

## ANNEX IV

### US\$ 1 TRILLION MOONSHOT

#### What is the difference between leverage and alignment?

There are two strategies to reach the finance moonshot: through alignment of financial resources and leverage.

#### Moonshot Measurement Terminology

**Align** = generating enhanced impacts from existing sources of public and private finance for the SDGs.

**Leverage** = generating new resources from public or private entities that are invested in the SDGs.

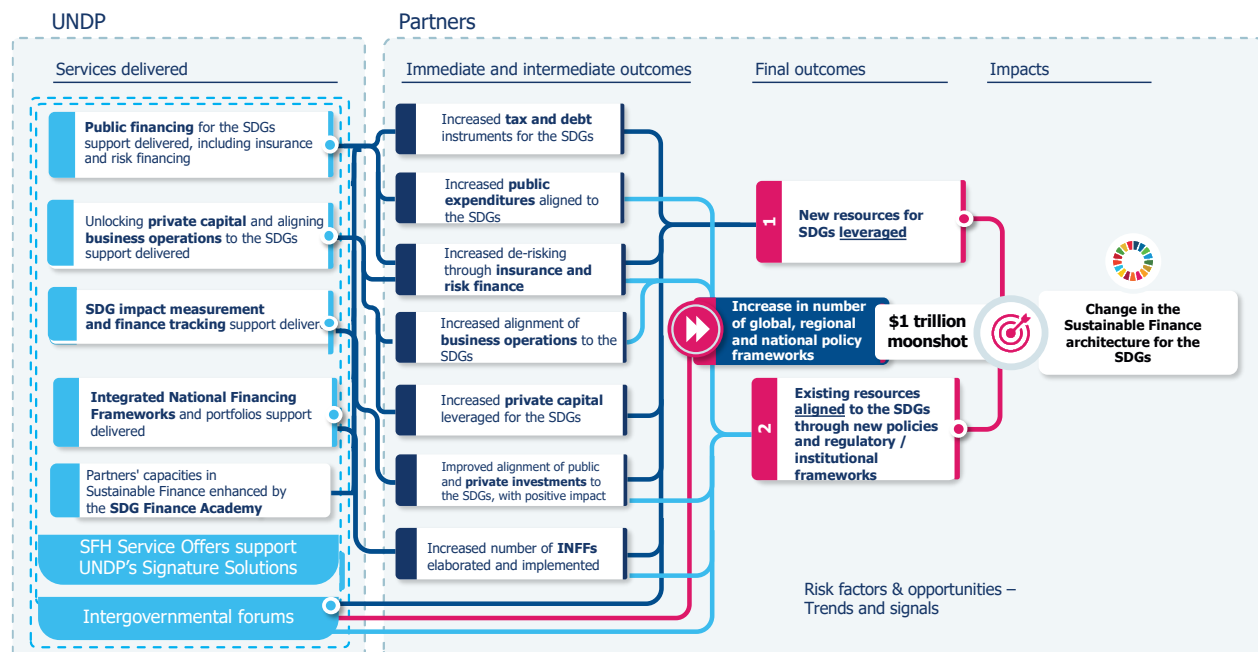
It is critical we take forward progress on both leverage and alignment – developing countries need additional resources but also need to better align existing investments. Our achievements cannot not credible with progress only on one of the two tracks.

Achieving the moonshot involves different measures of accountability for leverage and alignment.

- Contribute to partners in promoting their alignment of investment.
- Determine or assess the attribution of a particular role for UNDP in supporting leverage.

#### What is the Theory of Change?

The roadmap is an agile strategy that defines the desired CO moonshot and includes the major steps and milestones in terms of alignment and leverage needed to reach the moonshot. The theory of change starts with UNDP's outputs and how they contribute to UNDP and partners outcomes.



## ELABORATING A COUNTRY LEVEL MOONSHOT

### How to set up a realistic sustainable finance moonshot at CO level?

For all COs:

- 1) **Review your CO portfolio (including all signature solutions, vertical funds...), identify engagements with partners** described earlier, e.g. the government, the private sector, or the IFIs with potential to leverage and align resources for the SDGs.
- 2) **Build the moonshot from current programming activities**, including indication of strategies to be used and corresponding anticipated estimates of amounts leveraged and aligned.
- 3) **Use the US\$1 trillion moonshot to promote sustainable finance engagements with partners** across Ministries of Finance and the private sector (Central Banks, stock exchanges, commercial banks, investments funds and enterprises).
- 4) **Discuss with your partners** the existing and potential engagements for leverage and alignment.
- 5) **Identify opportunities to strengthen and scale up.**

In addition, for COs that are in the process of defining a new CPD during the Strategic Plan 2022-2025, indicate in the new CPD:

- How the CO is going to contribute to the Moonshot by alignment and leverage.
- How much is it planning to contribute for every year of the CPD.

COs may also wish to build such moonshot ambitions into their project and programme development where appropriate.

### How to define a moonshot at CO level?

Elaboration of the moonshot results framework includes the following steps:

1. **Identify the policies, regulatory frameworks, and institutional frameworks** related to sustainable finance that UNDP contributes to during the Strategic Plan 2022-2025 period.
2. **Choose at least one leverage indicator**, e.g., IRRF E.3.1 indicator on leverage<sup>1</sup> and estimate the amount leveraged over the Strategic Plan 2022-2025 period for each selected indicator and aggregate them at CO level. You may consider doing this also for the CPD period.
3. **Choose at least one alignment indicator**, e.g., IRRF E.3.2 indicator on alignment<sup>2</sup> and estimate the amount aligned over the Strategic Plan 2022-2025 period for each policy, regulatory framework, and institutional framework and aggregate them at CO level. You may consider doing this also for the CPD period.
4. **Add other indicators** as relevant for the CO.
5. **Assess progress** made against targets.

