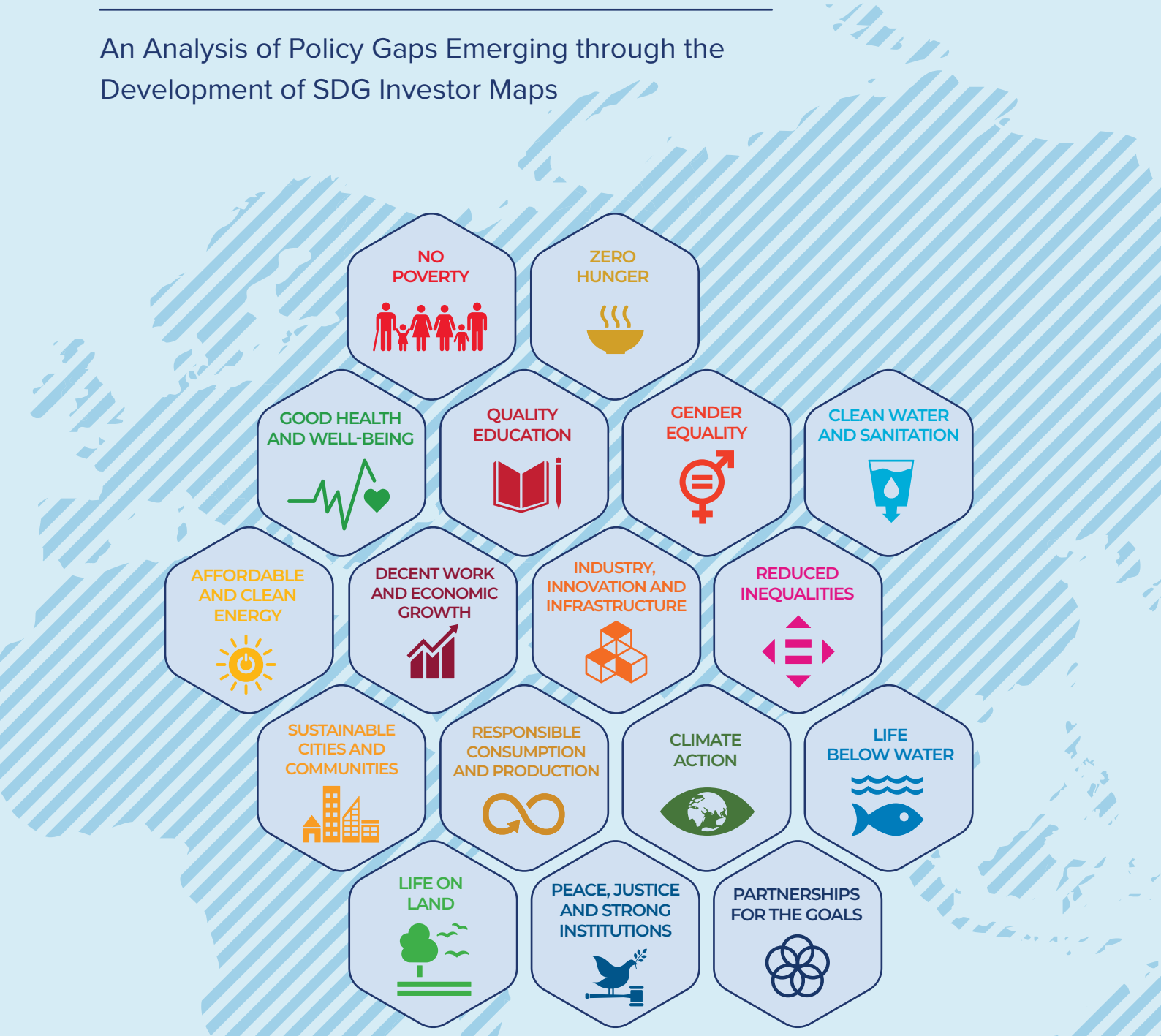
Sustainable Finance Hub

# Policy Momentum for an Impact Economy

An Analysis of Policy Gaps Emerging through the Development of SDG Investor Maps



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This report is a testament to what can be achieved through collaborative effort and shared purpose. The author appreciates everyone's participation in this impactful work.

# EXECUTIVE SUMMARY

Governments understand the urgency to achieve the Sustainable Development Goals (SDGs) and are advancing reforms, hardwiring SDG commitments into their financing architecture and policy choices. Many are developing integrated national financing strategies, launching market intelligence on SDG-enabling Investment Opportunity Areas (IOAs) and setting the foundation for changing the composition of growth, via more sustainable, inclusive investments. Governments are also rallying public and private sector stakeholders to take deliberate measures for a more sustainable future.

Despite these efforts, the current systems for achieving the SDGs are falling short of expectations. They lack the inclusivity and regenerative thinking necessary to solve the complex challenges of our times. The world needs to pivot towards an impact-focused socio-economic system with active participation from the public and private sectors alike. Such an evolution can be enabled by structural and institutional changes, guided by intentional policy frameworks that enable key actors to adopt impact-focused decision-making to drive development goals.

Focusing on both the quantity and quality of investments, governments are harnessing opportunities to expand their policy space – enhancing the efficiency and effectiveness of public finance and strengthening the mobilization and alignment of private finance with sustainable development outcomes.

This report draws on insights gathered from over a thousand consultations with public and private sector stakeholders, and on secondary research from systematically mapping IOAs in 43 countries globally through country-led SDG Investor Maps ("the Maps"), along with the resulting inventory of policy gaps. These gaps are defined as areas that hinder the flow of private capital into SDG-enabling investment opportunities despite their potential to create commercial as well as developmental impact. The insights are complemented by those arising from the implementation of integrated national financing frameworks (INFFs), which more than 86 countries are using to identify and pursue policy reforms that can help realize the sustainability ambitions of developing countries.

This report presents an analysis of the sector-specific policy gaps that, addressed, would enable the growth of potentially disruptive business models. If scaled, these could meet the ambition of the 2030 Agenda. A closer look at the composition of industrial policy gaps reveals that policy integration and coherence is needed the most in sectors such as renewable resources and alternative energy (31 percent), food and beverage (21 percent) and infrastructure (20 percent). Interestingly, these are also the sectors most susceptible to the ongoing climate crisis, requiring business models to constantly adapt to stay relevant. Therefore, policies supporting these sectors must be equally agile and adopt frameworks that are responsive to community and planetary boundaries.

Policy gaps have also been identified in sectors like health care (12 percent) and education (6 percent), where the dominant challenges concern finding the right balance between public and private service offers, and ensuring the availability and accessibility to quality services, especially for vulnerable populations. Many developing countries enjoy a strong demographic dividend, which can be advantageous for economic growth. However, the potential of this young workforce is hindered by poor access to basic services like health care, education, and infrastructure. This lack of essential services limits the ability of people to improve their living standards and reach their full productive potential. As a result, the economies of these countries suffer significant losses in terms of missed opportunities for socio-economic progress.

Moreover, industrial policy issues cannot be seen in isolation. Businesses operating in these sectors are impacted by macro-level policies, institutional structures and low levels of policy coherence between different government agencies and line ministries.

On the supply side, investors are eager to equip workforces with the skills required for green businesses and traditional industries transitioning into sustainable sectors, namely renewables in the energy sector or precision agriculture technologies in the food sector. Similarly, the development of digital public goods can lead to greater transparency and seamless engagements between actors in business value and supply chains. These measures can boost investor confidence by tempering perceptions of market risks. Besides, infrastructure issues that disrupt supply chains continue to pose challenges, significantly impacting investment decisions.

On the demand side, over 90 percent of businesses seeking investments in developing countries are micro-, small and medium-sized enterprises (MSMEs). They form the backbone of domestic economies, significantly contribute to the GDP and plug into some of the largest

global supply chains. Governments recognize the importance of MSMEs and have provided significant support in times of crisis, such as during the peak of the COVID-19 pandemic. However, for long-term impact, the support should focus on improving MSME resilience and strengthening the capacity of financial institutions to create products that align with the growth trajectories of these enterprises. Closely interrelated is the issue of market access that stunts MSME growth and restricts domestic and cross-border trade. This highlights the importance of digital public goods and capacity-building support that are informed by sound, MSME-focused policy instruments.

