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Evaluation

Management response to 'Financing the recovery: A formative evaluation of the UNDP response to the COVID-19 pandemic and Sustainable Development Goal financing'

I. Introduction

1. From August to December 2021, the UNDP Independent Evaluation Office conducted a formative evaluation of the UNDP response to the coronavirus disease (COVID-19) pandemic and Sustainable Development Goal financing encompassing the period from March 2020 to June 2021. The evaluation explored the level to which UNDP has been able to support and will continue to support Governments to achieve the Goals, given existing financial and fiscal constraints and needs. The evaluation was a new addition to the office's workplan and came in response to the global COVID-19 pandemic and UNDP support to preparedness, response and recovery.

2. The evaluation was formative in design as it is still too early to assess the strengths and weaknesses of the UNDP response to the pandemic, and the crisis triggered by the pandemic is still unfolding. The evaluation aimed to provide evidence to inform the adjustments necessary for successful implementation of the UNDP Strategic Plan, 2022-2025. It included three key components: (a) assessment of pre-pandemic policy support for financing the Sustainable Development Goals; (b) assessment of financial and fiscal policy advice and support related to the pandemic; and (c) consideration of an equitable and green recovery in the context of achieving the Goals. The evaluation recognized that UNDP support to countries and its ability to influence decisions domestically may be restricted by the global financial governance architecture, so actions undertaken domestically need to be reinforced by actions at global and regional levels. For this reason, the evaluation reviewed UNDP global work during the pandemic including with the Forum on Financing for Development, the Group of Seven (G7) and the Group of 20 (G20).

3. The evaluation's findings and recommendations come as UNDP is establishing the institutional mechanisms for implementing the new Strategic Plan and as such will feed into this process over the course of 2022. For the first time, the Strategic Plan includes development finance as an 'enabler' of the delivery of its six signature solutions (on poverty and inequality; governance; resilience; environment; energy; and gender equality) in the context of three

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directions of change (structural transformation; leaving no one behind; and resilience). The plan outlines how UNDP work on development finance will focus on support to its clients and partners in leveraging additional financing and aligning existing public and private finance, including a 'moon shot' promoting the alignment of $1 trillion of investment in the Goals.

4. UNDP welcomes this first formative evaluation on its work on financing the Sustainable Development Goals. The findings and recommendations will inform ongoing initiatives to scale up capacities and strengthen systems to support this work. Since the establishment of the Sustainable Finance Hub in 2019, UNDP has been building on the areas that have been identified as effective and will use the evaluation's conclusions and recommendations as a basis for strengthening its support.

II. The socioeconomic impact of the COVID-19 pandemic and the UNDP response

5. Governments, businesses and communities continue to grapple with the devastating health and socioeconomic impacts of the COVID-19 pandemic. The pandemic gained strength in 2021, fuelled by the emergence of variants of the virus. Globally, the world is nearing 6 million confirmed deaths from COVID-19.[1] Twelve countries[2] account for over 60 per cent of these deaths. The actual toll could be much higher as deaths in remote or rural communities with little or no access to health facilities are underreported.[3]

6. Through its 131 United Nations country teams (UNCTs) serving 162 countries and territories, the United Nations system supported national authorities in developing public health preparedness and socioeconomic response plans. Since April 2020, the support has been delivered through five pillars of action contained in the United Nations global framework for the immediate socioeconomic response to COVID-19: (a) strengthening health systems and services; (b) protecting people and basic services; (c) economic response and recovery, including protecting jobs, livelihoods and small and medium-sized enterprises; (d) macroeconomic response; and (e) social cohesion and community resilience.

7. The socioeconomic response complements the United Nations health response, led by the World Health Organization (WHO), and the humanitarian response, led by the Office for the Coordination of Humanitarian Affairs. The Secretary-General entrusted UNDP with the role of technical lead for the socioeconomic response at the country level, supporting resident coordinators by leveraging the wider system to develop and implement the socioeconomic response.[4]

8. In consultation with Governments, the UNCTs supported the preparation of 121 socioeconomic response plans covering 139 countries. As of January 2022, the plans were being integrated into the existing United Nations Sustainable Development Cooperation Frameworks. The plans reflect a comprehensive and a coordinated approach by the UNCTs, working with the international financial institutions (IFIs), bilateral donors, the private sector and civil society actors to provide a joint response framework aligned with government plans and priorities.

9. To date, UNDP, in collaboration with the broader United Nations system, has supported the preparation of over 150 socioeconomic impact assessments across 100 countries, often jointly with the IFIs,[5] the European Union and other partners, including rapid and in-depth assessments of affected economic sectors and population groups, as the situation continues to

[1] WHO Coronavirus Dashboard, 6 March 2022.
[2] Brazil, Colombia, France, India, Indonesia, Islamic Republic of Iran, Italy, Mexico, Peru, Russian Federation, United Kingdom and the United States of America.
[3] The WHO estimates that prior to COVID-19, about two thirds of global deaths (about 38 million) are not registered with local authorities and the causalities are not recorded.
[4] *United Nations Comprehensive Response to COVID-19: Saving Lives, Protecting Societies, Recovering Better*, September 2020.
[5] In most cases with the International Monetary Fund and the World Bank.

evolve.[6] Many assessments highlight that the pathway to recovery is highly dependent on the way a particular economy is embedded in the global value chain, the lack of economic diversification, the dependency ratio on foreign exchange, commodity dependence, the debt levels of countries and the implications of sovereign credit ratings for a quick economic recovery. Assessing the impacts of the COVID-19 crisis on societies, economies and vulnerable groups is fundamental to informing and tailoring the responses of Governments and partners to recover from the crisis and ensure that no one is left behind.