These steps are detailed below.

The first step is to identify the new policies, regulatory and institutional frameworks related to sustainable finance that UNDP contributes to during the Strategic Plan 2022-2025 period.

The second step is to choose at least one indicator (or as many as relevant) on **leverage** from the following indicators and estimate the amount leveraged over the Strategic Plan 2022-2025 period for each selected indicator and aggregate them at CO level to estimate the IRRF E.3.1 indicator on leverage:

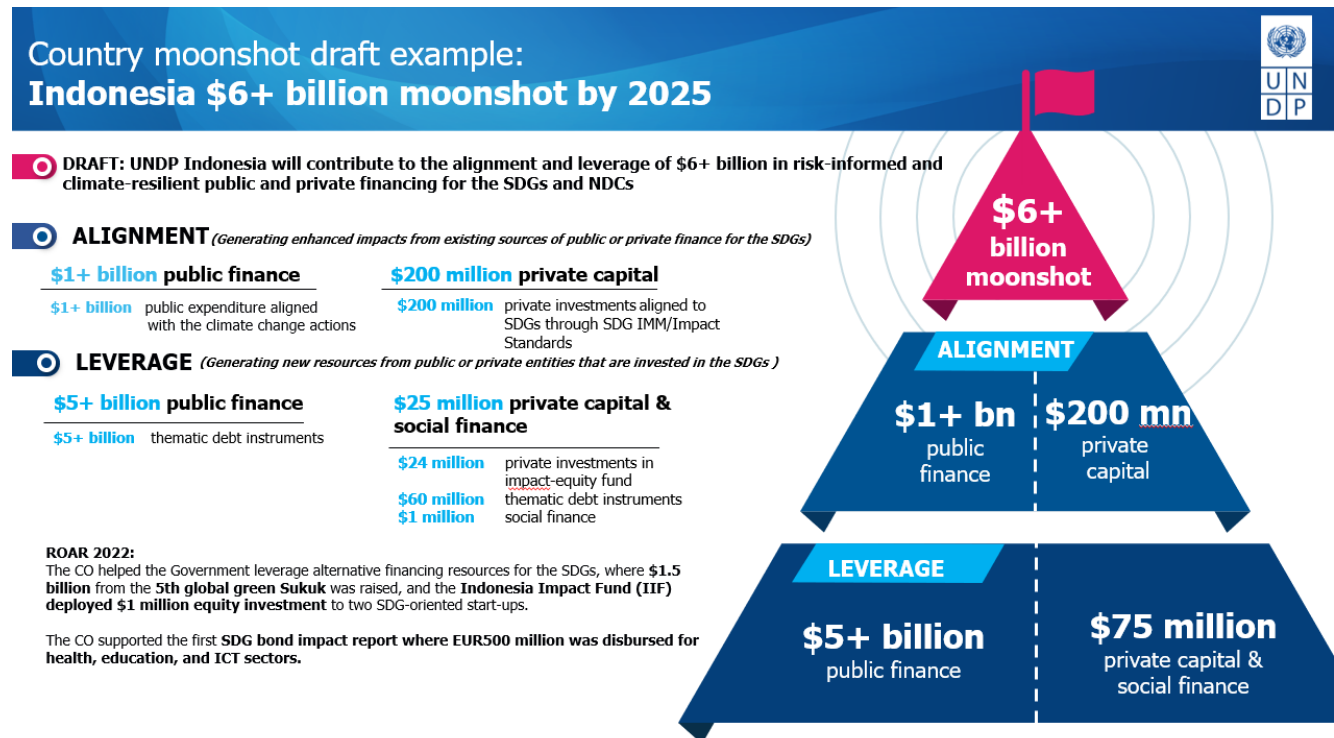
- Additional **tax revenue** leveraged for the SDGs (\$)
- Amount leveraged through new **SDG debt instruments** issued by public and private sectors (\$)
- Amount of **private capital** leveraged through blended finance for the SDGs (\$)
- Amount of public and **private investments** leveraged and de-risked by insurance (\$)

The third step is to choose at least one indicator (or as many as relevant) on **alignment** from the following indicators and estimate its planned value (first track policies/frameworks and then trace the resources aligned as a result of their implementation)

- Amount of **public expenditures** aligned with the SDGs (\$)
- Amount of public revenues aligned with SDGs through new **tax policies/ systems** (\$)
- Amount of private investments aligned to SDGs through **SDG IMM** (stock exchanges, funds, banks and corporations) (\$)

- Amount of private investments aligned to SDGs through **policy, regulation and disclosure frameworks** (\$)

The fourth step is to add other indicators as COs see relevant for quality planning on sustainable finance. COs can choose indicators from a complementary menu of more detailed indicators by service offer (see Annex 2). They can also add their own indicators to fit their specific situation.