A detailed analysis of policy gaps by subsector and industry is strengthened with country examples. To shift gears to an impact economy, this report recommends a decision-making framework for governments across three key dimensions – policy, infrastructure and finance – aiming not only to unlock the flow of private capital, but to do so by integrating sustainability considerations.

Finally, the report emphasizes approaching policymaking with the ambition to create “impact economies” where no one is left behind and systems operate within community and planetary boundaries. The conclusion section highlights the benefits of a multi-pronged approach to creating new pathways that can spur the flow of private capital, allowing the resulting government savings to be redirected to other urgent priorities. To help land recommendations in a real-world context, this report uses examples such as INFF implementation at the country level to nudge policy reforms based on international best practices and leveraging global platforms such as the G20 to foster international buy-in for key sustainability issues.

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# INTRODUCTION

## Policy for an impact economy – the current context

With only six years remaining until 2030, the progress of most Sustainable Development Goals (SDGs) and their associated targets is not on track. Recent crises have reversed a considerable amount of the achievements made thus far. Now more than ever, emerging economies require comprehensive investments across various sectors, including sustainable infrastructure, resilient agriculture, nature and biodiversity, health and education, climate adaptation, and clean energy. The situation goes beyond addressing development challenges and requires acknowledging that there is no future if such actions are not undertaken with seriousness and urgency. Evidence shows that preventive investments in sustainability yield substantial economic benefits. For example, every US dollar invested in risk reduction can save up to US$15 in post-disaster recovery costs, and every dollar invested in improving the resilience of infrastructure can save $4 in reconstruction expenses (International Institute for Sustainable Development SDG Knowledge Hub, 2022). Similarly, strengthening data systems can translate, on average, to $32 in economic benefits for every dollar invested (Global Partnership for Sustainable Development Data, 2022).

However, official development assistance and public funds alone are insufficient to bridge this financing gap (United Nations Trade and Development, 2024). The challenge lies in efficiently directing public capital and mobilizing private capital amid increasing macroeconomic pressures in international markets, investment barriers in emerging economies, and the specific fiscal challenges of climate-vulnerable countries. The necessity for private investment is clear, and in response, governments and policymakers have been bolstering their systems and processes to improve the investment ecosystem. This includes developing a pipeline of bankable projects, investing in project preparation facilities, and sharing knowledge to develop innovative approaches to unlock investments.

Despite these efforts, challenges remain. The first challenge is identifying investment areas that are profitable, aligned with developmental needs and capable of creating impact. The second set of challenges involves identifying and then finding solutions for entry barriers in these sectors, including fragmented legal, regulatory or policy environments, a lack of incentives and of risk-sharing mechanisms, and inadequate availability of financial instruments, all contributing to the clogging of investment flows.

To tackle these challenges and achieve long-term solutions, it is essential to enhance cooperation among diverse stakeholders, including government agencies, regulatory bodies, multilateral agencies, private sector actors and development finance institutions. Such collective efforts and a menu of solutions, including blended innovative financing strategies, are crucial for establishing effective measures to direct private capital into the areas that are needed the most.

A critical ingredient for success is having a coherent set of industrial policies that focuses on positive impacts on communities and the environment, besides just economic returns. Identifying gaps in current policy regimes, including prioritizing reforms, and the sequence in which they are introduced remains a challenge. This calls for country-led approaches that consider the binding constraints, feasibility and timescale of policy implementation.

Partnerships between the government and private sector must be rooted in a theory of change that establishes whether and how the private sector can contribute to specific development results (Organisation for Economic Co-operation and Development, 2016). For many countries, these considerations are central to their national financing strategies, with the INFF approach providing a platform that brings government, private sector and other actors together.

This report draws from secondary research, primary qualitative research and in-depth consultations that went into the development of the SDG Investor Maps (the Maps) for each of the 43 markets currently published on the SDG Investor Platform.

The insights in this report represent the policy regimes that govern private sector participation in the sustainable investment agendas of national governments in the markets of South Asia, Central Asia, East Asia and the Pacific, Sub-Saharan Africa and the Middle East and North Africa.

The Maps use the Sustainability Accounting Standards Board's Sustainable Industry Classification System[1] to map sectors, subsectors and industries to place IOAs in a taxonomy that is relatable and helps put the values of an impact economy in an industrial context.

This report is for policymakers grappling with how to unlock private sector capital for an impact economy as well as the ecosystem changes required to facilitate such shifts. The insights in this report are gathered from the development of the Maps and INFFs across developing markets around the globe.

## Country-led market intelligence for an impact economy

Since 2018, governments have partnered with private sector actors in 43 countries to systematically map IOAs for SDG-aligned private capital, with another 15 countries currently in the process.[2] The United Nations Development Programme (UNDP) facilitates these processes and offers the resulting market intelligence in the form of SDG Investor Maps, providing investors, governments and various stakeholders with information on market opportunities for investment in sectors and regions critical to the SDGs. The Maps are developed through a rigorous research process that involves analysing data on investment trends, market opportunities and regulatory frameworks, as well as engaging with stakeholders such as investors, policymakers and business leaders. The Maps aim to drive investment towards activities that contribute to the development of more sustainable and inclusive economies. By considering government priorities, development needs and investment momentum, the Maps identify Investment Opportunity Areas (IOAs) in different sectors and countries.

To date, more than 200 government agencies and over 1,200 private sector partners have identified more than 600 IOAs across 43 countries, providing a wealth of information on the business case, development outcomes, the enabling environment and impact case, utilizing more than 20 information areas to illustrate the investment rationale. Leveraging this market intelligence, UNDP is collaborating with financial intermediaries (such as investment brokers) and other partners to develop SDG-focused investable project pipelines, through private sector actions and investments guided by insights from the Maps.

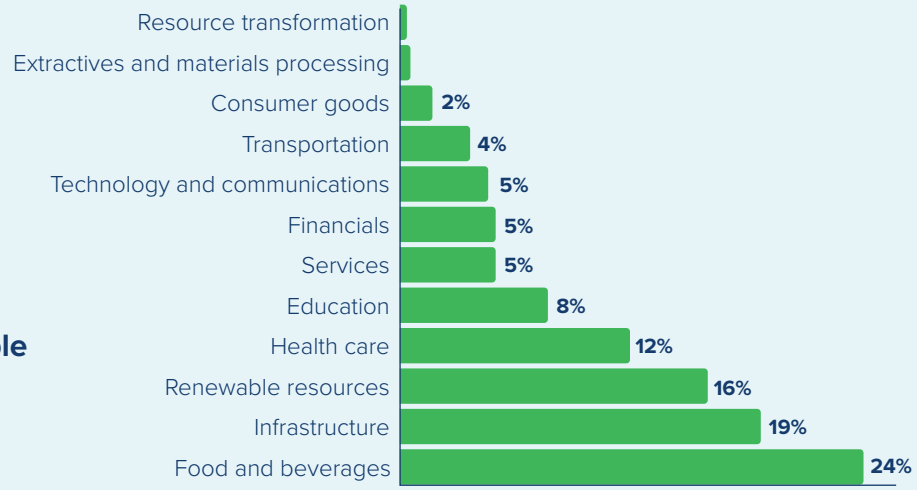
1 Please see ANNEX II for the Sustainability Accounting Standards Board's Sustainable Industry Classification System taxonomy, which is used to build SDG Investor Maps.

