

Background Note

Mobilizing Capital for SDG Country Plans: VNRs as SDG Investment Roadmaps

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**Action Platform on
Financial Innovation for the SDGs**

United Nations Global Compact
Principles for Responsible Investment
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Introduction

This background note was prepared by the UN Global Compact Action Platform on Financial Innovation for the SDGs, the Principles for Responsible Investment, and UNEP Finance Initiative. It is part of a consultation with the financial community on how to enhance the interactions between governments and investors with the aim of mobilizing capital for SDG country plans. We believe the Voluntary National Reviews (VNRs) could be leveraged as a starting point for this dialogue, creating SDG investment roadmaps for the private sector, and focusing on the unique opportunities, needs and challenges of each country.

The note is created as background material for the meeting on 18 July, ***SDG Country Plans: A Roadmap for Private Investment***, which will be held during the UN High-Level Political Forum (HLPF).

What are VNRs

The 2030 Agenda for Sustainable Development, which encompasses the 17 SDGs, encourages Member States to "conduct regular and inclusive reviews of progress at the national and sub-national levels, which are country-led and country-driven" (paragraph 79). These national reviews serve as a basis for voluntary and state-led reviews by the high-level political forum (HLPF).

"The voluntary national reviews (VNRs) aim to facilitate the sharing of experiences, including successes, challenges and lessons learned, with a view to accelerating the implementation of the 2030 Agenda. The VNRs also seek to strengthen policies and institutions of governments and to mobilize multi-stakeholder support and partnerships for the implementation of the Sustainable Development Goals."

Leveraging VNRs as Investment Roadmaps

At a broad level, governments can leverage their VNRs and related SDG country plans as investment roadmaps, to give investors a better sense of their strategic priorities for implementing the SDGs and provide guidance where funding would be most impactful from the private sector.

These roadmaps could play a critical role in directing private capital by highlighting private sector solutions that are supported by the government through policies, incentives and market infrastructure (including efforts to improve transparency and liquidity). They can also feature government programmes or projects at the national, regional or municipal levels that can be financed on the capital markets.

Together, this would create a pipeline of investment opportunities for institutional investors who are increasingly looking for SDG-themed investments with adequate risk-return profiles to fulfill their fiduciary duties. Private-sector contribution and public programmes for the SDG could be financed through corporate, municipal and sovereign bonds, leveraging the largest asset class in the capital markets and building on recent innovation in the market such as ICMA's Sustainability Bond Guidelines and the Action Platform's upcoming Blueprint for SDG Bonds.¹

¹ The Blueprint for SDG Bond will be released on September 24, 2018 during the UN General Assembly. It is a joint publication of the by the Global Compact Action Platform on Financial Innovation for the SDGs and the Principles of Responsible Investment.

The purpose of this background note is to explore how the process of voluntary national reviews and resulting data can be leveraged to improve communications with investors on and provide clear signals to the capital markets on the greatest needs and opportunities for SDG investments at the country-level. Tactically, this could take the form of an additional section or an appendix in the VNRs or a separate document that is referenced in the VNR. In other words, it would not have to impact the integrity of the current format and content of VNRs.

Best Practice and Recommendation based on current VNRs

Based on an analysis of a sample of VNRs from developing countries², we highlight some best practices and recommendations on how these and related documents could be made more useful to investors.

Governments, investors and issue experts are encouraged to build upon these initial suggestions and provide further feedback on how VNRs could be augmented to provide relevant information to the investment community. Furthermore, ideas for additional communication mechanisms between investors and governments should be considered, as well as the role of the UN and other Civil Society Organizations in helping to facilitate these connections.

The following are the areas we initially identify as being useful particularly to investors:

- (1) Priority SDGs and Key Challenges
- (2) SDG Gap Analysis and Impact Indicators
- (3) Existing and Planned Sources of Finance
- (4) Enabling Environment for Private Sector Investment

1. Priority SDGs and Key Challenges

VNRs provide an opportunity for countries to communicate which SDGs they have identified as most relevant for their country, as well as how these targets were identified and where key challenges remain. Providing this information would help give investors a sense of the areas for potential investment.