### Illustrative draft example of Uzbekistan's moonshot on leverage and alignment

#### Example: Uzbekistan

#### US\$6.1 billion moonshot (2022-2025)

- DRAFT EXAMPLE: UNDP Uzbekistan will contribute to the alignment and leverage of US\$6.1 billion in risk-informed and climate-resilient public and private financing for the SDGs and NDCs**

- ALIGNMENT** (Generating enhanced impacts from existing sources of public or private finance for the SDGs)

**\$18 billion public finance**

\$16.5 billion public expenditure aligned with the SDGs (SDG Budget coding and tracking leading to SDG responsive budgeting framework).  
\$1.5 billion aligned through tax policies, tax systems (tax expenditures reviewed against the SDG taxation framework)

**\$0 billion private capital**

\$0 billion aligned with the SDGs through sustainable finance taxonomies; policy and regulatory frameworks and required disclosure

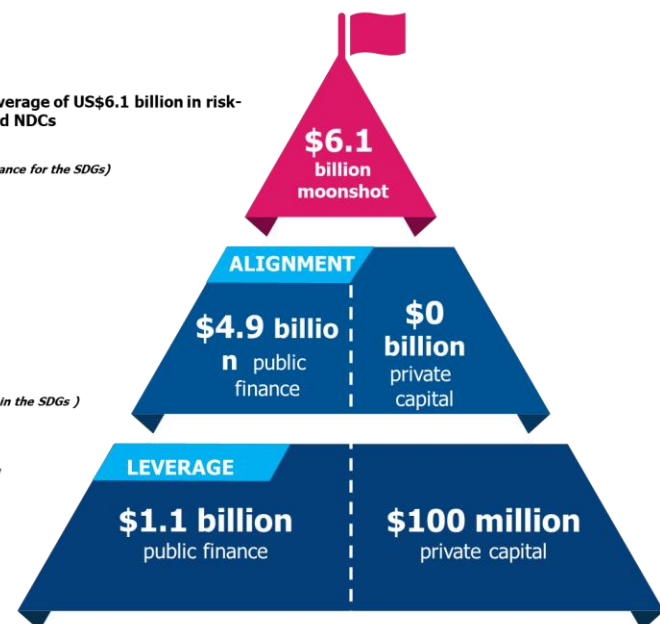
- LEVERAGE** (Generating new resources from public or private entities that are invested in the SDGs)

**\$0 billion public finance**

\$0 billion SDG debt instruments (public and private)

**\$0 million private capital**

\$0 million blended finance (Green Lady Fund blended finance mechanism)



The fifth step is to assess progress made against targets. This is done in the IRRF and ROAR and this is presented below in Section 3.

## THE \$1 TRILLION MOONSHOT TRACKING AND REPORTING SYSTEM

**In ROAR report, each Country Office should include the following paragraph (max ½ page):**

**Moonshot 4:** “Last year, the CO used the following strategies for: (a) leverage: **(text)**, which resulted in an estimated additional contribution to the moonshot over the 2022-2025 period of **X USD**; (b) alignment: **(text)**, which resulted in an estimated additional contribution to the moonshot over the 2022-2025 period of **Y USD**. Overall, the CO made an estimated additional contribution to the 1-trillion moonshot of **Z USD**.”

**Instructions:**

1. For ROAR consistency purposes over time and countries, the format of the paragraph is set. Please provide storytelling on strategies followed for leverage and alignment in the bold text spaces and indicate estimated bold amounts X, Y, and Z. Z should be the sum of X and Y.
2. The leveraged amount should be consistent with the amount reported in IRRF E.3.1 and the alignment strategies mentioned should be consistent with the number reported in IRRF E.3.2.
3. Data sources and hypotheses made should be documented and kept at CO level and be made available upon request to RBx, but not mentioned in the ROAR.

## Main Menu of Indicators and their Relationship with the 1- trillion Moonshot Targets

Indicator	Observations
<b>Aggregate of leverage indicators</b>	
Amount of public and private investments leveraged for the SDGs (\$)	<ul style="list-style-type: none"> <li>• IRRF indicator E.3.1</li> <li>• Disaggregated: public/ private</li> <li>• Related to the following global moonshot target on leverage: \$187 billion public finance and \$137 billion private capital leveraged</li> </ul>
<b>Leverage indicators</b>	
<b>Tax revenue</b> leveraged for the SDGs (\$)	<ul style="list-style-type: none"> <li>• Related to the following global moonshot sub-targets: \$153 billion additional tax revenue; \$20 billion public finance</li> </ul>
Amount <u>leveraged</u> through <b>SDG debt instruments</b> (\$)	<ul style="list-style-type: none"> <li>• Related to the following global moonshot sub-target: \$14 billion debt instruments (public and private)</li> </ul>
Amount of <b>private capital</b> leveraged through blended finance for the SDGs (\$)	<ul style="list-style-type: none"> <li>• Related to the following global moonshot sub-targets: \$5 billion blended finance; \$2 billion impact investment; \$100 billion investment in clean energy and energy efficiency; \$25 billion private capital</li> </ul>
Amount of public and private investments <u>leveraged</u> and <b>de-risked by insurance</b> (\$)	<ul style="list-style-type: none"> <li>• Related to the following global moonshot sub-target: \$5 billion insurance industry risk capacity</li> </ul>
<b>Aggregate of alignment indicators</b>	
Number of new policies and regulatory and institutional framework s on sustainable finance (number)	<ul style="list-style-type: none"> <li>• IRRF indicator E3.2</li> <li>• Disaggregated: policy / regulatory / institutional</li> <li>• Related to the following moonshot targets: 250 policies, regulatory, and institutional reforms</li> <li>• Variation of this indicator possible on total number of policies and regulatory and institutional frameworks on sustainable finance (not only new)</li> <li>• Variation of the later indicator to see if certain characteristics are met: SDG plans aligned with budgets; SDG budgets transparent; decentralized planning and public expenditures for the SDGs</li> <li>• Related to the following moonshot targets: 30+ countries aligning SDG plans with budgets and improving transparency of SDG budgets; 15+ countries improving decentralized planning and public expenditures for the SDGs</li> </ul>