10. UNDP and UNCTs are faced with an enormous challenge to support countries to address the regression of progress towards both the Sustainable Development Goals and overall human development, building on the lessons learned during the pandemic. In this respect, some key elements will shape the way forward. More than ever, the 2030 Agenda for Sustainable Development and the Goals will remain the global compass. The choices countries are making now will shape their recovery, so it is important to make the right investments. A continued focus on vulnerabilities and multidimensional risks to build resilience is critical. Shrinking fiscal space and civic space may risk an inclusive and green recovery, and it is important to adopt an integrated approach to finance the pandemic response and recovery.

11. For most countries, there are currently two options on the table: 'do whatever it takes', available to advanced economies that can afford to finance skyrocketing fiscal and financial deficits in 2022 through low-interest debt; and 'do whatever is possible', mostly in low- and middle-income countries and small island developing States that cannot tap international markets at low interest rates and are already in fiscal distress. For many developing countries. fiscal space will only be achieved through hardship, austerity, fiscal repression or monetizing debt.

12. The debt crisis is expected to spill over into financial markets, including institutional investors and the flows that make up the financing for development agenda. Advanced and developing economies are diverting fiscal resources into oil, coal and any quick paths to reignite economic growth, kicking structural transformation into the future. An assessment of recovery spending shows that of the $18.16 trillion invested in the recovery, only 31.2 per cent can be considered as green spending.[7] But with an increasing number of Governments pledging to a carbon-neutral future by 2050, it will likely be the beginning of the end of an era of a global economic model based on fossil fuels to power growth.

13. The rate of global economic growth is projected to be 5.9 per cent in 2021 and 4.9 per cent in 2022,[8] with higher output losses for the developing economies due to slower vaccine roll-outs and reduced fiscal stimulus packages compared to developed countries. A great divergence in economic recovery is already taking place, with increasing inequalities even as the pandemic continues to ravage countries.

III. Development financing challenges and the Sustainable Development Goals

14. Total global net wealth grew again in 2021 to an unprecedented $431 trillion,[9] yet debt burden rose in most developing countries as borrowing increased to cover significant losses from the pandemic. The borrowing levels of low-income countries increased by 12 per cent to a record $860 billion and external debt stocks of low- and middle-income countries combined

[6] Many socioeconomic impact assessments also leverage new digital technologies such as mobile phone data, to accommodate social distancing requirements.

[7] UNDP and partners are tracking and assessing COVID-19-related fiscal spending policy of the 50 leading economies (additional countries will be added) for potential impacts on the environment and the socio-economy (source: Global Recovery Observatory). Policies are assessed relative to their 'greenness' based on potential long- and short-term impacts (e.g., greenhouse gas emissions, air pollution, inequality, etc.). Data focus on 'recovery' spending as opposed to 'rescue' spending.

[8] International Monetary Fund. 2021. World Economic Outlook: Recovery during a Pandemic—Health Concerns, Supply Disruptions, Price Pressures. Washington, DC, October

[9] Boston Consulting Group, 'Global Wealth 2021: When Clients Take the Lead', June 2021.

rose 5.3 per cent to $8.7 trillion.[10] While foreign direct investment (FDI) picked up with flows increasing in developing countries to a total of $427 billion in the first half of 2021, the pandemic saw FDI reduce significantly in more vulnerable economies: FDI flows to small island developing States fell by 40 per cent and to landlocked developing countries by 31 per cent,[11] leading to an uneven rebound. The pandemic has increased the annual investment needs of developing countries for reaching the Sustainable Development Goals to $4.2 trillion.[12] The recovery of investment projects aligned to the Goals remains fragile. The total number of Goal-aligned projects fell by 6 per cent in developing countries and by 50 per cent in least developed countries.[13] In the meantime, investments in carbon-intensive sectors continued to increase; as of 2021, $423 billion is being spent annually to subsidize fossil fuels, while the climate finance needs to grow continually to an estimated $4.35 trillion by 2030.[14]

15. Over the course of the pandemic, it has become even more evident that the financial system is driving the world towards an unsustainable future. Current decision-making over public and private investments is negatively impacting the environment beyond repair, exacerbating poverty and inequality, contributing to social tensions both in developed and less developed countries. Financial decision-making is skewed towards short-term considerations of risks and returns and fails to adequately integrate concerns for externalities. As a globally agreed metric of development goals, indicators and targets, the Sustainable Development Goals provide the framework to make decisions over investments that are driven by impact and not by profit alone. Although the financing gap has grown during the pandemic, the challenge has never been just the quantum of resources available, but rather how resources are prioritized for investment.[15] There is a particular urgency to channel available resources to countries that have been hardest hit by the pandemic (fragile States, least developed countries, lower-middle-income countries, small island developing States) and to sectors of the economy that will support achievement of the Goals.