A number of VNRs already indicate how the SDGs are translated in the country's own national development plan. This information can be helpful to investors if it describes how the country is integrating the SDGs in its national strategy and the areas that it will prioritize in terms of (1) government programmes that can be supported through sovereign and municipal bonds, and (2) incentives and other enabling measures to encourage private sector investments or public-private partnership that contribute to the SDGs. It could also be useful to show a direct link with the country's Nationally Determined Contribution (NDCs) to the Paris Agreement and other related national or regional plans.

As an example, the Ministry of Finance and Economic Development in Sierra Leone published a simplified version of the SDGs (2013-2018), illustrating the linkage between the 17 SDGs and the eight pillars of the country's existing national development plan in its 2016 VNR. Similarly, Nigeria and Kenya have linked their national development plan with the SDGs in their most recent VNRs (see Figure 1 and 2).

² VNRs of Nigeria, Brazil, Kenya, Indonesia, Sierra Leone, Maldives, Thailand, Jordan, Malaysia and Bangladesh can be found [here](#).

Figure 1. Alignment with National Development Plans

TABLE 3.2: *NERGP strategic objectives and linkages with the 17 SDGs*

NERGP Strategic Objectives	Integrated SDGs
Restoring Growth	Goal 1: No Poverty Goal 2: Zero Hunger, Goal 8: Decent Work and Economic Growth Goal 12: Responsible Consumption and Production Goal 13: Climate Action Goal 14: Life Below Water Goal 15: Life on Land Goal 16: Peace and Justice, Strong Institutions Goal 17: Partnership for all Goals
Investing in our People <ul style="list-style-type: none"> • Social Inclusion • Job Creation • Improved human capital 	Goal 3: Good Health and Well-Being Goal 4: Quality Education Goal 5: Gender Equality Goal 9: Industry, Innovation, and Infrastructure Goal 10: Reduced Inequality
Building globally competitive economy <ul style="list-style-type: none"> • Investment in Infrastructure • Improving the business environment 	Goal 6: Clean water and sanitation Goal 7: Affordable and clean energy Goal 8: Decent work and Economic growth Goal 9: Industry, Innovation and Infrastructure Goal 11: Sustainable Cities and Communities Goal 14: Life Below Water Goal 17: Partnership for all Goals
Building strong governance institutions	Goal 16: Peace and Justice; Strong Institutions Goal 17: Partnership for all Goals
Driving performance and results through vigorous Delivery Unit	Goal 8: Decent work and Economic Growth Goal 16: Peace and Justice; Strong Institutions Goal 17: Partnership for all Goals