Indicator	Observations
Amount of public and private finance sources aligned for the SDGs (\$)	<ul style="list-style-type: none"> <li>• New SFH indicator, complements IRRF indicator E3.2 (provides \$ value)</li> <li>• Disaggregated: public (budget expenditure management reforms) / private (sustainable finance taxonomies; policy and regulatory required disclosure)</li> <li>• Related to the following global moonshot targets: \$500 billion public finance and \$500 billion private capital aligned for the SDGs</li> </ul>
<b>Alignment indicators</b>	
<b>Public expenditures</b> aligned with the SDGs (\$)	
<b>Public revenues</b> aligned with SDGs through new tax policies/ systems (\$)	
<b>Private investments</b> aligned to SDGs through SDG IMM (stock exchanges, funds, banks and corporations (\$)	
<b>Private investments</b> aligned to SDGs through policy, regulation and disclosure frameworks (\$)	
<b>Notes on disaggregation of data</b>	
Amount of moonshot investment either leveraged or aligned for specific country types (\$)	<ul style="list-style-type: none"> <li>• Disaggregated: low-income, middle-income, fragile and crisis countries, and SIDS</li> </ul> <i>(What kind of investments: in clean energy, schools, hospitals, biodiversity, resilient infrastructure??)</i>

## Additional Optional Sustainable Finance Indicators per Service Offer

Among others, optional indicators could include:

### For Public finance:

- Indicators about monetary amounts and other quantitative indicators
  - Share of GDP insured (%)<sup>3</sup>
- Indicators about policies, regulations, and institutional frameworks
  - SDG debt framework and instruments designed for the public sector (SDG bonds, green bonds, etc.) (number)
  - SDG taxation frameworks operationalized (binary)
  - Financial protection strategy elaborated (binary)
  - Strategy to de-risk investment through insurance elaborated (binary)
  - SDG, Climate and Gender responsive budgeting framework institutionalised (binary)

### For Unlocking private capital and aligning business operations for SDGs:

- Indicators about monetary amounts and other quantitative indicators:
  - Amount of new SDG debt instruments subscribed by the private sector (\$)
  - Amount of new foreign direct investment contributing directly to SDGs (\$)
  - Number of new innovative business models elaborated (number)
- Indicators about policies, regulations, and institutional frameworks:
  - Insurance penetration rate as ratio of premiums to GDP (%)
  - Derisking strategy through insurance elaborated (binary)

### For SDG impact management and finance tracking:

- Indicators about policies, regulations, and institutional frameworks
  - Public sector integrating impact in budget tagging and financial systems (number of actors supported)
  - Support to policy and disclosure frameworks (number of actors supported)
  - Country with budget and financial tracking systems aligned with the SDGs (binary)
  - Public and private investments (funds, corporations) aligned with the SDGs by integrating impact in management practices, strategy, or decision-making (number of actors)

### For Risk-informed INFF:

- Indicators about policies, regulations, and institutional frameworks

- Development Plan costed for public sector (binary)
- Development Finance Assessment (binary)
- INFF Oversight Committee set up (binary)
- Active INFF Oversight Committee as measured by holding meetings (binary)
- Active multi-stakeholder dialogue platform (public sector, private sector, civil society representatives) (binary)
- Financing strategy elaborated (binary)
- Financing reforms prioritised by the INFF being implemented, disaggregated by type: PP policy, Investment policy, capital market master plan, financial inclusion strategy, etc. (number)
- Financing reforms prioritised by the INFF connected with (i) social sectors, (ii) NDC / climate priorities; and (iii) gender equality (number)
- Number of countries that shared experiences in knowledge exchanges with the CO (number)
- Number of national processes reference documents that make prominent reference to INFF (number)
- Number of major international partners in the country that reference the INFF in their country strategies (number)

## IRRF indicators related to the 1 trillion moonshot

The Integrated Results and Resources Framework (IRRF) of the UNDP Strategic Plan 2022-2025<sup>4</sup> provides quantitative information as part of the Corporate Planning System (CPS). It includes two indicators on the \$1 trillion moonshot:

- E.3.1 Amount of public and private finance leveraged for the SDGs, disaggregating for global level, public and private at regional level, and public and private at national level (USD).
- E.3.2 Number of policies and regulatory and institutional frameworks developed and adopted by public and private actors to align public and private finance with the SDGs, desegregating for policies, regulatory frameworks, institutional frameworks (Number).