16. There are positive disruptions to the financial system, but they are still isolated, at insufficient scale and not accelerating fast enough. In 2020, investment in mutual and exchange-traded funds amounted to $288 billion in sustainable assets,[16] an increase of 96 per cent from 2019. Asset managers require companies in which they invest to disclose their plans towards net-zero emissions. In the bond markets, the value of green bonds reached $354.2 billion at the end the third quarter of 2021, and the combined labelled issuance of green, social, transition and sustainability-linked bonds reached $767 billion.[17] Positive movements have been seen both in jurisdictions with more regulation established to promote sustainability (the European Union established a sustainable finance taxonomy to calibrate investments towards sustainable impact), and among investors (the Global Investors for Sustainable Development Alliance comprises 30 chief executive officers supporting the alignment of private investment to the Goals). Digital finance is opening the potential for more financial inclusion and transparency. International policy processes, such as the Initiative on Financing for Development in the Era of COVID-19 and Beyond and the G20, have enabled further high-level discussion of sustainable finance. The G20 established a Sustainable Finance Working Group in 2020, for

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[10] World Bank, ‘Low-Income Country Debt Rises to Record $860 Billion in 2020’, Press release, World Bank, Washington, DC, 11October 2021, https://www.worldbank.org/en/news/press-release/2021/10/11/low-income-country-debt-rises-to-record-860-billion-in-2020, accessed 20 March 2022.

[11] United Nations Conference on Trade and Development (UNCTAD), World Investment Report 2021: Investing in Sustainable Recovery, June 2021.

[12] OECD, Global Outlook on Financing for Sustainable Development 2021: A New Way to Invest for People and Planet, OECD Publishing, Paris, https://doi.org/10.1787/e3c30a9a-en.

[13] UNCTAD, Investment Trends Monitor, Fact sheet, October 2021.

[14] Climate Policy Initiative. 2021. “Preview: Global Landscape of Climate Finance 2021”.

[15] According to the Credit Suisse Global Wealth Report 2020, in October 2020, household wealth stood at $379.2 trillion. However, only 20 per cent is held in developing countries, home to 84 per cent of the world’s population. By 2030, at least 46 per cent of the extreme poor will live in areas affected by fragility, conflict and violence..

[16] Data as of November 2020. Closed-end funds, funds of funds excluded; money market funds included. BlackRock, “Larry Fink's 2021 letter to CEOs”, 2021.

[17] Climate Bonds Initiative, ‘2021 Already a Record Year for Green Finance with over $350bn Issued!, 2 November 2021, https://www.climatebonds.net/2021/11/2021-already-record-year-green-finance-over-350bn-issued>, accessed 20 March 2022.

which UNDP serves as secretariat. And yet these positive trends do not constitute the change at scale required, as by the end of 2021, sustainability-linked bonds represented less than 1 per cent of the bond market, estimated to be at $125 trillion (securities outstanding) worldwide.[18] Moreover, financial flows are largely bypassing least developed countries and fragile States which are in critical need of sustainable development finance, and where development financial institutions need to step in.

17. At the country level, in all development contexts, financing strategies are incoherent and incomplete in articulating measures to mobilize and align public and private flows of finance for the implementation of their national sustainable development plans. While domestic public resources will provide the critical foundation for financing national development priorities, all resources (domestic and international, public and private) will be required. Comprehensive risk-informed financing strategies are needed to address the challenge of accelerating the mobilization of domestic resources and ensuring debt sustainability, while focusing on illicit financial flows, tax evasion and tax avoidance as well as on mobilizing remittances for socioeconomic development. Official development assistance, critical in crisis situations and in low-income countries and small island developing States, will remain a significant source for many countries when deployed in a catalytic role alongside these other flows. Moving towards 2030, Governments are now acutely aware of the vulnerability of all financial flows to external shocks. There has been a significant rise in debt levels across all development contexts, reducing fiscal space and calling for even stronger prioritization of alignment of finance from all sources. There is a growing demand to better articulate financing strategies that increase the resilience of public and private investment to shocks, yet few countries have articulated comprehensive and risk-informed financing strategies to this end. In many cases, financing policy across different flows is neither coherent nor aligned with sustainable development.

18. As registered above, the challenge to finance the Sustainable Development Goals today is not a question of the lack of money. The issue is systemic and much deeper than closing any financial gap. Financing the Goals requires significant transformations within the global financial system and within entities that own, manage or regulate financial flows and transactions. It demands the reorientation of how investors, businesses and government interact to create a system to achieve results in the three dimensions of sustainable development: economic, social and environmental.

19. It is within this context that in the Strategic Plan, 2022-2025, UNDP identifies development financing as an enabler to scale up development impact and proposes a 'moon shot' to promote the investment of over $1 trillion of public expenditure and private capital in the Goals.[19] As stated in the plan, "leveraging finance at scale includes working with partners to take portfolio approaches aimed at longer-term, transformative goals and brokering stronger public-private collaboration." (DP/2021/28, para.70) UNDP is already acting to further embed development financing in its own ways of working and therefore welcomed the evaluation.

IV. Findings and conclusions of the evaluation

20. UNDP welcomes the evaluation's findings as they aim to provide evidence to inform the adjustments necessary for successful implementation of the Strategic Plan and also to improve its work on COVID-19 recovery, which is still an ongoing effort. UNDP is pleased to note the evaluation's positive findings in relation to its contribution to the COVID-19 response, as well as the recognition of its distinctive leadership role in several areas of Sustainable Development Goal financing and the progress it has achieved in its work in that regard.

21. UNDP takes note of recommendation 1 and welcomes the evaluation's finding 6: "The UNDP Strategic Plan, 2022-2025 set a bold 'moon shot' of promoting the investment of over

[18] Securities Industry and Financial Markets Association, 'SIFMA Research Quarterly – 4Q21', January 2022.

[19] Which represents an impact on 0.26 per cent of global financial assets of $379 trillion, according to the OECD Global Outlook on Financing for Sustainable Development 2021: A New Way to Invest for People and Planet.

$1 trillion of public expenditure and private capital in the Sustainable Development Goals, working with Governments, international agencies and the private sector to mobilize finance at scale."

