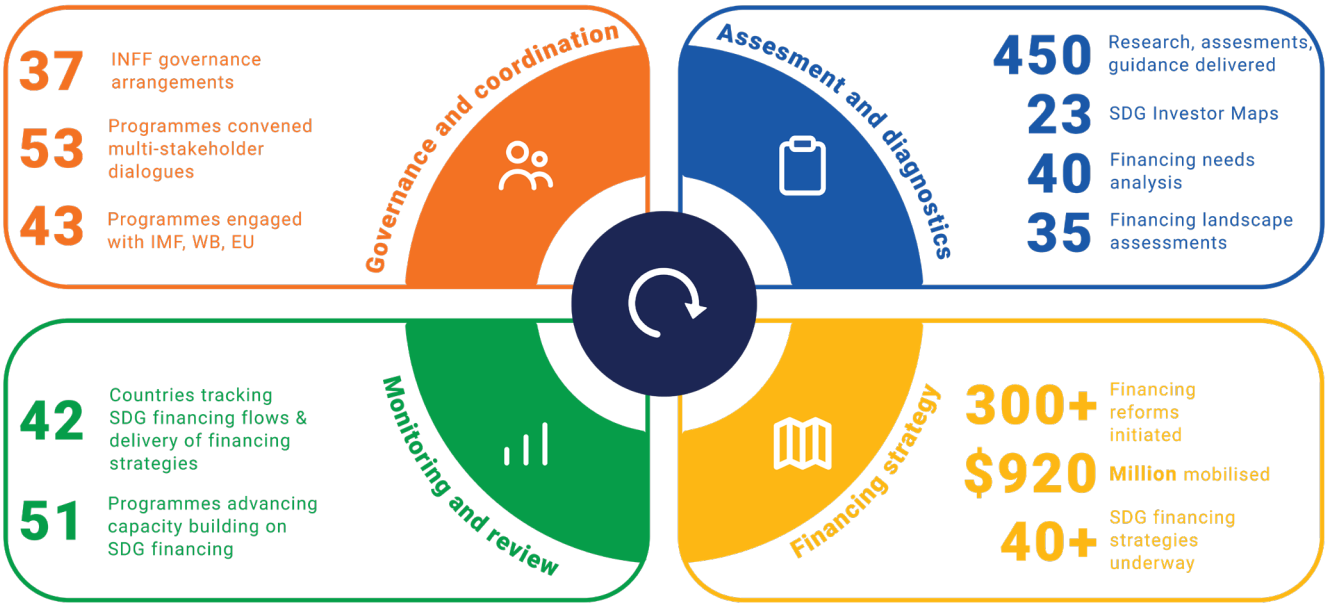
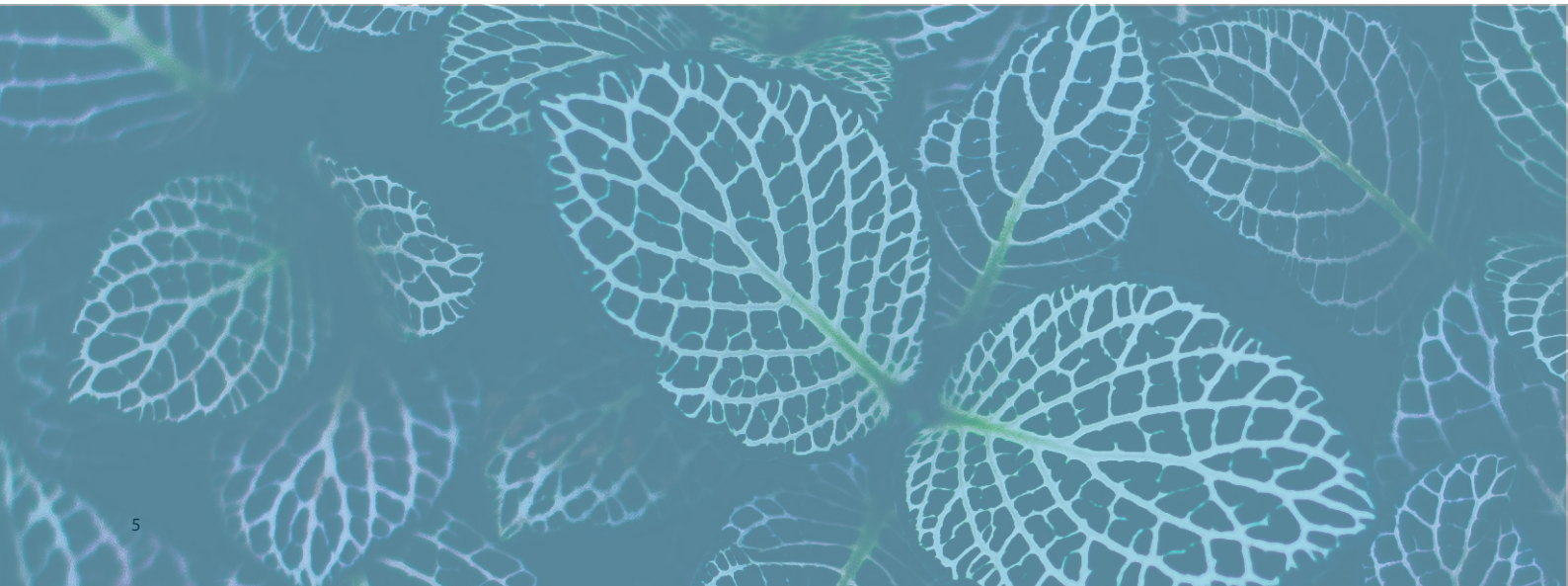