<b>Output Indicator</b>	<b>E.3.1 Amount (in US dollars) of public and private finance leveraged for the SDGs:</b> <b>a) Global level (Global capital markets)</b> <b>b) Regional level</b> <ul style="list-style-type: none"> <li>• Public</li> <li>• Private</li> </ul> <b>c) National level</b> <ul style="list-style-type: none"> <li>• Public</li> <li>• Private</li> </ul>
<b>Measurement</b>	Number
<b>Update schedule</b>	Annual
<b>Aggregation rule</b>	Sum of the numbers reported in the unit level indicator
<b>Unit Level Indicator</b>	E.3.1 Amount (in US dollars) of public and private finance leveraged for the SDGs: <ul style="list-style-type: none"> <li>• Public finance</li> <li>• Private finance</li> </ul>
<b>Measurement</b>	Number
<b>Indicator description</b>	<p>This indicator measures the volume of additional financial resources leveraged for sustainable development from public and private sources where UNDP has contributed support). The unit(s) of measurement is United States dollars (\$) and the number of countries.</p> <p>This indicator can measure, for example, debt instruments, tax revenues, impact investments that have successfully leveraged public and private finance for the SDGs.</p> <p>The indicator can measure the additional finance leveraged for the SDGs with UNDP support for the application of SDG standards. Where UNDP's SDG standards are applied more broadly by public or private sector within existing investment portfolios this will count towards the alignment of finance with the SDGs (see indicator 3.2).</p> <p>Amounts should include, for example, resources that are leveraged through support for Green or SDG related bonds or sukuk where the use of proceeds in line with green / SDF budget classification. Or public finance that has been aligned to the SDGs through SDG budget related reforms. Or additional revenues generated through tax audit support. Or private capital leveraged through blended finance instruments or through support to the generation and financing of private investments</p>



	<p>The indicator must be attributed to UNDP's support in some way, for example where UNDP has provided support with the explicit purpose of leveraging and aligning finance including through capacity development support, technical assistance as well as the management of specific finance instruments and funds.</p> <p>Amounts should include finance leveraged by UNDP's other Signature Solutions (e.g. Sustainable Energy Hub) and UNDP's partnerships (e.g. UNDP Finance Flagship Partnership with UNICEF).</p>
<b>Definition of key words</b>	<ul style="list-style-type: none"> <li>• <b>Public sources</b> of finance include budgets, domestic resources including tax and international public finance.</li> <li>• <b>Private sources</b> of finance include companies, private investment (including commercial banks, private equity, asset owners, venture capital funds) foreign direct investment, state-owned enterprises, remittances, foundations.</li> <li>• <b>Leverage</b>, generation of new resources which are invested by an external party.</li> <li>• <b>Align</b>: generate new or enhanced impacts from existing investments</li> </ul>
<b>Recommended data source</b>	<ul style="list-style-type: none"> <li>• Standard leverage indicators for all UNDP COs through the ROAR</li> <li>• Trainings provided for all UNDP COs and GPN</li> <li>• UNDP SDG Finance global projects that undertake monitoring at country, regional and global levels</li> </ul>
<b>References</b>	<p>Primary international data sources on development finance include: Inter-Agency Task Force on Financing for Development; International Aid Transparency Initiative (IATI); OECD Creditor Reporting System, Chapter VI of the Beijing Declaration and Platform for Action, and the UNCTAD World Investment Report.</p> <p>These data sources can be complemented by data collected at the national level on trends/patterns in different financing flows. Individual funds/programmes publish data on projects/activities financed in different countries.</p> <p>Primary UNDP sources of information and/or guidance include the Financing Solutions for Sustainable Development online platform and 'Financing the 2030 Agenda: A Guidebook for Country Offices' (2017).</p> <p>The Addis Ababa Action Agenda (2015) outlines a series of international commitments to mobilize, and make more effective, sources of finance in support of sustainable development. Other relevant international agreements include: Global Partnership for Effective Development Cooperation (GPEDC), Paris Climate Agreement (2015), SAMOA Pathway (2014), Istanbul Programme of Action for the LDCs (2011), and the Sendai Framework for Disaster Risk Reduction (2015).</p>
<b>Output Indicator</b>	<p><b>E.3.2 Number of policies and regulatory and institutional frameworks developed and adopted by public and private actors to align public and private finance with the SDGs:</b></p> <p><b>a. Policies</b>  <b>b. Regulatory frameworks</b>  <b>c. Institutional frameworks</b></p>
<b>Measurement</b>	Number
<b>Update schedule</b>	Annual
<b>Aggregation rule</b>	Sum of the numbers reported in the unit level indicator
<b>Common/ complementary indicator</b>	<p>Complementary indicator: <i>UNEP, UN Women</i></p> <p>UNDP is working with other UN agencies to harmonise approaches to monitoring impact on SDG finance and is establishing joint targets with UNICEF for example.</p>
<b>Unit Level Indicator</b>	<p>E.3.2 Number of policies and regulatory and institutional frameworks developed and adopted by public and private actors to align public and private finance with the SDGs:</p> <p>a) Policies  b) Regulatory frameworks  c) Institutional frameworks</p>
<b>Measurement</b>	Number