Source: Nigeria's Economic Recovery and Growth Plan

Figure 2. Annex I: SDG Indicator Framework for Kenya

Goal	Goal 1	Goal 2	Goal 3	Goal 4	Goal 5	Goal 6	Goal 7	Goal 8	Goal 9	Goal 10	Goal 11	Goal 12	Goal 13	Goal 14	Goal 15	Goal 16	Goal 17
No. of Indicators	8	6	16	10	15	5	4	12	7	7	7	2	4	5	8	14	12
Identified Indicators	1.2.1	2.1.1	3.1.1	4.1.1	5.1.1	6.1.1	7.1.1	8.1.1	9.1.1	10.1.1	11.1.1	12.4.1	13.1.1	14.4.1	15.1.1	16.1.1	17.1.1
	1.2.2	2.1.2	3.1.2	4.2.1	5.2.1	6.2.1	7.1.2	8.2.1	9.1.2	10.2.1	11.4.1	12.4.2	13.1.2	14.5.1	15.1.2	16.1.2	17.1.2
	1.3.1	2.2.1	3.2.1	4.2.2	5.2.2	6.2.1	7.2.1	8.3.1	9.2.1	10.4.1	11.5.1		13.1.3	14.4.1	15.3.1	16.1.4	17.3.1
	1.3.1	2.2.2	3.2.2	4.3.1	5.3.1		7.3.1	8.5.1	9.2.2	10.6.1	11.6.1		13.2.1		15.4.1	16.2.1	17.3.2
	1.3.3	2.3.1	3.3.1	4.3.2	5.3.2			8.5.2	9.5.1	10.4.1	11.4.1				15.7.1	16.2.3	17.4.1
	1.3.4	2.3.2	3.3.2	4.3.1	5.4.1			8.6.1	9.5.2	10.6.1	11.6.1				15.4.1	16.3.1	17.6.2
	1.4.1		3.5.3	4.6.1	5.5.1			8.7.1	9.6.1	10.6.1	11.6.2				15.6.1	16.3.2	17.8.1
	1.4.2		3.5.4	4.6.1	5.5.2			8.8.2							15.6.1	16.4.2	17.11.1
			3.6.1	4.6.1	5.6.1			8.9.1								16.5.1	17.12.1
			3.7.1	4.6.1	5.6.2			8.9.2								16.6.1	17.18.2
			3.7.2		5.6.2			8.10.1								16.8.1	17.18.3
			3.8.2		5.6.1			8.10.2								16.9.1	17.19.2
			3.9.2		5.6.1											16.10.2	
			3.9.1													16.10.1	
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Identifying countries' main challenges in meeting these goals can also be useful. It would provide investors with an understanding of how the SDG agenda translates to the local economic, social and environmental context of the country and enable a *macro-level gap analysis* to identify the areas with the most potential impact.

In Kenya's VNR it includes a section highlighting key challenges under the write-up of each priority SDG segment. In Nigeria's VNR it includes a summary on macro challenges for achieving the SDGs (see figures 3 for an example from Nigeria's VNR).

Figure 3. SDG Implementation Challenges - Nigeria

1.3 Main Challenges

There are at least three major challenges as summarised hereunder:

- Over-reliance on the oil and gas sector; dwindling agricultural production and productivity as well as limited value addition in the agricultural sector:** In order to grow the economy, create jobs, address poverty and ensure food security much more than oil and gas is evidently required. The dwindling agricultural productivity is mainly due to the negative impacts of climate change; desertification; natural and man-made disasters; unresponsive /land tenure as well as the general low utilization of mechanized farming.
- Infrastructural Deficits and Technological gaps:** A major challenge to the SDGs attainment is the infrastructural deficit and technology gaps which hinder service provision and application of science, technology and innovations in many spheres of life.
- Economic Recession and Humanitarian crisis:** Economic recession in the country due to fluctuating oil price in the international market and the humanitarian crisis in the North East of the country all present unique challenges that are detrimental to the achievement of the SDGs.

2. SDG Gap Analysis and Impact Indicators

A review of the VNRs highlights the centrality of data. Assessing the impact companies, projects or initiatives could have towards the SDGs requires an understanding of the severity or extent of the issue at hand. In the context of the SDGs, therefore, it would be useful to have a baseline measurement of the current state of implementation of the SDGs.

Ideally, if this gap analysis should be disclosed on a regular basis through the VNRs, it would help investors to (1) determine the areas with the most potential impact and (2) monitor progress on the issue at a macro level.

Furthermore, SDG indicators as they stand are not always directly transposable for use at the microeconomic and private-sector level. Yet indicators are central to the private sector's ability to act on the SDGs, as a way to identify, monitor and internalise impacts. Governments could play an important role in defining baselines appropriate to different geographic locations and sources such as UNEP FI's Positive Impact Initiative could help in clarifying and contextualising impact categories and indicators.

Another key factor in mobilizing the private sector is to encourage governments and other public authorities to go further in requesting the attainment of specific impacts (i.e. needs) in their tendering processes. While social impact bonds pave the way for this, there is scope to go further. VNRs can become a helpful starting point to co-construct impact-based programmes and investment plans. The idea is to identify and favour solutions that combine revenue and non revenue generating impacts and/or to crowd-in private investors by identifying up-stream and down-stream business opportunities.