22. UNDP has articulated this 'moon shot' as a common goal to be achieved in partnership with Governments and the private sector as well as with IFIs and other United Nations partners. Hence, UNDP has begun to develop a road map for this endeavour with a twin-track approach of working with partners to: (a) leverage additional finance for the Goals; and (b) realign existing resources with the Goals.[20] While financial leverage will be achieved through work on domestic resource mobilization, debt instruments and blended finance approaches, financial alignment will be taken forward through policy and institutional reforms including through uptake by the private sector of Goal-related standards and taxonomies and by Governments of Goal-related budgetary classifications. To mobilize the constellation of partnerships required to achieve this 'moon shot', UNDP will develop a clear road map for: (a) advocacy and communications; (b) capacity development for UNDP country offices in line with a consolidated set of UNDP Sustainable Development Goal finance services; and (c) tracking the UNDP contribution to financial alignment and the monitoring of financial leverage.

23. In this respect, UNDP notes recommendation 2 and is pleased that the work already under way to extract services and tools from diverse projects and programmes and to consolidate them into a set of corporate-wide offers is further recommended. This work will be continued as part of the capacity development of country offices referenced in respect to recommendation 1. UNDP notes that the evaluation team has identified three critical areas of analysis that differ from its seven action areas. UNDP recognizes that further consolidation across these seven action areas may clarify its approach. However, it considers that the three streams of analysis used by the evaluators miss critical areas that UNDP is pursuing. First, UNDP is advocating and supporting integrated approaches to financing which bring together different sources of public and private finance; and second, UNDP is advocating for and supporting more reforms that better link all sources of finance to development impacts, in particular through 'SDG Impact' management and measurement.

24. It should also be highlighted that the emphasis of recommendation 2 on breaking away from project-aligned resource frameworks can be taken forward only as part of the larger corporate challenge of appropriate balance of regular resources (core) and other resources (non-core) funding that UNDP is already raising in dialogues with Member States.

25. In respect to recommendation 3 and associated findings, UNDP particularly welcomes finding 8: "UNDP support to Sustainable Development Goal financing has included a key role in the support and roll-out of integrated national financing frameworks, which could potentially fill an important gap in planning and budget allocations for the Goals."

26. Over the course of the pandemic, UNDP has faced a significant increase in demand for support from Governments wishing to establish integrated national financing frameworks (INFFs) as frameworks within which to mobilize all sources of finance – public and private, international and domestic – with their sustainable development strategies and recovery plans. The Department of Economic and Social Affairs (DESA) and UNDP launched support for 16 countries in 2019 and are supporting more than 70 countries in 2022. In respect to recommendation 3, it is true that there is an opportunity to clarify the INFF approach. UNDP is drawing lessons from countries as they take the INFFs forward. ensuring that this informs the global guidance being developed under the auspices of the Inter-Agency Task Force on Financing for Development. The prioritization of specific finance instruments – whether public or private – will be the focus of ministries of finance and their partners who are articulating financing strategies in the coming months and years. UNDP – like other partners – will certainly provide options for Governments to consider including in respect of financing instruments and

[20] 'Aligning' means generating new or enhanced impacts from existing investments, while 'leveraging' is about new resources which are invested by an external party. In turn, 'mobilizing' is generating new resources which accrue directly to the entity mobilizing them.

reforms such as sovereign bonds and budget tagging (although not limited to these). UNDP will provide policy options for Governments to consider in respect to equity and leaving no one behind, for example, although national development is ultimately for Governments to articulate in their national development plans. To help take this forward, UNDP is launching an Integrated National Financing Framework Facility, together with DESA, the European Union, the Governments of Italy and Sweden and the Organisation for Economic Co-operation and Development (OECD), to put in place technical and financial resources that countries can request to take forward in their financial frameworks. Lastly, on the suggestion (recommendation 3) that the INFF be strongly linked to other development finance approaches to ensure that synergies are captured, beginning with the concrete integration of Climate Promise support for nationally determined contributions and their budgeting and financing needs into all INFFs, UNDP is already supporting countries that have done so (according to data from the 2021 INFF dashboard, climate change or energy is a priority in two thirds of the financing strategies supported through the INFF process), and will work with DESA and other partners to develop guidance on mainstreaming climate in the integrated frameworks.

27. UNDP acknowledges recommendation 4 and while management is pleased that work with the OECD on Tax Inspectors Without Borders has already contributed to the mobilization of additional tax revenues in excess of $1.5 billion, it also concurs with finding 11 that the impact of this work could go to further scale. UNDP is already taking forward the recommendation to broaden its ambition on domestic resource mobilization, including through a strengthened offer on taxation and through looking at issues of equity and environmental sustainability by means of a new 'tax for the Sustainable Development Goals' initiative.

28. UNDP agrees with recommendation 5. As suggested by the evaluation, UNDP will continue to develop its distinctive offer on sovereign debt instruments aligned to the Goals. The links with broader UNDP work on public finance, including Goal-related budget coding and tracking, will be further strengthened as part of this offer. On linking national reporting systems to strengthened reporting systems for environment, social and governance (ESG) investments, UNDP understands the need to go beyond ESG reporting, which is already being challenged for its lack of robustness in connecting investment to impact. A stronger and integrated tool that focuses on practice and management is necessary to fully take advantage of the opportunities that ESG investment brings, while addressing concerns over 'greenwashing' and 'Sustainable Development Goal washing' by paving the way towards investment aligned to the Goals. UNDP will continue to support the uptake of the 'SDG Impact Standards' to pursue the results that the evaluation recommends. These have already been applied by Governments and finance institutions that have used the standards in their issuance of Goal-aligned bonds (e.g., the New Development Bank in China, and in Indonesia). UNDP will continue to bring the standards to bond issuers to strengthen the integrity of Goal-aligned bond markets and avoid 'washing', with special attention to advocating with clarity the unique role, characteristics and application of the standards as distinct to ESG reporting initiatives.