Figure 3: Emerging results per INFF building block



Capacity development cut across all of these efforts to strengthen the country-level ecosystem: 51 programmes advanced capacity building efforts among national public and private partners to integrate the SDGs in planning and budget cycles, track SDG financial flows, design an INFF, develop SDG-aligned investment policies, public finance management, financing landscape assessments, and more. Each country's approach to SDG financing is unique and responds to the country's development challenges and priorities. Some countries focus on financing for development plan, while others focus on COVID-19 recovery or a specific sector like social protection or child malnutrition; some complete this work at the national level, while others take a subnational approach.

The progress against the INFFs can be tracked by the framework's four building blocks: (i) assessments and diagnostics; (ii) financing strategy; (iii) monitoring and review systems; and (iv) governance and coordination mechanisms. Progress and emerging results are presented under each block in Figure 4 and below.

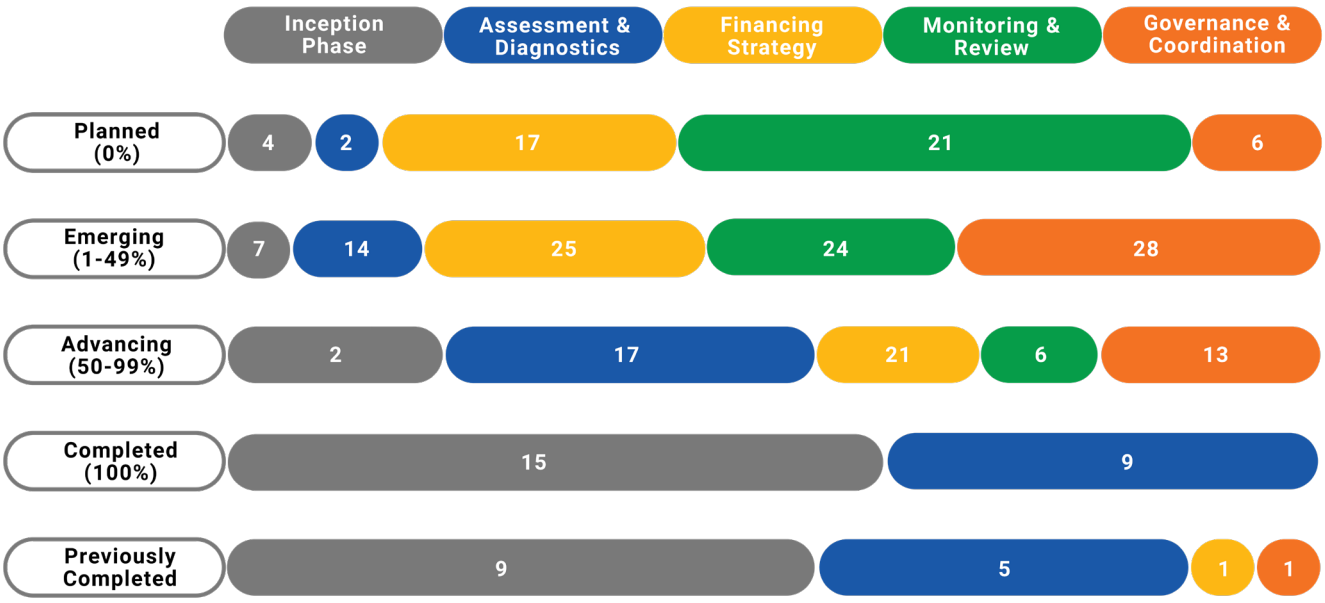


Figure 4: Progress against the INFF building blocks up to December 2021

ASSESSMENTS AND DIAGNOSTICS

Over 450 research, advocacy, methodological, and guidance materials and assessments were produced to understand countries' financing sources, binding constraints and bottlenecks, quantity and quality of expenditures and investment opportunities. 35 Development Finance Assessments (DFA) were or are being validated by multiple stakeholder to present decision-makers current and projected financing flows and an agenda on the way forward to address SDG financing needs. Developed through a comprehensive participatory process target recommendations from DFAs include areas such as tax base optimization, use of remittances, results-based budgets, public expenditures tracking systems, illicit financial flows, SME financing, etc.