2 Please refer to ANNEX I for the methodology used for developing SDG Investor Maps.

## Figure 1 – Key insights from the SDG Investor Maps[3]

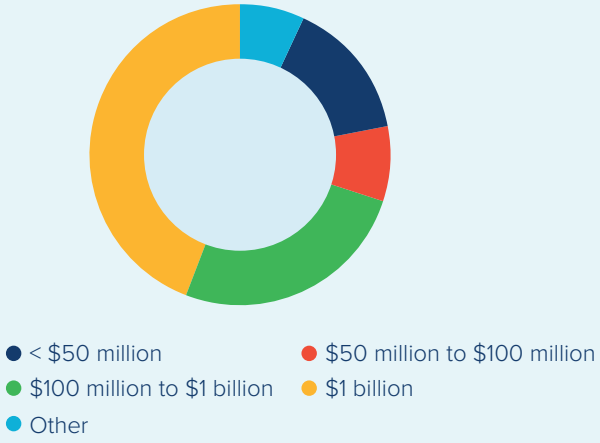
**01** **Sector representation in the SDG Investor Maps**

**Nearly**
**60%**
of all identified IOAs are concentrated in the **food and beverages, infrastructure, and renewable energy sectors.**



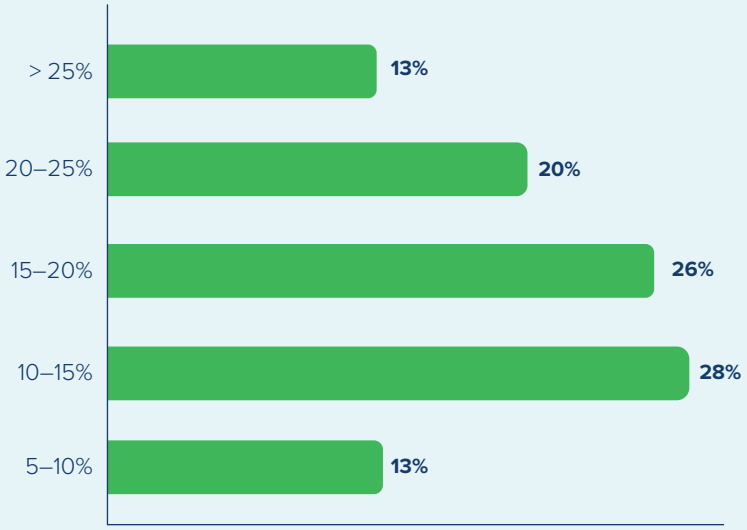

**02** **Potential market size offered by IOAs**

**Around**
**44%**
of IOAs represent opportunities exceeding
**$1 billion**
**in terms of estimated market size, showing significant untapped potential for impact and revenue growth.**




**03** **Internal rate of returns for IOAs**

**Approximately**
**46%**
of IOAs offer internal rate of returns of over
**20%**
**for investors, indicating potential for "double materiality", where impact is integral to robust financial returns.**




*Source:* UNDP (2024a).

3 Graph with SDG mapping may feature IOAs that intersect with multiple SDGs.

04

**IOAs are charted against SDGs to illustrate direct impacts from investment flows, in addition to identifying secondary SDGs that could experience ripple effects from these investments.**


*Source:* UNDP (2024a).

There is a clear case for the commercial viability of SDG-focused business models represented in the Maps. In addition, the impact viability of such models is presented alongside their potential to contribute to positive outcomes for the people and the planet. To estimate actual and net positive shifts in sustainable outcomes, such business models must demonstrate their ability to mitigate negative externalities and improve their reach, particularly scaling to underserved markets. Policy support to incentivize such business actions may look at the following considerations.

## Expanding the serviceable market to spur private sector participation

Market size estimations often consider factors impacting the availability of consumers and producers for a product/service. The Maps highlight the potential market size for each IOA, where additional capital flows can lead to business growth. With systems and processes to intentionally integrate impact considerations, businesses can also achieve net positive impact. However, once the basic rules of business viability are applied to segment the market, the actual serviceable market size for most IOAs is likely to be considerably smaller. Challenges such as the right price points, consumer appetite for uptake, adoption of goods and services and a supportive regulatory and policy environment to offset risks, along with demand side unpreparedness, among other reasons, contribute to significant gaps between potential market size and the actual market that businesses can serve. This presents governments with an opportunity to broaden the markets by improving foundational requirements for scaling businesses. For example, education technology (ed-tech) is touted as a solution that improves learning outcomes. However, in the absence of ubiquitous and affordable digital infrastructure, ed-tech businesses cannot scale to "last-mile markets" – meaning they cannot reach the most remote or less accessible customers – thereby reducing their serviceable markets to urban and peri-urban areas with more affluent student populations.

## Integrating sustainability-related accountability

While there is consensus on the role of the private sector in achieving national development commitments, commensurate action by governments to provide a conducive environment for sustainability-focused businesses is often missing. Due to a lack of the right incentive structures, limited knowledge-sharing opportunities and a lack of monitoring mechanisms, policies remain substantively focused on economic outputs instead of working on wider environmental and societal goals. For example, achieving nationally determined contributions (NDCs) under the Paris Agreement is not possible without policy support to implement the action plans for adaptation and mitigation. This requires clear industrial policies that provide the right incentives and accountability guidelines.

Governments are recognizing and acknowledging this gap, which has led to the tightening of regulations in some markets, with an increasing focus on building green taxonomies and sustainability-related reporting frameworks that also tie in social and governance metrics to standardize performance benchmarks for the private sector. However, this increases the burden of proof on the private sector to demonstrate socio-economic outcomes in markets where the policy and regulatory support for an impact economy is still at a nascent stage. This burden of proof is particularly heavy for smaller businesses that may lack the resources to comply with the reporting requirements, potentially impacting their access to networks and resources that could help their solutions scale. This uneven playing field accentuates the likelihood of impact washing, instead of correcting it, at least until industrial policies incentivize market systems to make sustainability a business-as-usual practice. Such changes, as and when they occur, can also potentially help governments collect and report empirical data to benchmark impact performance and set expectations for minimum thresholds.

## SDG finance–policy imbalance

Financing SDGs through public and private funds will continue to be challenging without a clear understanding of the role of policy and institutions in supporting the flow of capital. Barriers such as lack of infrastructure and high-quality human capital discourage private sector capital flows. For example, increased investment in health care is ineffective in contexts where health care professionals are scarce or where businesses must negotiate complex licensing and sanctions to provide essential health care services. In addition, due to the lack of data on the cost of capital to create impact and perceived risks associated with innovations in greener and more sustainable industries, it has been difficult for traditional capital allocators to

create products that work well in such contexts. Hence, the availability of concessionary and risk capital is necessary to reduce entry barriers for the private sector and to make sustainability-linked investments attractive. There is a strong push to rally development finance institutions to increase the availability of such capital, as many developing countries face varying degrees of debt crisis, shrinking their fiscal space to support SDG-aligned investments.

However, these policy considerations are challenging, especially as many developing countries face multiple social and economic crises, making it difficult to prioritize policy shifts in the right sequence. Hence, intentional and functioning policy regimes is crucial to nurture the growth of an impact economy.

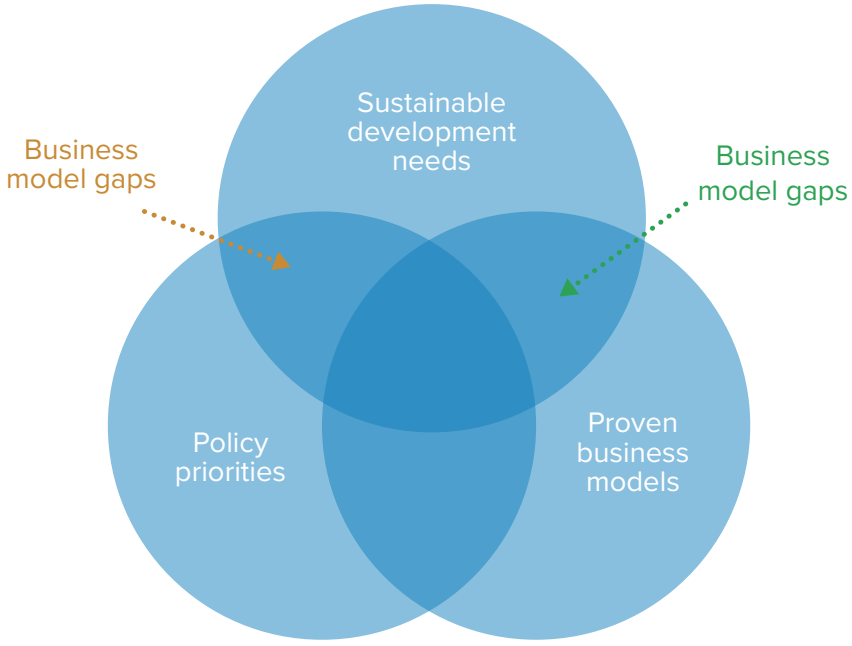
In view of the above, the following section unpacks the policy gaps that impede optimal private sector participation in the capital market, which, if addressed, could unlock SDG-aligned investment and move the needle positively on the SDGs.