29. In this regard, it is necessary to register that the evaluation misunderstands the SDG Impact Standards and their relationship with ESG reporting. The standards go beyond ESG reporting in assuring that internal management and decision-making processes over investments are in line with the Sustainable Development Goals. In that regard, it should be noted that all the other "approaches to decision-making and management" that the report (finding 12) proclaims the standards appear to duplicate are not management-focused tools nor were they developed within the framework of the Goals. Rather, they are either high-level principles or reporting or disclosure standards.[21] The SDG Impact Standards are indeed the only standards in

[21] The International Organization for Standardization for instance, simply lists how its standards relate to each of the Goals. Except for the SDG Impact Standards, the tools listed by the Principles for Responsible Investment are about impact assessment, metrics and reporting. The United Nations Global Compact encompasses all aspect of corporate sustainability and does not focus on the Sustainable Development Goals, while the United Nations Environment Programme Finance Initiative focuses on principles for banks, insurers and investors. The World Business Council for Sustainable Development 'SDG Compass' is a guide for companies to align their strategies

the market that deal with ‘practice’ or ‘decision-making’ and that consider the interconnectedness among the Goals, which makes them the best alternative on which to build the “robust reporting systems” that the evaluation understands could “could increase demand for [Goal]-related bonds among investors” (recommendation 5). In other words, the SDG Impact Standards focus on management decision-making and how organizations integrate sustainability and trade-offs into decision-making to optimize their net impact. By focusing on process and how decisions are made, the SDG Impact Standards help to offset some of the shortcomings in “siloed tracking systems that report on the Goals”, which “can obscure and understate the long-run impacts”, as the evaluation rightfully registers (chapter 2). Lastly, by ensuring that the Goals are integrated through decision-making and not only considered as reporting requirements, UNDP is advocating for and demonstrating the achievability of SDG Impact Management across markets – supporting a graduation from ESG reporting and the risks it presents regarding ‘greenwashing’ and ‘Goal washing’.[22] Therefore, UNDP will continue to work with all actors in the market towards the adoption of the standards.

30. Management takes note of recommendation 6 and highlights that UNDP is developing a road map for bringing together finance from the public and private sectors and de-risking investment at the scale required to connect 500 million people to energy systems as set out in both the UNDP Strategic Plan and the UN-Energy Pledge.[23] The road map will be developed jointly with UN-Energy and other partners. This will build on the significant UNDP climate finance portfolio ($1.9 billion in 150 countries), particularly the Africa mini-grid programme. The road map will be defined and a proof of concept developed for the design of a new blended finance facility for energy access and green productive use of electricity. This facility will seek to provide the adequate de-risking financial mechanisms to drive investment at scale and contribute to closing the energy access gap.

31. Pursuant to recommendation 7, UNDP is seeking to play a stronger and more strategic advocacy role in influencing development finance policies through its engagement at a global level with multilateral agencies and intergovernmental forums. UNDP will continue to invest in the G20 finance track through the Sustainable Finance Working Group. UNDP advocated successfully for its establishment in 2021 and in its capacity as secretariat has already allocated global and country-level staff to support this work. UNDP will also increase its engagement with IFIs on the development of strategic finance policy including through its international finance institutions team and strategic policy engagement team. UNDP will continue to call on different units to advocate on finance policy globally, regionally and at country level. As already articulated in the response to recommendation 1, this will be further supported through the development of a road map towards the organization’s ‘moon shot’ to promote the investment of $1 trillion investment in the Sustainable Development Goals with a specific focus on: (a) advocacy and communications; (b) capacity development for UNDP country offices in line with a consolidated set of UNDP Goal-related finance services; and (c) tracking the UNDP contribution to financial alignment and the monitoring of financial leverage.

32. The annex details the UNDP response and the specific actions that UNDP will take in response to the recommendations and to strengthen its work on development financing and on the COVID-19 response.

with the Goals and in measuring and managing their contribution. Lastly, the Global Reporting Initiative tool aim at integrating the Goals into reporting.

[22] External reporting is an important part of the overall picture, yet alone it has not been helping to move towards the Goals (see data in the section in chapter 4 of the evaluation report on environment, social and governmental investing). Good management practice precedes good external reporting and should be a leading indicator of future performance, whereas external reporting is often backward looking. The SDG Impact Standards focus on the need to integrate sustainability into internal management systems focused on optimizing net-positive impact, which in turn will support better quality external reporting.

[23] United Nations, ‘Summary Of The Ministerial Thematic Forums For The High-Level Dialogue on Energy’, June 2021.

V. Taking forward Sustainable Development Goal finance in the context of the Strategic Plan, 2022-2025

33. In summary message 15, the evaluation acknowledges that the consolidation of the UNDP financing offer under the Sustainable Finance Hub has created an enabling platform for improved coordination. Similarly, the report (in the executive summary) recognizes that the hub is positioned as a critical platform for delivering UNDP commitments on development financing (finding 7). The report also states that UNDP would benefit from a strategic road map for development finance (recommendation 1) that should identify the distinctive approaches and added value of UNDP, and set clear priorities backed by resource allocations. Built to underpin the Strategic Plan, such a road map could address many of the problems identified by the evaluation.