23 SDG investors maps are generating market intelligence with concrete recommendations on viable and key investment opportunities to increase financial flows towards the SDGs. Other diagnostics include public expenditure reviews, financial accountability reports, fiscal space analysis, tax-related assessments, feasibility studies of financial instruments, institutional and regulatory analysis, market research and others.

FINANCING STRATEGY

More than 60 countries are using an INFF to develop a financing strategy for the first time, or strengthen an existing one. Over 40 of those are expected to develop financing strategies in 2022, with 17 having already started developing their financing strategies. They aim to connect development (and sector) plans with actual public budgets and private financing, strengthen governance on financing and mobilize a target amount of financing towards the SDGs. They are rooted in national or local medium and/or long-term plans.

These strategies have spurred over 300 financing reforms spanning from policy, regulation, financial instruments, to institutions. Reforms touch upon a wide range of areas such as budgeting, taxes and revenues, public expenditures efficiency and transparency, public-private partnerships, climate finance, access to finance, debt sustainability and instruments, and capital markets.

MONITORING AND REVIEW SYSTEMS

Systems to support governments and the private sector in tracking the delivery of SDG financing flows are being strengthened or established by 42 countries.

These monitoring systems involve the tagging of public budgets to the SDGs, SDG integration in medium-term and annual budgets, tracking of changes and trends in financial flows from different sources towards the SDGs, statistics on SDG performance, impact measurement frameworks, follow-up on the delivery of reforms proposed by the financing strategy, etc.

GOVERNANCE AND COORDINATION MECHANISMS

Governance and coordination constitute the foundation of any financing strategy. They are a critical factor in implementing financial reforms or SDG financing strategies. 37 countries established or are in the process of negotiating governance arrangements for integrating the SDGs in financial planning.

Most of these governing mechanisms are embedded in existing structures that are chaired by the Ministry of Finance, President or Prime Minister Office, and Ministry of Planning. The programmes are engaging directly with a variety of partners, especially the European Union, IMF, World Bank and regional development banks. 53 programmes conducted multi-stakeholder consultations leading to the establishment of many platforms for dialogue on SDG Financing at the country level. As a result of these new partnerships and engagements, to date, US$ 920 million[1] from governments, donors, IFIs, private sector and others has been mobilised.

[1]This figure includes US $30 million in co-funding mobilized for the joint programmes, $870 million catalyzed through Uzbekistan's sovereign SDG bonds launched with technical support from the Fund, and additional parallel funding catalyzed through the portfolio's policy services and demonstrative impact since July 2020.

INFF IN ACTION

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MONGOLIA

The Joint vrogramme in Mongolia is supporting the Government to develop an integrated national financing strategy to finance the national medium-term sustainable development plan. The financing strategy plans to develop a medium-term revenue strategy for mobilizing more public funding, introduce budgeting aligned with Mongolia's development priorities, develop a debt management strategy, and introduce Sustainable Development Goal- (SDG) linked debt instruments such as SDG bonds and debt-for-development swaps.

The financing strategy also aims to better align public and private business activities with sustainability principles by promoting the adoption of Environmental, Social, and Governance (ESG) and impact measurement standards, and introducing an SDG Finance Taxonomy to allow the tracking of SDG financing flows in the country. The strategy also proposes measures to unlock private financing by reforming the law on public-private partnerships, launching new financial products that encourage diaspora investments/remittances, and initiating impact investment funds to attract international funds. The SDG financing strategy strengthens governance and coordination mechanisms by setting up a multi-stakeholder SDG Council under the Parliament, and introduces SDG performance auditing and evaluation tools with the INFF monitoring framework.

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GHANA

The joint programme in Ghana adopted a bottom-up approach and started at the subnational level to create integrated assembly financing frameworks for five districts. Five district level financing frameworks were launched in 2021, which supported the COVID-19 local economic recovery plan; addressed trade-offs and synergies among different financing policy areas; and focused on access to finance through taxation and other government revenue, public-private partnerships, FinTech and digitalization.