## Identifying policy gaps in SDG Investor Maps

Developing an SDG Investor Map is a consultative process requiring structured interviews and discussions with government and private sector stakeholders. While the process helps map the IOAs, it also uncovers opportunities classified as policy "white spaces": the policy gaps. These are investment areas with significant development potential that are hampered by ambiguous or absentee policy and regulatory direction, operating in a fragmented market system. Methodologically, the country-led process begins with a comprehensive list of SDG-focused investment areas. Through consultations, these areas are assessed for commercial viability, scale potential, historical evidence of business growth and/or scale, and the willingness of investors to fund. As these criteria are applied, many opportunities are shelved due to identified policy gaps, despite being critical for achieving SDG targets.

From a public-private engagement standpoint, every government interacts with markets to some extent, whether through direct resource provision and acquisition or indirect norms and regulatory enforcement. Governments should view their role not only as infrastructure providers and regulation creators but also enablers to catalyse investment opportunities that result in intentional and significant social or environmental benefits. Through strategic policy implementation, governments can resolve these policy impediments by facilitating targeted interventions that can ignite innovation in underdeveloped markets.

**Figure 2: Identifying policy gaps in SDG Investor Maps**



The policy gaps identified in the Maps point to two categories of policy-related challenges, which this report unpacks:

01

## Category I

Highlights sector- and industry-specific policy gaps that hinder the flow of capital and scaling of business models to address the SDGs. The impediments vary, ranging from outdated policies that fail to address present-day challenges, to a lack of fit-for-purpose financing options, to the absence of industry-specific tax incentives that promote the scaling of business models in last-mile markets, which could reduce regional disparities.

02

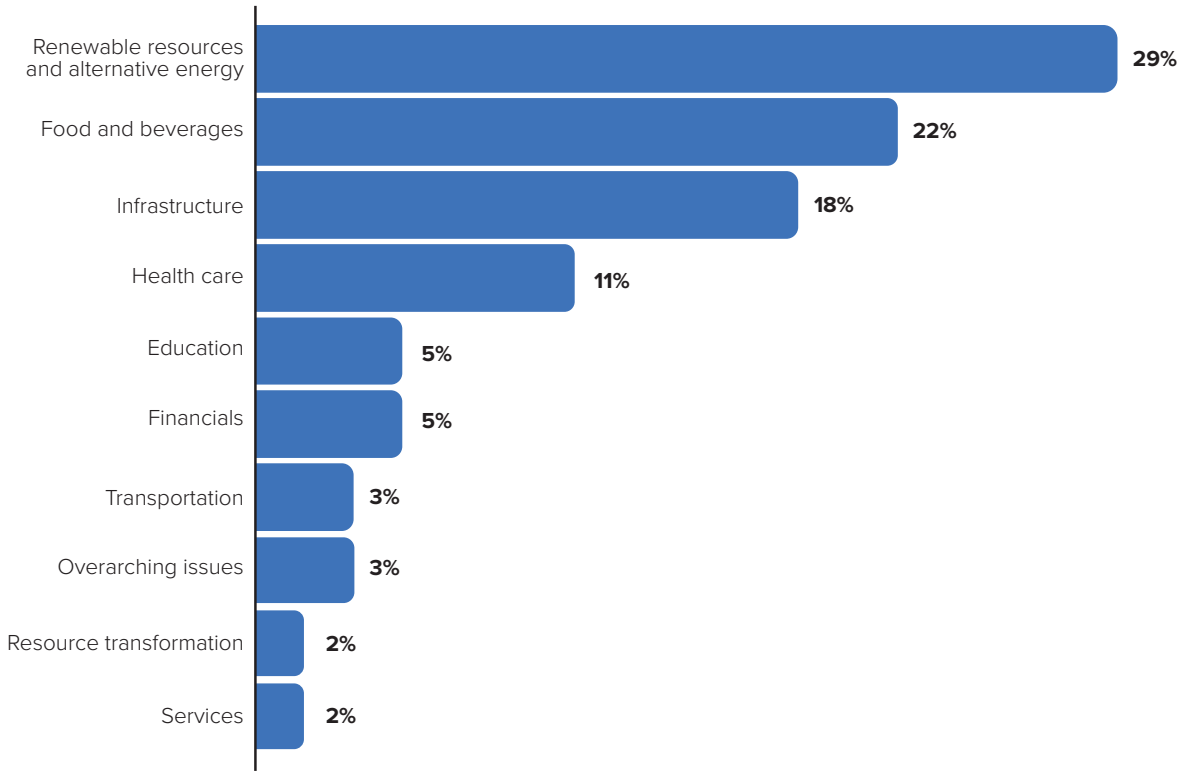
## Category II

Highlights overarching policy gaps that impact most private sector activities, irrespective of the sector/subsector or industry. Examples of such challenges include macro-level stability, a lack of strong and transparent governance systems including the rule of law, effective trade and industrial development policies and demonstrable actions that can help incentivize the private sector as partners in promoting sustainable development.

# Category I – Sector- and industry-specific policy gaps

In this category, 70 percent of the policy gaps are denoted by the renewable energy, food and beverages, and infrastructure sectors, subsectors and industries (see figure 3). These statistics point to sectors where the development needs are the most pressing: energy security, food security, affordable housing, waste management and overall industrial transition to service net-zero ambitions.

**Figure 3: Sectoral policy gap analysis in UNDP SDG Investor Maps (n=120)**

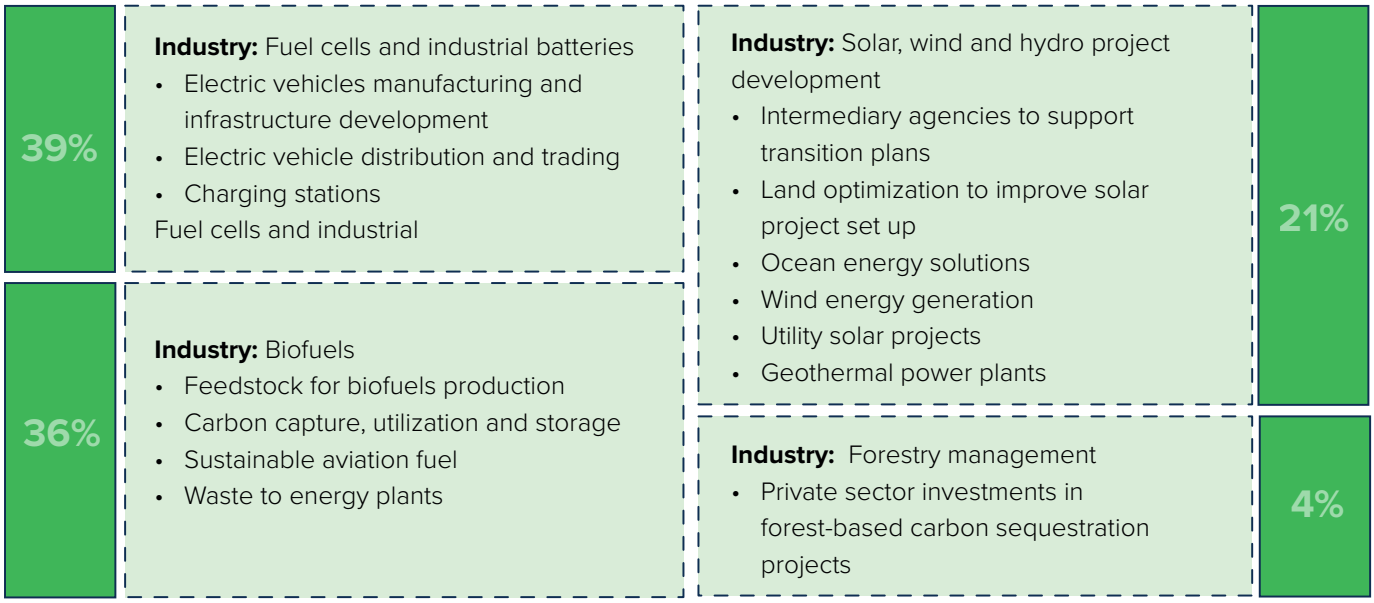



*Source:* UNDP analysis of policy gaps identified through the SDG Investor Map development process.