34. As recognized in the evaluation, since the creation of the Sustainable Finance Hub (in 2019), UNDP has achieved great progress in its work regarding Sustainable Development Goal financing. As a result, the current Strategic Plan identifies development financing as one of three enabling capacities and approaches that can scale up development impact (along with strategic innovation and digitalization). As the plan also articulates a ‘moon shot’ for promoting public and private investments in the Goals, UNDP has begun to develop a road map for this endeavour, as detailed in the previous section.

35. UNDP is working with partners in and outside the United Nations system to put in place the competencies and capacities to promote the investment of $1 trillion in the Goals by 2025, drawn from public and private finance. This scale of ambition is critical to accelerate progress in the decade of action.

36. UNDP will use its partnerships to bring together a broad constituency committed to integrating the Goals into the heart of financial decision-making. Working across civil society, government and the private sector, UNDP will ensure that the values and spirit of the 2030 Agenda and the targets for each Goal inform financial decision-making. UNDP will bring a particular focus on aligning finance towards gender equality as a critical enabler to achievement of the Goals. UNDP will deepen engagement with critical international policy process and with key partners to ensure that the Goals are integrated into the heart of reforms of the global financial system. UNDP will leverage partnerships to strengthen the integration of sustainability across the finance ecosystem (including with central and commercial banks, big business, stock exchanges, insurance, ministries of finance, regulators, etc.) to build consensus on a common framework for financial decision-making aligned with the Goals. UNDP will ensure the experiences of countries and the perspectives of marginalized communities are represented in international process, and vice versa, reinforcing policy implementation at regional and country levels.

37. UNDP will support the application of a coherent set of SDG Impact methodologies both to capital markets and to public finance and domestic revenue mobilization. Alongside building a broad constituency committed to the Goals as part of financial decision-making, UNDP will invest in tools and services that support implementation. For example, UNDP support to the roll-out of Goal-oriented sovereign debt instruments will go hand in hand with the support for a coherent approach to relevant standards for the management of private equity funds, pension funds, enterprises and bonds. Pioneering work to integrate the Goals into budgetary and taxation frameworks at the country level will also inform harmonized international guidance and technical support with partners. Developing a common taxonomy for measuring Goal-aligned investment will enable both public and private accounting for impacts, ultimately seeing a shift from a focus on intent to a focus on monitorable impact.

38. UNDP will continue to develop finance platforms at the country level to coalesce partners and work with Governments to develop and improve INFFs. Building on its credibility with the private sector and long-standing partnership with Governments, UNDP will broker stronger

collaboration across public and private sector actors and work on the finance ecosystem at country level. UNDP will work with the public and private sectors to embed innovations related to policy, instruments and capacities within country-led financing strategies, drawing from the experience and instruments of critical national and international partners.

39. UNDP is well placed not only to bring the Goals to the finance sector, but to bring finance to the Goals. Building on decades in assisting countries with accessing vertical funds and recent work on promoting impact investment, UNDP will work with countries to develop investment pipelines for public and private financing aligned to the Goals, working closely with partners such as the United Nations Capital Development Fund. UNDP work with Governments to articulate public investment priorities to accelerate achievement of the Goals will be complemented by broader, deeper engagement with the private sector to develop related investment opportunities, including scaling up the investor mapping approach and developing a global investment opportunities platform. Digital technologies will unlock new sources of finance (e.g., crowdfunding, matchmaking and democratizing investment). There will be a specific focus on developing investment pipelines in the most challenging development contexts (e.g., crisis contexts, low-income countries and small island developing States).

40. Changes within UNDP will be necessary if the organization is to be able to respond to the many challenges identified in the Strategic Plan, 2022-2025 and the specific challenges to development financing registered by the evaluation.[24] In particular, UNDP needs to build competencies, strengthen capacity to go to scale, be catalytic, serve its clients and continue to be unashamedly country-focused.

41. Lastly, as UNDP takes this agenda forward, it will need to tailor its approach to context, both at the country level and in relation to unexpected changes at the global level. The pandemic has proven the criticality of flexibility to adjust and tailor approaches to context.

[24] Such as the unprecedented reversals in human development triggered by the pandemic, a rapidly changing environment and the complexity of the financing sector.

Key recommendations and the management response

Recommendation 1. The UNDP Strategic Plan ‘moon shot’ to align over $1 trillion of public expenditure and private capital with the Sustainable Development Goals requires a clearly articulated strategic road map.

Management response:
UNDP accepts this recommendation and acknowledges the need for a clearly articulated road map for the achievement of the $1 trillion ‘moon shot’. UNDP will take this forward in the context of operationalizing development finance as an ‘enabler’ in the implementation of the Strategic Plan, 2022-2025. The moon shot is articulated as a common goal to be achieved in partnership with Governments, the private sector, the IFIs and other United Nations partners. UNDP has already begun to develop a road map for this endeavour with a twin-track approach, working with partners to: (a) leverage additional finance for the Goals; and (b) realign existing resources with the Goals. While financial leverage will be achieved through work on domestic resource mobilization, debt instruments and blended finance approaches, financial alignment will be taken forward through policy and institutional reforms including uptake by the private sector of the Goals’ standards and taxonomies and by Governments of budgetary classifications aligned to the Goals. The road map will be framed by further consolidation of existing UNDP finance offers and tools (which is in line with recommendation 2); a focus on strengthening capacities with a particular focus on UNDP country offices (also in line with recommendation 2); the development of clearer messaging to communicate the approach to the ‘moon shot’ for internal and external audiences; and a system for monitoring progress in the contribution of UNDP and other actors to the ‘moon shot’. The Sustainable Finance Hub will enable the development of the road map working across all UNDP bureaux with a focus on country offices.