Ghana has also created a subnational INFF oversight committee and plans to establish a quarterly monitoring process leveraging existing government data and capacities. The lessons from these five district pilots are being used to scale up Ghana's SDG financing operations to all 255 districts.

EMERGING FINANCING SOLUTIONS

In this section we feature emerging results grouped around the themes constituent of the SDG financing strategies being pursued.

Public finance management and reforms

Private sector engagement

Financing the SDGs at the local level

Debt management and SDG bonds

PUBLIC FINANCE MANAGEMENT AND REFORMS

44 JPs are carrying out public finance reforms, including: 32 countries with reforms on budgeting and public expenditure reforms to track and improve efficient management of public spending and investments towards the SDGs; 24 countries implementing public-private partnerships and blended finance reforms; and 12 countries undergoing medium-term revenue and tax reforms.

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COLOMBIA

Colombia developed an innovative and comprehensive methodology to match funding sources - public, private, official development assistance- with SDG targets. The multidimensional methodology is flexible enough to classify central government or local budget lines and can be implemented at any point of the budget cycle. The matching of Colombia's public budget lines with 169 SDG targets, showed that spending on education, healthcare, and labor's expenditures contribute the most to the Agenda 2030. The methodology was validated by the Colombian National Planning Department and the Ministry of Finance through 17 workshops, which increased local capacity on SDG budget tagging, and will be applied to the 2022 budget and possibly to future fiscal years. A detailed guidebook has been elaborated to transfer the methodology to other countries and increase the capacity within the UN system. The tagging exercise was complemented by a computational model (Policy Priority Inference) to predict convergence times of SDG indicators and optimize rules for budget allocation. The model integrated the SDG budget tagging and estimated that considering current financial flows, 40 percent of SDG indicators would only be achieved in over 20 years without sufficient and more efficient allocation of financing.

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ECUADOR

In Ecuador, expenditures associated with malnutrition - such as health, education, and loss of productivity - represent 4.3% of the gross domestic product. The Government was able to estimate the country's current allocations and financing needs to implement and reinforce the national strategy that seeks to prevent and reduce chronic child malnutrition (CCM). Key recommendations to close the identified US $155M financing gap include improving traceability of public budget and adoption of new fiscal measures. A 3% ad valorem tax on fast food franchise sales combined with the introduction of an additional income tax bracket of 50% and adjustments of patrimony taxes would be sufficient to mobilize the resources needed to finance the CCM reduction strategy in 90 prioritized territories.

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KYRGYZSTAN

Kyrgyzstan is supporting the Government in enacting a new Tax Code to include adequate and attractive incentives to mobilise funds from the private sector and increase state revenue for the SDGs. The new Tax Code sets a requirement to regularly assess the effectiveness of tax incentives policy. Once the system is operational, it would eliminate tax incentives that are ineffective or that negatively affect the lower-income segment of the population and women in particular while introducing incentives that shift the tax burden towards richer taxpayers and businesses for the areas with gender and social impacts.

PRIVATE SECTOR ENGAGEMENT

45 JPs are implementing reforms associated to private finance, including: 28 JPs increasing SDG Impact investment; 17 implementing climate finance reforms; 10 countries enhancing SDG impact management and measurement; strengthening micro, small and medium-size enterprise (MSME) financing and overall financial inclusion; and 5 countries implementing SDG finance

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JORDAN

In Jordan the United Nations partnered with the Social Security Investment Fund, the Amman Stock Exchange and the Government's Public-Private Partnership Unit to align investment decisions with the SDGs. The UN – with Social Value International and the Global Compact Network - helped the senior management of these institutions, among the Jordan's largest investors, in aligning those decisions. Furthermore, the top-20 listed companies on the stock exchange and small and medium enterprises were supported in the adoption of SDG impact measurement practices and management standards, including the Women's Economic Empowerment Principles. Introducing impact measurement standards and encouraging key ecosystem players to shift their investments towards the SDGs will help create an investment-ready pipeline while also providing clear signals to the market for broader replication.

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MONGOLIA

In Mongolia, the mobilization of private finance is challenged by the lack of understanding of what constitutes green or SDG investments and therefore how financial instruments labelled as SDG loans and SDG bonds can be considered as such. Investors are therefore unable to make informed decisions when they want to fund the SDGs. An SDG Finance Taxonomy is a classification system of economic activities (currently covering 13 sectors and 57 subsectors) contributing to the SDGs. The taxonomy is combined with the criteria for measuring, verifying, and reporting the impacts of the financial flows towards the SDGs. With the adoption of the Taxonomy, the financial sector will be able to start tracking the financial flows dedicated to the SDGs, monitor progress, against each SDG, and implement tailored policy incentives in priority areas.