The fact that these areas have emerged from consultations and research for identifying SDG-enabling investment opportunities also points to the tension between innovation to solve long-standing development issues and the innovators' challenge to navigate a fragmented market ecosystem. This often hinders the scaling of promising solutions. The following sections analyse the top five sectors identified through the Maps' development process. These sections showcase both the investment opportunities that are scalable and are published as IOAs as well as the policy gaps where policy/regulatory shifts and improvements can improve private sector participation.

## Renewable resources and alternative energy

**Figure 4: Composition of policy gaps in the renewable and alternative energy sector**




*Source:* UNDP analysis of policy gaps identified through the SDG Investor Map process.

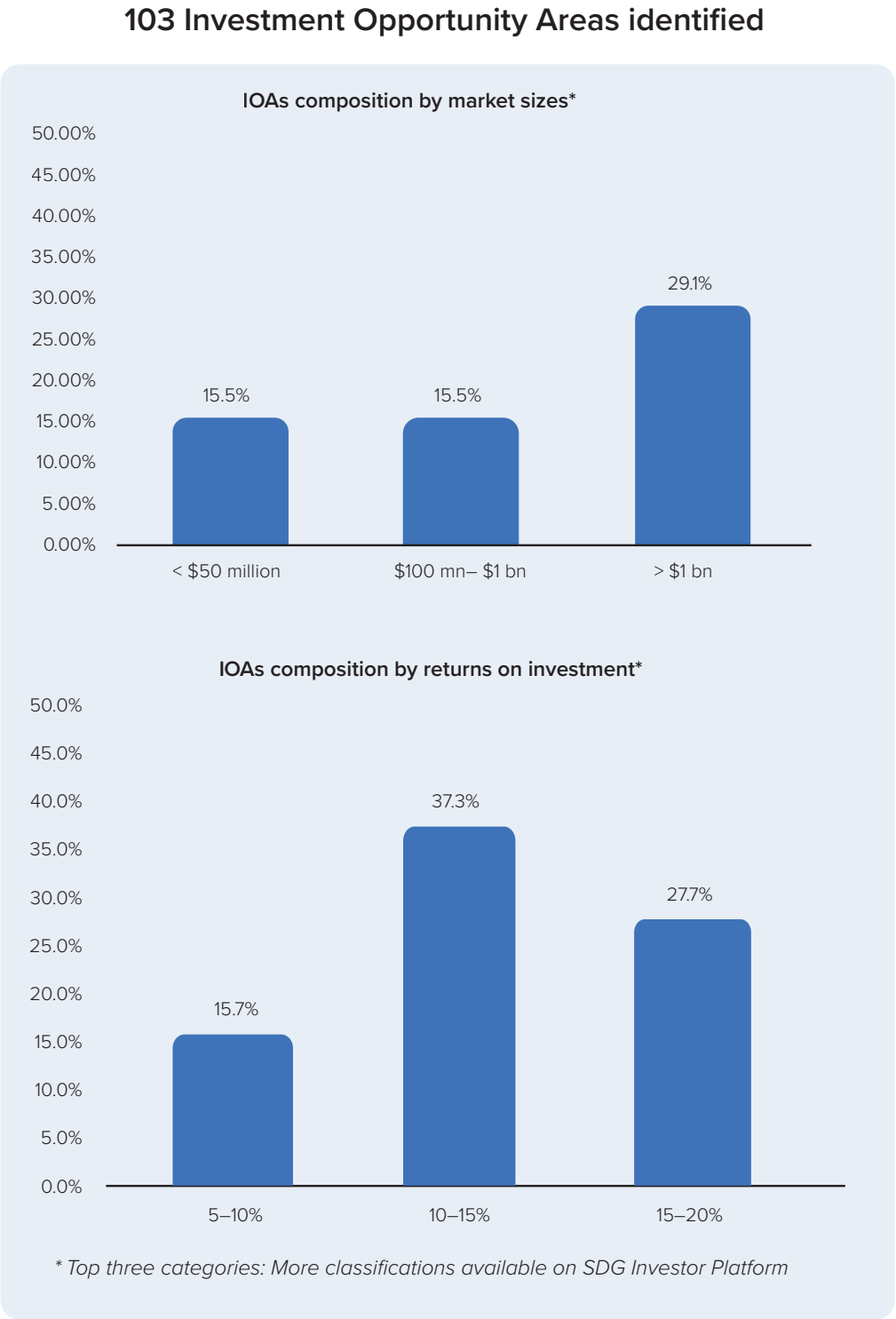
Ambitious NDCs to improve the renewable energy mix need commensurate changes in industrial policies related to power generation, renewables infrastructure development and transmission capacities. There is also a need for clear tariff and tax regimes vis-à-vis fossil fuels and the availability of risk capital. Without such value chain strengthening, there is very little room for the private sector to grow and scale. This often leads to the misconception that such business models are not viable when, in truth, they are narrowed by an unsupportive market ecosystem. This includes supply chain bottlenecks, a lack of subsidies to encourage transition and phase out plans for fossil fuel-centric energy generation, among others. Globally, the focus on strengthening energy transition and decarbonization plans also requires heft from policymakers to encourage traditional, legacy companies – including State-owned entities – to make the transition with speed and agility while ensuring positive social outcomes. Consultations with both public and private sector stakeholders show that, while renewable energy production has improved significantly[1] and compliance is being ramped up across countries, parallel efforts to provide capacity-building support for the energy sector workforce to pivot to 'green jobs' are at best at a nascent stage and at worst entirely missing from policy discussions. This is one such example where lopsided efforts may compromise the outcomes that NDC plans may aim to achieve.

The greening of transport systems is another space experiencing private sector momentum globally, as pivoting to electric vehicles forms a key part of governments' decarbonization plans for the transport sector, which contributes almost 25 percent of all energy-related greenhouse gas (GHG) emissions (United Nations Environment Programme, 2023). However, developing markets continue to experience fragmentation in the value chains of electric vehicles because of the high cost of components – especially batteries, ethical sourcing of raw materials and a lack of policies and regulatory support to strengthen charging infrastructure and citizen incentives for adopting electric vehicles.

Despite policy fragmentation, the impact potential of investments in the renewable energy and alternative energy sector is extremely promising and continues to draw investor interest driven both by impact and investments that are environmental-, social- and governance-linked and by mainstream capital allocators. It is therefore no surprise that, of the 600+ IOAs published on the SDG Investor Platform, 16 percent are from this sector, indicating private sector interest and a clear role for them to play in the growth and scale of solutions in this space.

1 According to the International Energy Agency, over 2022-2027, production of renewables has seen an 85% acceleration from the previous 5 years, propelled by the energy crisis resulting from the Russia- Ukraine war (International Energy Agency, 2022).

**Figure 5: Commercially viable impact opportunities in the renewable and alternative energy sector**




*Source:* UNDP SDG Investor Maps.