Key action(s)	Time frame	Responsible unit(s)	Tracking*	
			Comments	Status
1.1. Develop and initiate implementation of a development finance strategic road map including: (a) a capacity development programme for UNDP country offices in line with a consolidated set of UNDP finance services related to the Goals; (b) communications and advocacy for external and internal audiences; and (c) a system for tracking the contributions of UNDP and other actors to the ‘moon shot’.	Developed and initiated by July 2022	Bureau for Policy and Programme Support; Bureau of External Relations and Advocacy; regional bureaux; Bureau for Management Services/Office of Human Resources		

Recommendation 2. As UNDP develops a more strategic approach to its Sustainable Development Goal financing work, it should also consolidate its many offers and tools to offer greater clarity and bolster staffing in strategic technical areas, breaking from project-aligned human resources and constraints, to resources aligned with demand and need.

Management response:
UNDP fully accepts this recommendation. UNDP notes that the work is already under way to extract services and tools from diverse projects and programmes and to consolidate them into a set of corporate-wide offers. This work will frame the road map as articulated in relation to recommendation 1 and should result in a clearer, even more effective and integrated portfolio. It should be noted that UNDP understands that periodically reviewing its Sustainable Development Goal financing portfolio is key

to keep its offer relevant in a complex and rapidly changing international context and that UNDP already intends to increase and improve its capacity to respond to arising opportunities and challenges. It should be noted that the emphasis in recommendation 2 on breaking away from project-aligned resource frameworks can only be taken forward as part of the larger corporate challenge of appropriate balance of regular (core) resources and other (non-core) resources funding that UNDP is already raising in dialogues with Member States.				
2.1. See action 1.1.	See action 1.1	See action 1.1		
Recommendation 3. The integrated national financing framework approach should be further clarified to ensure that it can be embedded within government systems as an investment platform and not be seen solely as a budgeting exercise. The process should integrate and prioritize budget tagging and support for sovereign bond issuance, and strengthen equity in public finance.				
Management response: UNDP accepts this recommendation and notes with appreciation the evaluation’s acknowledgement of the key role of UNDP in the support and roll-out of the integrated national financing framework (finding 8). Because of its quality work on the frameworks, over the course of the pandemic, UNDP has faced a significant increase in demand for support from Governments wishing to establish these frameworks to mobilize and align all sources of finance – public and private; international and domestic – with their sustainable development strategies and recovery plans. On the basis now of more than 70 Governments developing the integrated frameworks, UNDP will work with DESA and the Inter-Agency Task Force on Financing for Development (including several United Nations agencies and IFIs) to strengthen existing guidance for developing the frameworks. As for the second part of the recommendation, UNDP will continue to work with partners to provide Governments with different options to consider for the prioritization of specific finance instruments, whether public or private. These will be government-determined and context-specific and include sovereign bond issuance and budget tagging, but not exclusively. UNDP will also work with partners to provide Governments with policy options for financing, for example in respect to the equity and leave no one behind agendas. However, national development priorities are ultimately for Governments to articulate in their national development plans. To ensure that methodological guidance is strengthened and options for different finance instruments and policy approaches are available, UNDP will launch a facility, together with DESA, the European Union, the OECD and the Governments of Italy and Sweden, to put in place technical and financial resources that countries can request. Lastly, on the suggestions (recommendation 3) that the framework should be strongly linked to other development finance approaches to ensure that synergies are captured, UNDP is already supporting countries that have prioritized financing of nationally determined contributions within their frameworks (climate change or energy is a priority in two thirds of the financing strategies supported through the process), and will draw from this experience through the new facility to work with DESA and other partners to develop guidance on mainstreaming climate within integrated national financing frameworks.				
3.1. Launch an integrated national financing framework facility (with DESA, the European Union, the OECD and the Governments of Italy and Sweden) to put in place technical and financial resources that countries can request to take forward country-led frameworks including options for financing policy priorities (such as climate, equity and leave no one behind) and options for financing instrument such as bonds and budget tagging.	April 2022	Bureau for Policy and Programme Support		