<b>Indicator description</b>	<p>This indicator measures the number of policies and regulatory and institutional frameworks—with UNDP contributing support—that have been developed and adopted to align public and private financing with the SDGs. Associated with this indicator will be a quantitative measure of finance aligned with the SDGs (E.3.1) through policy, regulatory and institutional frameworks. This will enable tracking of how UNDP has contributed to the promotion of \$1 trillion public and private investment aligned with the SDGs.</p> <ol style="list-style-type: none"> <li>1) <b>Policies, regulations and legislation</b> (e.g. financing strategies, tax policies, taxonomies and standards, number of regulations in place to boost impact investment; number of policies in place to boost green/sustainable/inclusive finance; reporting and disclosure procedures etc.).</li> <li>2) <b>Institutional mechanisms</b> (e.g. budget classification systems, number of institutions where capacities are strengthened in the area of development finance, countries supported to put in place measures to improve effectiveness/impact of financing flows, such as mechanisms set to improve budget allocations/targeting, countries supported to develop a financing for development plan/strategy, etc.).</li> </ol>
<b>Definition of key words</b>	<ul style="list-style-type: none"> <li>• <b>Policy:</b> a course or principle of action adopted or proposed by a government, party, business, or individual.</li> <li>• <b>Regulation:</b> a rule or directive made and maintained by an authority</li> <li>• <b>Institution:</b> a structure or organization founded for a development or economic purpose.</li> <li>• <b>Public sources</b> of finance include budgets, domestic resources including tax and international public finance.</li> <li>• <b>Private sources</b> of finance include private investment (including commercial banks, private equity, asset owners, venture capital funds) foreign direct investment, state-owned enterprises, remittances, philanthropic funds.</li> <li>• <b>Align:</b> the generation of new or enhanced impacts from existing investments.</li> </ul>
<b>Recommended data source</b>	Public records related to new policies, regulations, mechanisms, laws and other institutional arrangements as triangulated with UNDP reporting and evaluations.
<b>References</b>	The Addis Ababa Action Agenda (2015) outlines a series of international commitments to mobilize various sources of finance in support of sustainable development and/or make them more effective. Other relevant international agreements include the Global Partnership for Effective Development Cooperation (GPEDC); Paris Climate Agreement (2015); SAMOA Pathway (2014); Istanbul Programme of Action for the LDCs (2011), Chapter VI of the Beijing Declaration and Platform for Action, and Sendai Framework for Disaster Risk Reduction (2015).

## Challenges in the Integrated Results and Resources Framework

For both IRRF indicators, there is underreporting as well as use of inconsistent methods to determine the contribution of UNDP to leverage and alignment. Interviewed RBx and COs asked for clearer methodological guidance and training.

Let us start with remembering that UNDP COs are always in a position of support to national actors, starting with the national government. The CPD itself is a joint document of the Government and UNDP. Hence, the CO has to balance the need for vertical coordination and reporting to the regional and global levels and the need for horizontal coordination with national actors and other international actors active in sustainable finance.

Second, each country is faced with specific challenges and opportunities, sustainable finance needs and capacities depending on several factors, including size, geopolitical position, development level, capacities, government priorities and development model, etc. A straitjacket approach would be counterproductive.

Hence, each CO roadmap should include only relevant activities of service offers and other signature solutions which relate to supporting various partners acting on various possible aspects of sustainable finance:

- Increased tax and domestic resource mobilization for the SDGs;
- Increased public expenditures aligned to the SDGs;
- Increased private capital leveraged for the SDGs;
- Increased private capital aligned to the SDGs;
- Increased derisking by insurance and risk finance;



- Improved public and private finance tracking and impact;
- Increased number of INFFs elaborated and implemented;

Third, a balanced approach for reporting would consider the minimum set of common indicators from the global 1- trillion moonshot (see section 3) complemented by a range of complementary indicators to be selected by the CO (see preliminary list of optional indicators in Annex 2).

Measuring indicators can represent major methodological challenges. While there is no magical recipe, the pragmatic approach is to obtain reasonable estimates using similar methods and indicating clearly hypothesis made. Estimating the amount of resources leveraged is relatively easier than estimating the amount of resources realigned to the SDGs as a consequence of a new policy, regulation or institutional framework. General guidelines are to:

- 1) consider only resources that contribute directly to one or more SDG targets;
- 2) consider the anticipated flow of additional resources until the end of the Strategic Plan (2025), even if beyond the direct UNDP intervention, as long as it can be traced back to this intervention;
- 3) first collect all available quantitative data from accessible sources, then use qualitative methods such as a nominal group of experts to estimate missing quantitative data and estimate the amount of resources resulting from a new policy, regulation, or institutional framework. These experts would include UNDP experts, e.g., Sustainable Finance and M&E focal points, but also other relevant GPN experts as well as experts from partners willing to participate. Several rounds of estimation might be necessary to arrive at an acceptable range and value, object of a consensus among the consulted experts.<sup>5</sup>

Depending on UNDP's role, other actors' roles, and the influence of exogenous factors in a specific intervention and context, we can safely say that a given immediate outcome related to the \$1 trillion moonshot can be attributed to UNDP's outputs or that UNDP's outputs only contributed to this immediate outcome. Attribution means that a change is solely due to the intervention of a given actor such as UNDP compared to a counterfactual where this change would not have taken place without the intervention of this actor. If the change is the result of a set of interventions, but that it is not possible to attribute a certain percentage of the change to a given actor's intervention, then we can talk of a contribution of the actor's intervention to a change and attribute the change to the set of actors having conducted those interventions. Finally, if the change is the result of multiple interventions and exogenous factors, the actor's intervention is just a contribution. Hence, 3 cases will be considered when estimating UNDP's attribution or contribution.

Fourth, the tracking and reporting system should be a compromise between the need to provide useful information based on quality data for decision-making and accountability and imposing a minimum level of additional work on a limited set of professionals already spread thin on numerous dossiers. What will help is the support provided to COs to set up moonshots and reporting, shift to a sustainable finance portfolio approach, engage with external partners, and mobilize resources for design and implementation of reforms and instruments.

It is important to avoid double counting between attribution/contribution at CO and Regional Hub levels. Most interventions take place at CO level and there are few Regional Hub exclusive initiatives. However, it is important to note whenever relevant at CO level the contribution of the Regional Hub in terms of coordination, facilitation, and monitoring.

