

# Collaboration to finance the SDGs

How can private finance actors channel resources towards the Sustainable Development Goals?

## Private Finance actors can align their investment process to the SDGs...

- **Countries** base their sustainable development priorities, policies, and plans on the SDGs, **creating a comprehensive roadmap for action for both private finance and sustainable development actors**<sup>1</sup>.
- To advance the SDGs, **private finance actors** can identify investment opportunities that mitigate negative impacts, have a positive environmental and social impact and offer market returns. **This requires integrating the notion of impact at every stage of the investment process.**
- **Sustainable development actors** are driven by impact and have been working on sustainable development challenges **with country partners** in emerging and frontier markets for decades. They can **accompany private finance actors throughout the investment process to advance the SDGs.**

## ...and Sustainable Development actors can accompany them throughout this process

By partnering with sustainable development actors, private finance players benefit from decades of experience working in development contexts, risk-tolerant capital and a network of local partners around the world.

Investment process	Roles Sustainable Development actors can take to accompany private finance actors
 <b>Identify issue area</b>	Through their interactions with partners at country level, sustainable development actors have gained a holistic understanding of country challenges and opportunities, sustainable development priorities and legal and regulatory risks. They can <b>share data and insights and point to the right tools to identify an issue area or assess the feasibility of an initiative.</b>
 <b>Develop approach</b>	From their multiple interventions, sustainable development actors have learned how to design effective impact strategies and identify relevant impact metrics. They can <b>help define and test Impact Measurement and Management frameworks and point to relevant guidelines and norms for a specific context.</b>
 <b>Design structure</b>	Through their local presence in emerging and frontier markets, sustainable development actors have built a strong network of local organizations interested in advancing the SDGs (e.g. incubators, social entrepreneurs, NGOs,...). Together with country partners, they can <b>help find local partners and build impact investment pipelines.</b>
 <b>Implement</b>	During implementation, sustainable development actors can <ul style="list-style-type: none"> <li>• Act as independent <b>advisors on compliance questions</b></li> <li>• <b>Provide and fund technical assistance</b> to address potential capacity constraints</li> <li>• <b>Deploy seed or first loss capital</b> to crowd-in or de-risk investments.</li> </ul>
 <b>Monitor, sustain, scale</b>	Sustainable development actors have gathered a collection of monitoring approaches, tools and examples and can be precious partners to <b>help monitor and report impact</b> . Given their local networks, they can help <b>replicate successful models</b> by disseminating best practices and engaging at policy and regulatory levels.

<sup>1</sup> Private finance actors are defined as banks, asset managers, asset owners, pension funds and family offices; Sustainable development actors are defined as United Nations entities, governments, other international organizations, NGOs, academia.

## Illustrative collaboration example to finance the SDGs

The Africa Agriculture and Trade Investment Fund (AATIF) partners with the International Labour Organization (ILO) and the United Nations Environment Programme (UNEP) to ensure social & environmental compliance.

### Key facts on the AATIF fund

#### PRIMARY INVESTORS:

- German Ministry for Economic Cooperation and Development GIZ
- Kreditanstalt für Wiederaufbau KfW
- European Commission
- Deutsche Bank and other private sector actors

#### SECTOR/ REGION:

- Agriculture/Africa

#### TYPE OF INSTRUMENTS:

- Market based loans
- Technical assistance

### Roles of ILO & UNEP throughout the process



- ▶ Developed the methodology for social and environmental risks of agricultural finance
- ▶ Provided technical advice on the fund's social and environmental policy
- ▶ Established a monitoring and evaluation framework
- ▶ Assess investments' compliance with the social and environmental policy
- ▶ Provide technical assistance to partner institutions
- ▶ Build capacity for social and environmental compliance in African agriculture
- ▶ Support studies on impact of blended finance vehicles

## Examples of initiatives for private finance actors willing to finance the SDGs

The **SDG Investor Map** from UNDP provides country-level data and insights to **help** private finance and sustainable development actors work together to **identify investment opportunities that advance the SDGs in specific countries**.

The **Peacebuilding Business Index Methodology** developed by Peace Nexus Foundation and Covalence, was applied by the Geneva-based asset manager Pury Pictet Turrettini to structure the Cadmos Peace Investment Fund. It **offers a model** for private finance actors **to construct SDG-oriented equity-portfolios**.

The **SAFIN network**, launched by IFAD to connect actors committed to building a better functioning financial ecosystem for agri-SMEs. Private finance actors can join this space to **develop a better understanding of issues in the agri-SME sector** and **co-create effective financial solutions to address emerging challenges**.

The **Build Fund**, a partnership between UNCDF and Geneva-based impact investment platform Bamboo Capital, illustrates how the UNCDF can **help build a pipeline of impact enterprises in the Least Developed Countries**.

The **Land Use Finance Programme**, launched by UNEP, aims at mainstreaming sustainable land use finance. It illustrates how private finance actors can **reduce the risks and costs by investing in blended finance funds** such as the AGR13 Fund and the Green Fund.

## Are you ready to take the next step?

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