Recommendation 4. UNDP should broaden its ambition on domestic resource mobilization. This should include a strengthened offer on taxation, considering advocacy and support for progressive taxation and targeted taxation support focusing on specific sectors where high-impact gains can be achieved.				
Management response: UNDP fully accepts this recommendation. Its work with the OECD on Tax Inspectors Without Borders has already contributed to the mobilization of additional tax revenues in excess of $1.5 billion. The results achieved so far show that the impact of this work could go to further scale, as the evaluation registers with finding 11. UNDP is already implementing actions to broaden its ambition on domestic resource mobilization, including through a strengthened offer on taxation, as well as looking at issues of equity and environmental sustainability by means of a new 'Tax for the Goals' initiative. UNDP will launch an expanded 'Tax for the Goals' initiative in 2022 as part of a consolidated portfolio, taking on board the recommendations of the evaluation, and with financial support from the Governments of Finland and Norway, among other potential donors. The programme will include support for Governments in using taxation as both a tool for revenue collection as well as a policy tool to direct behaviour towards desired outcomes related to e.g., climate, culture and society, as well as to encourage new and more sustainable growth strategies.				
4.1. Officially launch the new 'Tax for the Goals' initiative, building a strengthened UNDP offer on taxation.	By June 2022	Bureau for Policy and Programme Support		
Recommendation 5. UNDP should build on its initial experience in support to sovereign bond issuance and develop a distinctive offer on sovereign bond financing related to the Sustainable Development Goals, linking national reporting systems to strengthened reporting systems for environmental, social and governance investments.				
Management response: UNDP fully accepts recommendation 5. As suggested by the evaluation, UNDP will continue to develop its distinctive offer on sovereign debt instruments aligned to the Sustainable Development Goals. The links with UNDP broader work on public finance, including Goal-aligned budget coding and tracking, will be further strengthened as part of this offer. On linking national reporting systems to strengthened ESG reporting systems, UNDP understands the need to go beyond ESG reporting, which is already being challenged for its lack of robustness in connecting investment to impact. A stronger and integrated tool that focuses on practice and management is necessary to fully take advantage of the opportunities that ESG investment brings, while addressing concerns over 'greenwashing' and 'Goal washing" by paving the way towards SDG-aligned investment. UNDP understands that the SDG Impact Standards can yield the recommended results, given the success of previous experiences with Governments and finance institutions that used the standards in their issuance of Goal-aligned bonds. Therefore, UNDP will continue to bring SDG Impact Management Standards to bonds issuers to strengthen the integrity of the Goal- aligned bond markets and avoid 'washing', with special attention to advocating with clarity the unique role, characteristics and application of the standards as distinct to ESG reporting initiatives. In this regard, management registers that the evaluation misunderstands the SDG Impact Standards and their relationship with ESG reporting. The standards go beyond ESG reporting in assuring that internal management and decision-making processes over investments are in line with the Goals. Those approaches that the standards appear to duplicate (finding 12) are not management-focused tools nor were they developed within the framework of the Goals. As the SDG Impact Standards are the only standards in the market that deal with 'practice' or 'decision-making' and consider the interconnectedness among the SDGs, they are the best alternative on which to build the robust reporting systems that could increase demand for Goal-related bonds among investors (recommendation 5). By focusing on process and how decisions are made, the SDG Impact Standards help to offset some of the shortcomings in siloed tracking systems that report on the Goals and can obscure and understate the long-run impacts (chapter 2). Lastly, with the Goals integrated through decision-making and not only considered as reporting requirements, UNDP is advocating for and demonstrating the achievability				

<table>
<tr><td colspan="5">of SDG Impact Management across markets, supporting a graduation from ESG reporting and the risks it presents regarding ‘greenwashing’ and ‘Goal washing’. Therefore, UNDP will continue to work with all actors in the market towards the adoption of the standards.</td></tr>
<tr><td>5.1. Review and strengthen the UNDP offer on Sustainable Development Goal-related sovereign bond financing including linkages to the broader public finance support of UNDP including budget tagging and the SDG Impact Standards.</td><td>September 2022</td><td>Bureau for Policy and Programme Support</td><td></td><td></td></tr>
<tr><td colspan="5">Recommendation 6. UNDP needs to build a climate finance offer around its considerable experience in delivering projects that de-risk and crowd-in climate investment. The aim to support access to clean energy for 500 million people will require a specific finance mobilization strategy to ensure that UNDP can deliver and leverage finance from other actors. Climate budget tagging work should be developed further and support for nationally determined contributions should be more integrated into the UNDP Sustainable Development Goal finance offer.</td></tr>
<tr><td colspan="5">Management response:
UNDP fully accepts recommendation 6 and highlights that it is already developing a road map to bring together finance from the public and private sectors and to de-risk investment at the scale required to connecting 500 million people to energy systems, as set out in the UNDP Strategic Plan, 2022-2025 and the UN-Energy Pledge. The road map will be developed jointly with UN-Energy and other partners and build on the significant UNDP climate finance portfolio ($1.9 billion in 150 countries) and in particularly the Africa mini-grid programme. The road map will be defined and a proof of concept developed for the design of a new blended finance facility for energy access and green productive use of electricity. This facility will seek to provide the adequate de-risking of financial mechanisms to drive investment at scale and contribute to closing the energy access gap.</td></tr>
<tr><td>6.1. Develop a road map, under the newly established Sustainable Energy Hub, to bring together finance across public and private sectors and de-risk investment at the scale required to connect 500 million people to energy systems.</td><td>October 2022</td><td>Bureau for Policy and Programme Support</td><td></td><td></td></tr>
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Recommendation 7. UNDP should seek to play a stronger and more strategic advocacy role in influencing development finance policies through its engagement at global level with multilateral agencies and intergovernmental forums, and at national level through engagement with Governments. .				
Management response: UNDP welcomes this recommendation. UNDP is seeking to play a stronger and more strategic advocacy role in influencing development finance policies through its engagement at a global level with multilateral agencies and intergovernmental forums. As UNDP develops a road map for promoting $1 trillion investment in the Sustainable Development Goals as part of operationalizing the new Strategic Plan, UNDP will consult with and develop communications for different audiences, including those articulated in recommendation 7. This will include a continuation of investment in the G20 finance track through the Sustainable Finance Working Group, as well as engagement with IFIs on strategic development finance policy areas (particularly the international finance institutions team and strategic policy engagement team). UNDP will continue to work across different regional bureaux and units to advocate on Goal-related finance policy globally, regionally and at country level. Lastly, it must be registered that any ‘big wins’ to be set by UNDP must be clearly linked to the areas of the Strategic Plan and be country demand-driven. Notwithstanding the key advocacy role UNDP is playing, issues related to domestic resource mobilization, allocation of special drawing rights and lending practices of multilateral development banks, these are deeper political issues that require collective action by Member States, the IFIs, their governing boards, shareholders and other interest groups.				
7.1. See action 1.1	See action 1.1	See action 1.1		