## UNDP's Definitions of Alignment and Leverage

UNDP adopted the following definitions of **leverage and alignment**:<sup>6</sup>

***“Leverage means generating new financial and non-financial resources that are invested in the SDGs by public or private entities.”<sup>7</sup>***

***“Leverage: generation of new resources which are invested by an external party.”<sup>8</sup>***

UNDP's definition does not refer to the classical definition of financial leverage, i.e., the use of borrowed funds (debt) for funding the acquisition of assets. Given its mandate, it refers rather to institutional leverage where a given support to a policy or institutional function leads to the mobilization of additional public or private resources.

The model of UNDP for the promotion of public expenditure and private capital investment is not based on a cascade model and catalyzation<sup>9</sup> but on a balanced approach between mobilizing public and private resources. The private sector provides the bulk of mobilizable resources and responds to market incentives but is subject to market failure. The public sector provides overall policy orientations, macroeconomic stability, public goods, a

positive business environment, and internalization of externalities, but is subject to government failure<sup>10</sup>. The approach is based on an analysis of each sector's capacities and potential complementarities and synergies.

***“Alignment means generating enhanced impacts on the SDGs from existing sources of public or private finance by supporting policy changes.”<sup>11</sup>***

***“Align: generate new or enhanced impacts from existing investments.”<sup>12</sup>***

As mentioned in the UNDP's Sustainable Finance Narrative, there is a lack of coordinated, intentional decision-making to align investment with SDGs among all relevant stakeholders. The full range of actors needed to ensure finance is directed towards sustainable development are not yet effectively collaborating on this agenda – across public and private sectors, as well as civil society, and international organizations.

SDG alignment is both a means to mobilize resources for the implementation of the 2030 Agenda and a value proposition for private sector to preserve the long-term value of assets by doing no harm and contributing solutions to sustainable development challenges, thereby reducing risks, and enhancing resilience of the global financial system. This double materiality (financial and non-financial) of the SDG alignment agenda relies on the achievement of two objectives:

- Equality: resources should be mobilized to leave no one behind and fill the SDG financing gaps, and
- Sustainability: resources should accelerate progress across the SDGs.<sup>13</sup>

It is important to grasp those conceptual differences and use the definitions made by UNDP indicated in bold in this annex when deciding on which indicators to use to plan the CO moonshot (Annex 2) and report on progress on the moonshot indicators (Annex 3).

### **Illustrative examples of how Country Offices can collect data to build and present the CO Moonshots on Leverage and Alignment**

**Example – Amount leveraged through new SDG debt instruments** issued by public and private sectors (\$) in Indonesia and Uruguay

<b>Date</b>	<b>Issuer</b>	<b>Amount USD (M)</b>	<b>Maturity</b>	<b>Type</b>
May-22	Indonesia	1,500	10	Green Sukuk
Sep-22	Indonesia	377	7	Green Sukuk
Oct-22	Uruguay	1,500	12	Sust-Linked bond
Oct-22	Indonesia	152	8	SDG bond
Nov-22	Indonesia	67	8	SDG bond
Jan-23	Indonesia	306	8	SDG bond
Jun-23	Indonesia	150	7/10	Blue (SDG) bond
<b>Total: USD</b>		<b>4,052</b>		

**Example – Amount of public expenditures aligned with the SDGs (\$ billion) in Colombia**

	2020	2021	2022	Change 2022 vs 2021
Total government spending	75	84	85	1
Spending aligned with the SDGs	56	61	65	4
Fossil fuel subsidies /1	2	2	4.6	2.6
Is the system institutionalised?	-	Yes (internal usage only)	Yes (internal usage only)	Same
Is the system being used in budget allocation decisions?	Very basic	Very basic	Very basic (info included in territorial planning toolkit)	Progress
UNDP engagement (service offer)?	SDG budget tagging	SDG budget tagging	SDG sub national budgeting	
SDG Index /2	69.4	69.9	70.1	Positive

/1 Subsidies for gasoline have been gradually reduced since mid-2022. However, subsidies for gas for specific groups have increased. Current amount for fuel subsidies (gasoline and diesel) has been estimated at USD 4.6 billion

/2 The SDG Index is an annual stocktake of SDG progress led by the Sustainable Development Solutions Network

**Example - Amount of private investments aligned to SDGs through SDG IMM (\$ billion) - Stock Exchange and SEC in Thailand**

	2022	2023
Total Thailand Stock Exchange market capitalisation (\$)	\$513	\$543
Total market capitalisation of listed companies <b>participating in UNDP intervention</b> (IMM training: 22 companies)	\$107	
Total market capitalisation of participating companies operating in <b>oil &amp; gas or exclusionary criteria sector</b>	\$9.9	
Total market capitalisation of participating companies operating in a <b>high-risk sector</b>	\$6.2	
Total market capitalisation of participating companies operating in an <b>SDG-related sector</b> <small>Note: It is an approximation as not all companies explicitly disclose their SDG-aligned revenues</small>	\$90.7	
<b>UNDP Engagement</b>	SEC and SET SDG IMM	SET SDG Guidebook
<b>SDG Impact Measurement &amp; Management Journey stage (0–7) *</b>	1	2

\*IMM Scale refers to: 1. Awareness, 2. Report, 3. Strategise and Plan, 4. Measure, 5. Manage, 6. Governance, 7. Assurance