## Country example: Azerbaijan

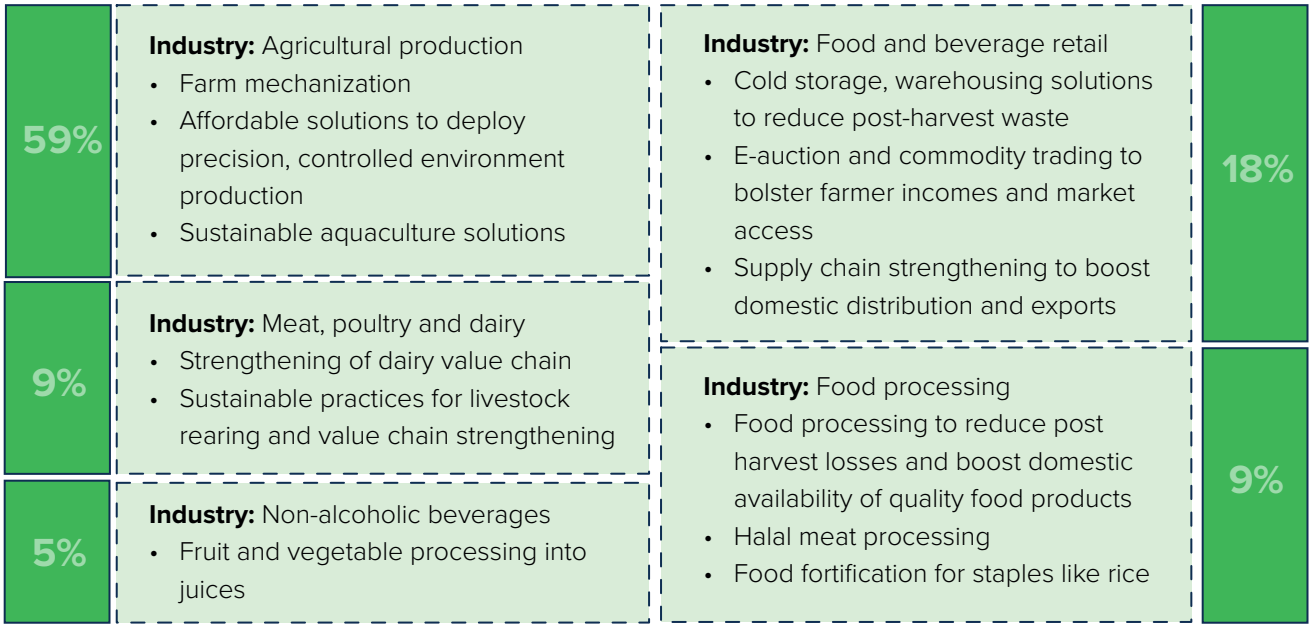
### Utility-scale onshore and offshore wind farms

The implementation of onshore and offshore wind farms can significantly contribute to Azerbaijan's goal of generating 30 percent of its energy from renewables by 2030. Despite abundant renewable resources and the government's commitment to greening the energy sector, the regulatory and policy environment around renewables remains in its early development stage, with private sector participation limited to project-based pilots. The progress of large-scale renewable energy projects in Azerbaijan is hindered by various technical and regulatory obstacles. On the technical side, the national grid needs to be upgraded and strengthened to accommodate additional renewable energy generation.

Currently, private sector engagement in Azerbaijan's renewable energy sector is limited and led by major international companies. Low utility costs, weak feed-in tariffs for renewable energy, and a scarcity of financial incentives in the renewable energy sector block investment flows. Although significant regulatory improvements have been made through the introduction of the 2021 regulations, "On Utilization of Renewable Sources in the Electricity Production" and "On Efficient Use of Energy Resources and Energy Efficiency", these measures alone have not been sufficient to attract domestic and foreign investors to the renewable energy sector. Financial and regulatory support mechanisms need significant improvements to attract private sector capital, starting with a transparent tendering process, with competitive purchasing and off-taker agreements – a goal currently being shaped within the developing public-private partnership framework.

## Food and beverages

**Figure 6: Composition of policy gaps in the food and beverages sector**




*Source:* UNDP analysis of policy gaps identified through the SDG Investor Map process.

Most of the industrial policy gaps highlighted for the food and beverages sector point to the lack of policy direction for businesses to pivot to climate-resilient farming practices, the absence of technology/solution knowledge transfer and fragmented supply chain issues, leading to food loss and often exacerbating food security issues, especially for low-income populations. Policy shifts in the food and beverage sector also significantly affect smallholder farmers who produce a third of the world's food (Lowder, Sànchez and Bertini, 2021) and constitute some of the poorest population segments in the world, mostly located in developing countries.2 Over a quarter of the world's workforce is employed in agriculture (World Bank, 2021), and of the total workforce in the sector, 43 percent are women, who are mostly relegated to low-skilled, underpaid and labour intensive jobs with low decision-making power. Despite growing investor interest in this sector, gender-sensitive business models are rarely supported or rewarded by existing market forces, including policy.

Specific groups such as Small Island Developing States are particularly vulnerable to food security issues because of their heavy dependence on imports to meet their needs. It is estimated that Small Island Developing States collectively spend over $8–10 billion annually only on food imports (Food and Agriculture Organization of the United Nations, 2019).

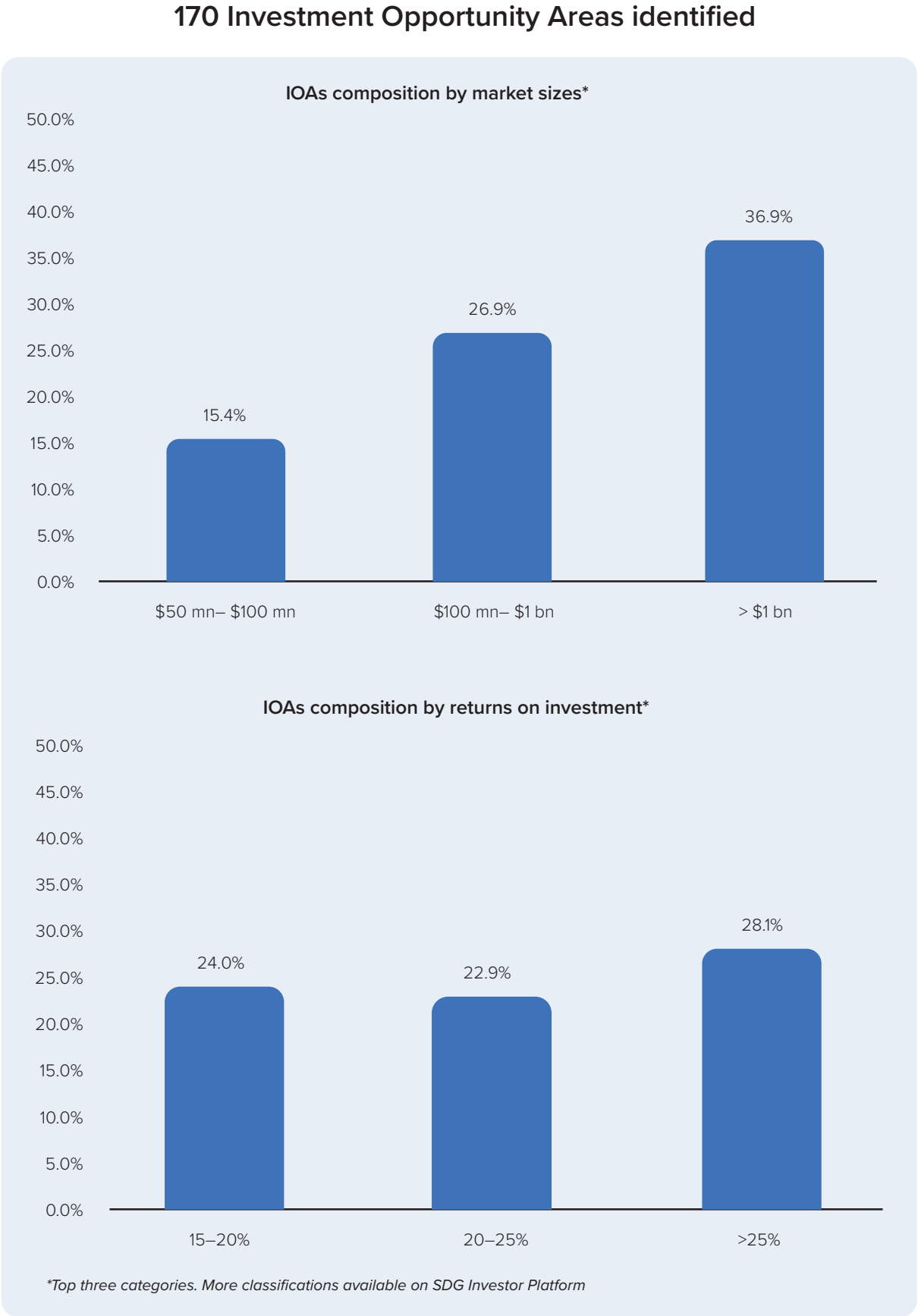
Policies directed at resolving supply chain issues in the sector can also help reduce the current post-harvest food wastage, estimated to be one third of the total food produced annually across the globe, equivalent to 1.3 billion tonnes, valued at $750 billion. The carbon footprint of food waste is estimated at 3.3 billion tonnes of CO2 equivalent to GHG released into the atmosphere per year (Food and Agriculture Organization of the United Nations, 2013).