Nigeria's VNR provides a good example by showing the 2015 baseline for the indicators under each SDG that it addresses (see Figure 4. below). Malaysia's 2017 VNR includes a chart for each priority SDGs providing key stats to go along with qualitative write-up (see figure 5 as an example).

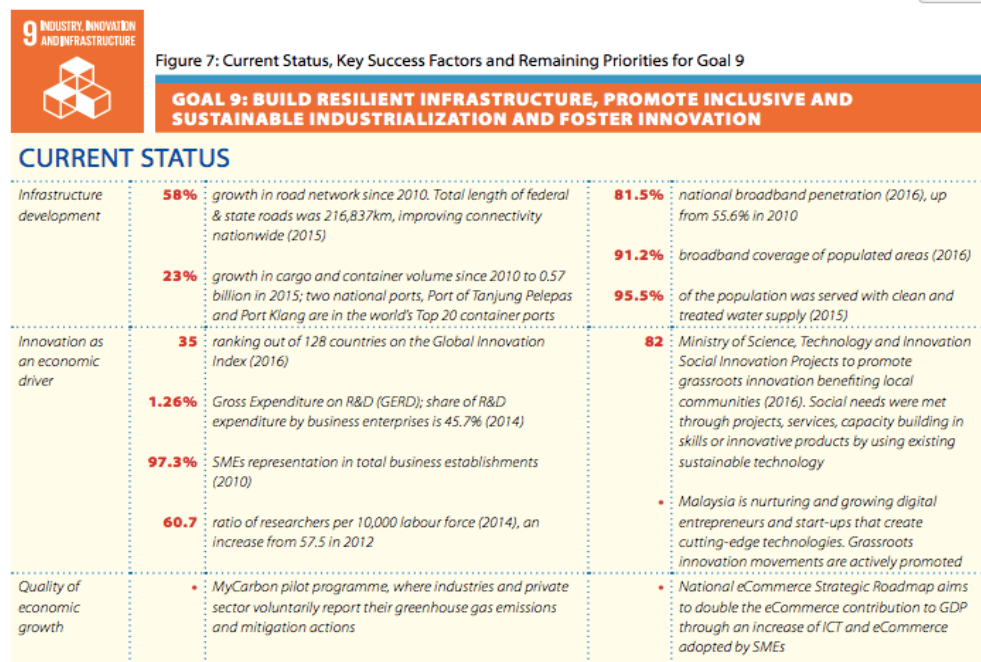
Figure 4. Baseline and Country-level Target - Nigeria

TABLE 3.4.2: *Goal 2 Indicators and Projected Targets*

Indicator	Baseline 2015 (%)	Derived ERGP Target 2020 (%)	SDG 2030 Target
Prevalence of undernourishment	25.5	17	0
Prevalence of moderate or severe food insecurity in the population, based on the Food Insecurity Experience Scale (FIES).	26.4	17.6	0
Prevalence of stunting (height for age <-2 standard deviation from the median of the World Health Organization (WHO) Child Growth Standards) among children under 5 years of age	37.4	18.7	0
Prevalence of malnutrition (weight for height >+2 or <-2 standard deviation from the median of the WHO Child Growth Standards) among children under 5, disaggregated by type (wasting and overweight).	16.4	10.9	0
Volume of production per labour unit by classes of farming/ pastoral/forestry enterprise size.	-	33.3	100
Percentage of agricultural area under sustainable agricultural practices.	56.6	71.1	100

Source: MDGs Survey 2015

Figure 4. Current Status on Key Indicators- Malaysia



3. Existing and Planned Sources of Finance

While most VNRs reviewed acknowledge that private sector financing will be important for achieving the SDGs, very few provide estimates of the funding gap. Building on this, governments could be encouraged to include an overview of the current sources of finance available to finance implementation of the SDGs and highlight gaps. When this is linked to the national budget it can also help provide context for how the government is addressing and prioritising these needs, and where private sector investments may be needed independently or through Public Private Partnerships (PPPs).