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BANGLADESH

Bangladesh supported 47 factories of the ready-made garment (RGM) sector, which is responsible for 84% of the country's exports, to align their business reporting standards, indicators and indexes with the SDGs and national priority indicators (NPIs). With the support of the Prime Minister's Office, Global Reporting Initiative and Bangladesh Garment Manufacturers and Exporters Association, this exercise not only helped the RGM sector to better measure and communicate its contributions to NPIs and SDGs but also helped the government to assess the contribution of the private sector to the SDGs. Further, an SDG Investor Map narrowed down 6 priority sectors (infrastructure, renewable energy, health, education, financial, food & Beverage) and revealed 16 investment opportunity areas, with cross-cutting climate considerations. To mobilisve additional private finance, the Digital Trade platform, an investment management tool, has been piloted to catalyze SDG-aligned bankable projects by connecting investors with project sponsors.

FINANCING THE SDGS AT THE LOCAL LEVEL

15 JPs are localising the INFFs to foster financial reforms at the subnational levels. The UNCTs are providing support to local governments to elaborate fiscal decentralization plans, local financing strategies, public finance management tools to efficiently monitor subnational expenditures against the SDGs, indicators to implement output-based budgeting, and more.

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GUINEA

Guinea produced five local resource mobilization plans covering health services, education, water, hygiene and sanitation, and the fight against child marriage needs. In addition, the Central Government and 277 sub-national actors worked together to improve the alignment of local plans to the SDGs leading to a result framework that was formalized through an administrative decree. The framework created was used in the preparation of the 2022 local budgets.

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MALAWI

Malawi's decentralized financial architecture was strengthened by mapping devolved expenditures and reviewing the fiscal decentralization system and the national decentralization policy. These contributions are the bedrock for the drafting of Malawi's fiscal decentralisation strategy in collaboration with the World Bank. The finalisation of the two citizens' budgets (2020 and 2021) and capacity development on programme-based budgeting for local governments contributed towards the improvement of the local government financing architecture and its alignment with the SDGs.

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SOUTH SUDAN

South Sudan supported a stronger collaboration between State and the National Revenue Authorities to increase the effectiveness and transparency of revenue collection and budget allocation, specially towards social sectors. Two key monitoring committees - State Transfer Monitoring Committees and the County Transfer Monitoring Committees – have been revitalised. These two mechanisms track transfer, mainly public funds, which are an outturn of the national government and revenue for state and county administrations. A pilot of the public finance management (PFM) dashboard for monitoring the execution and accountability of sub-national funds went online in April 2021. The dashboard has grown in significance to the donor and partner community as they re-engage and invest in South Sudan and will provide useful information for tracking funding flows. 530 staff from 19 state-level institutions have received training and are now familiarized with PFM principles and gender and human rights responsive planning and budgeting.

DEBT MANAGEMENT AND SDG BONDS

With the aim of leveraging additional financing for the SDGs and supporting governments to sustainably manage debt, 23 programmes are exploring development of green, blue, thematic and social impact bonds linked to the SDGs. Sopme countries have already issued bonds with the support of the UN, while others are in the initial exploration stages.

UZBEKISTAN

Uzbekistan was one of the first countries in the region to issue a Sovereign SDG Bond worth of US$ 870 million, which was capitalized in two tranches. The proceeds plan to finance projects in seven SDG focus areas: education, water management, health, green transportation, pollution control, natural resources management and green energy. The programme supported the Government in the design of the SDG bond framework, project selection and in post-issuance impact measurement and reporting.

CAPE VERDE
FIJI

Cape Verde is piloting a US $3.5 million blue bond in partnership with the local stock exchang. A variety of assessments were conducted to assess the appropriateness of the instrument. These studies include the Cabo Verde Blue Bond Note, co-developed with the World Bank.

Fiji is supporting the launch of the country's first blue bond that was announced at COP26. The bond will raise US $50 million for marine protected areas, sustainable fisheries, green shipping, and nature-based solutions to protect communities from sea level rise.

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CAMBODIA
KYRGYZSTAN
CAMEROON
SURINAME
TAJIKISTAN

Countries like Cambodia and Kyrgyzstan have supported the government in setting up the foundational building blocks for a sound debt market with feasibilities studies, debt appetite and financing flow assessments, and policy dialogues.

Cameroon, Suriname and Tajikistan have conducted training on green and SDG bonds with national and regional stakeholders.

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