Overall, feeding the world's population, offering sustainable livelihoods to the farming communities with the growing climate risks and reducing harm to the environment due to the sector are some key concerns that policy initiatives in this sector must address.

From an impact perspective, investments in the food and beverages sector feature prominently on the SDG Investor Platform, constituting 26 percent of total IOAs. The impact potential of these business models on vulnerable population groups such as smallholder farmers, women and children and the potential for stable economic returns makes them particularly attractive to investors. The potential application of technology to food systems and agriculture commodities-related supply chains has also helped businesses achieve economies of scale and reach in some markets. More than 50 percent of the IOAs on the SDG Investor Platform in the food and beverages sector are tech-enabled.

2 Farm size generally increases with average national income levels, with 99 percent of farms in high-income countries larger than five hectares compared to only 28 percent in low-income countries.

**Figure 7: Commercially viable impact opportunities in the food and beverages sector**




*Source:* UNDP SDG Investor Maps.

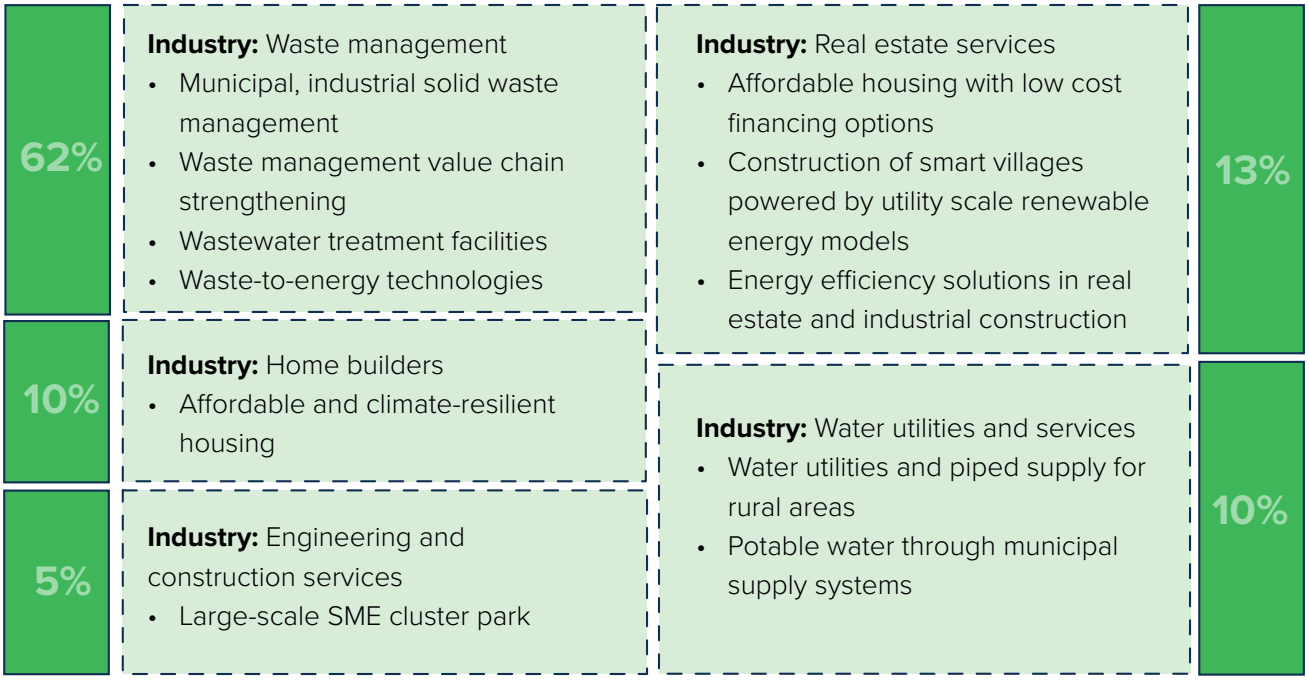
## Country example: Seychelles

### Enhancing agricultural produce to boost domestic availability and consumption

Consultations with public and private sector stakeholders point to the importance of producing nutritious crops in Seychelles, particularly for local households and the hospitality industry, as an impactful potential business model. Today, the country relies exclusively on imports to supply the local market with basic vegetable staples. Because of a lack of arable land on the main islands, Mahe, Praslin and La Digue, this initiative will be promoted for development on the outer islands. Despite the government's aim to assess the sustainability of agricultural lands and their crops, and its commitment to developing respective policies, this has yet to be realized. If policy and regulatory gaps are addressed, Seychelles can substitute fruits and vegetable imports which amounted to SR553 million ($40.3 million) in 2021. The ratification of the African Continental Free Trade Area presents new market opportunities for trade, allowing Seychelles to tap into the export potential, thus expanding the market potential for its local production sector.

## Infrastructure

**Figure 8: Composition of policy gaps in the infrastructure sector**




*Source:* UNDP analysis of policy gaps identified through the SDG Investor Map process.