A number of governments provide elements of their current and future financing sources to finance the SDGs, as highlighted in the examples below. However, a comprehensive review on *where private-sector SDG investments would be most additive* would be extremely useful.

For example, the 2017 Bangladesh VNR contains a section on finance that summarizes the situation with respect to domestic resource mobilization (tax revenue), receipts from official development assistance (ODA), foreign direct investment (FDI), and remittances.

In another example, Maldives' 2017 VNR provides that the management of waste poses as a significant challenge in terms of protecting human health and the environment and that through its National Waste Management Policy it is working towards "institutionalising appropriate, environmentally sound and commercially viable and sustainable models for waste management in the country". It goes on to highlight that it plans to engage the private sector in this area of work. Similarly, Brazil's VNRs notes that investments in infrastructure will be an important growth factor and the Brazilian government is working on an agenda of regulatory changes, which will be essential to re-attract investors for long-maturing projects and therefore should be considered a priority for the growth of the country's economy and development.

Jordan's VNR provides that its National Plan for Green Growth (2017-2025) was created as a roadmap to encourage the public and private sector to invest in priority areas like: energy, water, transport, agriculture, tourism, and waste management, for the benefit of local communities through providing jobs and reducing unemployment. Further, it provides that under this Framework, 23 projects for partnership with the private sector have been identified across various development sectors at a cost of approximately USD 14 billion, to be further diversified and increased in the years to come.

4. Enabling Environment for Private Sector Investment

Some of the VNRs reviewed address plans to improve the country's public policies to create a more enabling environment for attracting private finance toward the SDGs. These disclosures are relevant for investors to understand improvements in the political, economic and fiscal conditions of the country and potentially lower country-specific investment risks and improve the investment climate. Disclosures can include voluntary efforts underway, such as those taken by the private sector in their country to further advance the SDGs. Additionally, an upcoming report of the Sustainable Stock Exchange initiative on Best Practices for Securities Regulators suggests a number of key areas of action securities regulators could take to help advance the SDGs in their country.³ Countries could report in their VNRs on current or planned actions in these key policy areas, as well specific actions focused on the banking and insurance sector.

Two examples such disclosures can be found in Brazil's 2017 VNR. First, the VNR notes:

"Brazilian National Congress has been dedicating efforts to assist in the adoption of the SDGs in Brazil, and, in December 2016, created the Joint Parliamentary Front to Support the UN Sustainable Development Goals. This nonpartisan action brings together more than 200 house representatives and senators, equivalent to a third of the parliamentarians, and was structured to address the demands arising from this theme. Among other objectives, the Front aims to maintain and consolidate joint action in favor of SDGs focused policies, foster the regulation and discussion of laws to encourage sustainable development."

It also describes how the private sector is working to address the SDGs, such as through encouraging companies to join the UN Global Compact's Brazil's Local Network and producing resources such as the "Guide for Implementation of SDGs by Companies" and the study "Integrating Sustainable Development Goals into the Business Strategy".

Thailand's 2017 VNR discusses policies to improve ESG integration through a recommendation in its Corporate Governance codes that publicly listed companies disclose relevant ESG information. Malaysia's 2017 VNR also notes its stock exchange's mandatory requirement for its listed companies to report on their sustainability activities.

The Indonesian VNR highlights challenges around financing the SDGs and identifies ways to address those issues, such as through (1) measures to simplify investment procedures to attract foreign investment; (2) implement effective public-private partnership (PPP); and (3) utilize new financing schemes, such as non-

³ The Seven areas are: Strengthening corporate ESG disclosures; Clarifying investor duties to explicitly consider sustainability and long-term issues in decision-making; Strengthening sustainability governance; Promoting global ESG standards and frameworks; Building market capacity and expertise on sustainability; and Addressing the negative impacts of short-termism in the financial system.

annual state budget investment financing, Infrastructure Financing Insurance Corporation and issuance of infrastructure bonds.