**Example - Amount of private investments aligned to SDGs through SDG IMM (\$ billion) – SDG Impact Standards and Investment Firms**

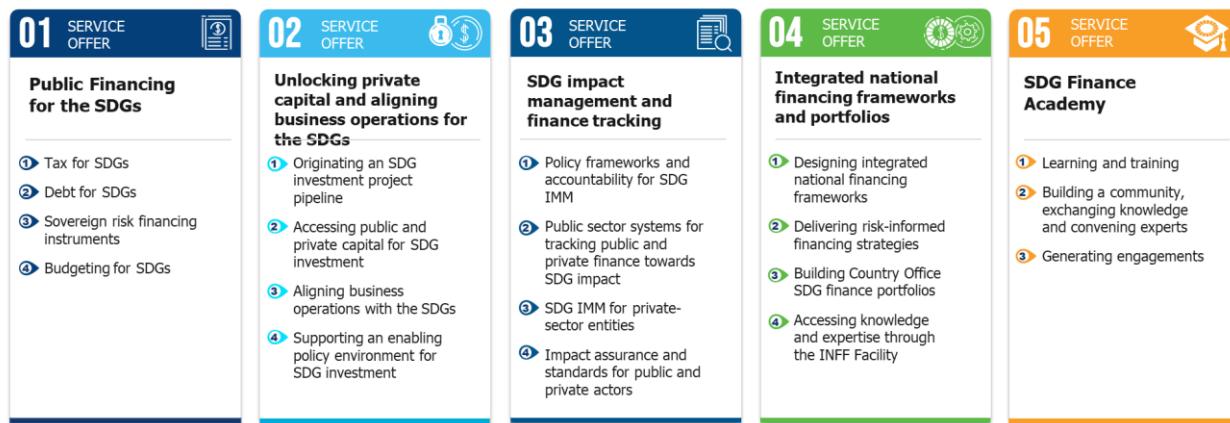
	2022	2023
Total assets under management of investment firms <b>participating in UNDP intervention</b> (\$)	\$82.4	
Total assets under management of funds participating in UNDP intervention <b>aligned with the SDGs</b> <small>18 Funds considered</small>	\$25.3	
<b>UNDP Engagement: SDG Impact Measurement &amp; Management</b>	SDG Impact Standards	SDG Impact Standards
<b>SDG Impact Measurement &amp; Management Journey stage (0–7) *</b> <small>Old Mutual and Citi (1); Aphamundi and Baraka (3)</small>	1	3

\*IMM Scale refers to: 1. Awareness, 2. Report, 3. Strategise and Plan, 4. Measure, 5. Manage, 6. Governance, 7. Assurance

## UNDP Sustainable Finance Service Offers

Four Service Offers have been defined to support CO portfolios to align and leverage finance with the SDGs, plus the SDG Finance Academy to support the other four Service Offers.<sup>14</sup>

### Sustainable Finance offers



The description of the Service Offers can be found in the UNDP SFH website <https://sdgfinance.undp.org/>.

### For more information:

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<sup>1</sup> IRRF E.3.1. Amount of public and private finance leveraged for the SDGs, disaggregating for global level, public and private at regional level, and public and private at national level (USD)

<sup>2</sup> IRRF E.3.2 Number of policies and regulatory and institutional frameworks developed and adopted by public and private actors to align public and private finance with the SDGs, desegregating for policies, regulatory frameworks, institutional frameworks (Number)

<sup>3</sup> Another potential indicator can be "Reduction in un-targeted (general) fossil fuel subsidies (\$)" although its interpretation can be challenging.

<sup>4</sup> UNDP. 2022. *Integrated Results and Resources Framework (IRRF) - Strategic Plan 2022-2025*, Annex 4, New York.

<sup>5</sup> Unanimity is not expected. The estimate can be revised if new evidence is brought forward.

<sup>6</sup> It is important to outline that the concept of mobilization refers here to securing resources from the resource provider to implement programmes through UNDP.

<sup>7</sup> UNDP. 2023. *Strengthening the Sustainable Finance Architecture. A strategic roadmap for UNDP's US\$ 1 trillion moonshot – DRAFT* – January 19, 2023, New York.

<sup>8</sup> IRRF Metadata book pages 174 to 178.

<sup>9</sup> To maximize the impact of scarce public resources, the Cascade first seeks to mobilize commercial finance, enabled by upstream reforms where necessary. Where risks remain high, the priority is to apply guarantees and risk-sharing instruments. Official and public resources are applied only where market solutions are not possible through sector reform and risk mitigation. Catalyzation refers to activities that contribute to Finance for Development apart from any active or direct role or cofinancing, such as loans, credits, and technical assistance to improve the policy and enabling environment as well as public investments that complement private investments (World Bank. 2020. *World Bank Group Approaches to Mobilize Private Capital for Development. An Independent Evaluation*. Independent Evaluation Group. Washington, DC.)

<sup>10</sup> See for example Winston, C. 2006. *Government Failure versus Market Failure*, Brookings, Washington, DC.

<sup>11</sup> Same as footnote 6.

<sup>12</sup> Same as footnote 7.

<sup>13</sup> OECD-UNDP. 2020. *Framework for SDG Aligned Finance*, Paris and New-York.

<sup>14</sup> The description of the Service Offers is taken from the UNDP SFH website <https://sdgfinance.undp.org/> and, in the case of Service Offer 4: INFFs, the results from the Brussels INFF Partners' meeting in Brussels in December 2022.