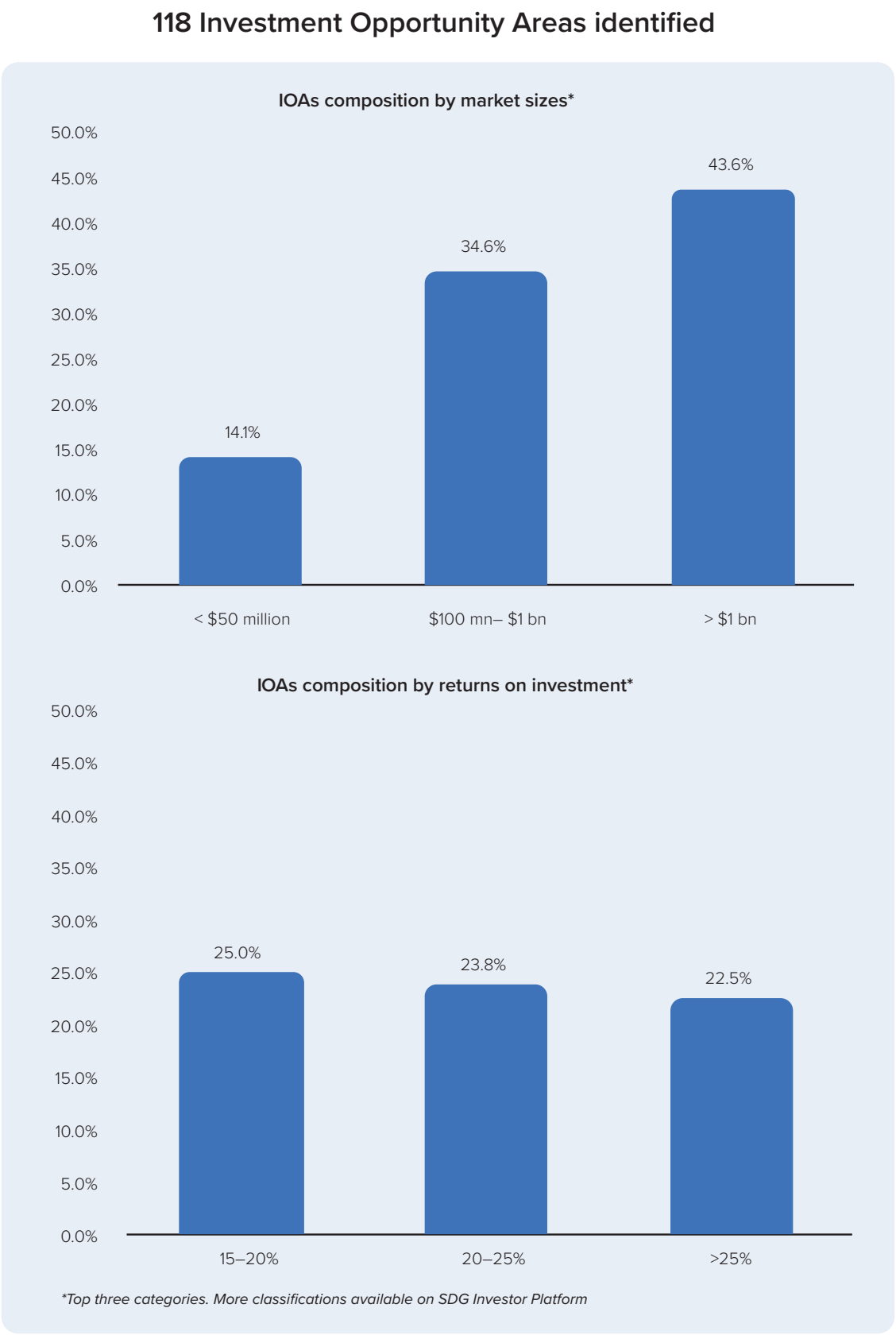
In the SDG Investor Map context, most infrastructure-related investment opportunities researched and tested are related to affordable housing, utilities such as water and electricity supply and waste management. Climate considerations especially impact the review and evaluation of infrastructure investments where such outcomes need to be necessarily built into investment decisions.

It is notable that 62 percent of policy gaps identified in this sector are related to waste-related value chains. With over 2.01 billion tonnes of solid waste generated per annum globally, of which more than a third is not managed in an environmentally safe way (Kaza et al., 2018), this represents a significant policy issue as it impacts health, well-being and the environment with long-term implications. While there has been a significant uptick in waste management-related business models (36 percent of all Infrastructure-related IOAs on the SDG Investor Platform are related to waste management), the policy landscape remains fragmented. Critical challenges that have been highlighted during consultations with the private sector pertain to the lack of comprehensive policies that address all the levels of the waste value chain, such as waste collection across land, oceans, river systems, segregation and supply chain challenges, and coordination between different sectors generating waste. Concerns have also been raised around the lack of transparency and predictability of tendering processes for municipal waste management, raising the risk profiles of companies operating in this space.

Policies to ensure adaptive infrastructure in the face of changing climate conditions and the rising frequency of infrastructure damage and human/biodiversity displacement from climate disasters are crucial. Globally, 1.6 billion people live in inadequate housing conditions, with about 15 million forcefully evicted annually, many of whom are women and children (United Nations, 2020). Policy innovations to link public investments and incentives for the private sector to tie commercial success with social outcomes are the minimum to guarantee the inclusion of marginalized communities and groups. Further, solutions that address affordability and adaptation/mitigation initiatives require cohesive cooperation and unified policy direction across different government agencies. For example, the integration of affordable housing equipped with solar power requires collaboration between different line ministries for urban planning, utility provision, infrastructure and others, without which impactful business models cannot scale effectively.

Despite the evolving nature of the infrastructure-related industries and businesses, also influenced by the shifting climate profile globally, the sector continues to attract investments, particularly as capital allocations towards climate adaptation and mitigation increase. Figure 9 shows that, in many contexts, businesses are generating market returns with nearly 46 percent of IOAs offering a payback period between 5 and 10 years.

**Figure 9: Commercially viable impact opportunities in the infrastructure sector**




*Source:* UNDP SDG Investor Maps.


## Country example: Malaysia

### Potential IOA: Waste-to-energy facilities

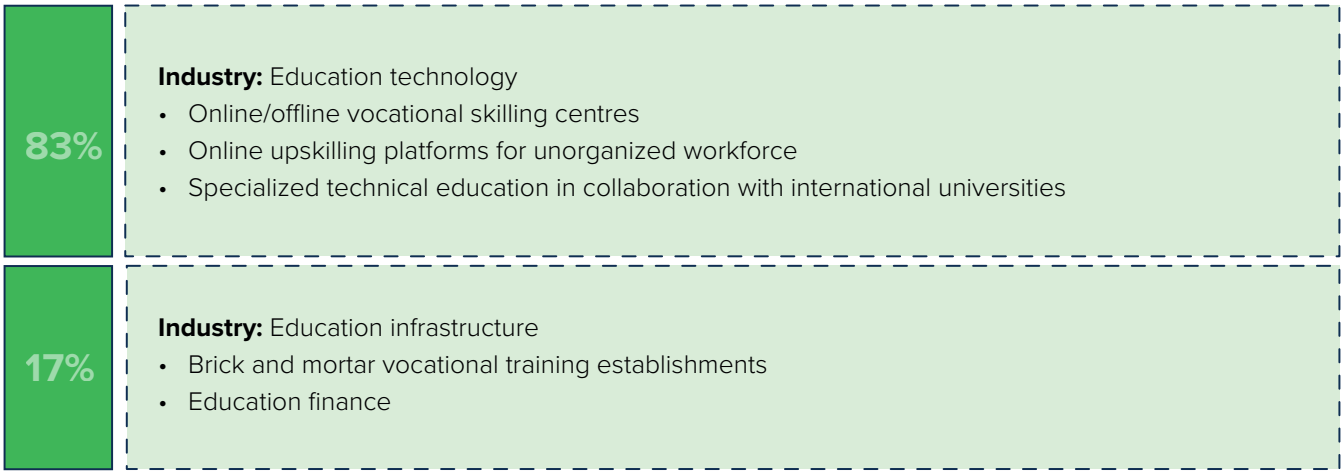
Transitioning to renewable energy will save Malaysia between $9 billion and $13 billion annually by 2050 in avoided energy, climate and health costs. Waste-to-energy (WTE) solutions can contribute significantly to the country's renewable energy ambitions. In 2021, Malaysia produced 3 million tonnes of solid waste, representing 1.17 kg of waste per capita per day (Malaysian Investment Development Authority, 2022). When designed with appropriate technologies, WTE can mitigate environmental harm by enabling landfill diversion, minimizing GHG emissions, and reducing reliance on non-renewable energy sources for energy generation. Policy clarity with some degree of standardization for WTE is required in Malaysia, such as clearer guidelines for WTE facilities, to ensure that environmental standards are met and help reduce landfill waste. From the supply side, an extended producer responsibility framework is needed to hold manufacturers responsible for the life cycle impacts of their products, including disposal and recycling. Additionally, incentives need to be provided for circular economy practices in the form of tax incentives and grants. In the same vein, public awareness and education campaigns on the importance of recycling and waste segregation at the source need to be enforced.

## Health care and education sectors

For this report, the health care and education sectors are examined together since the status of their combined contribution to the quality of human capital in a country becomes a critical inflection point for the private sector's confidence to resource their businesses with a high-quality workforce. Deemed to be social sectors, education and health care are seen as important indicators of a healthy, productive population. However, in many developing countries, the challenge lies in the quality and efficiency of public service delivery, which often does not meet the demand, creating opportunities for private sector solutions that can quickly fill market gaps.

## Education

**Figure 10: Composition of policy gaps in the education sector**



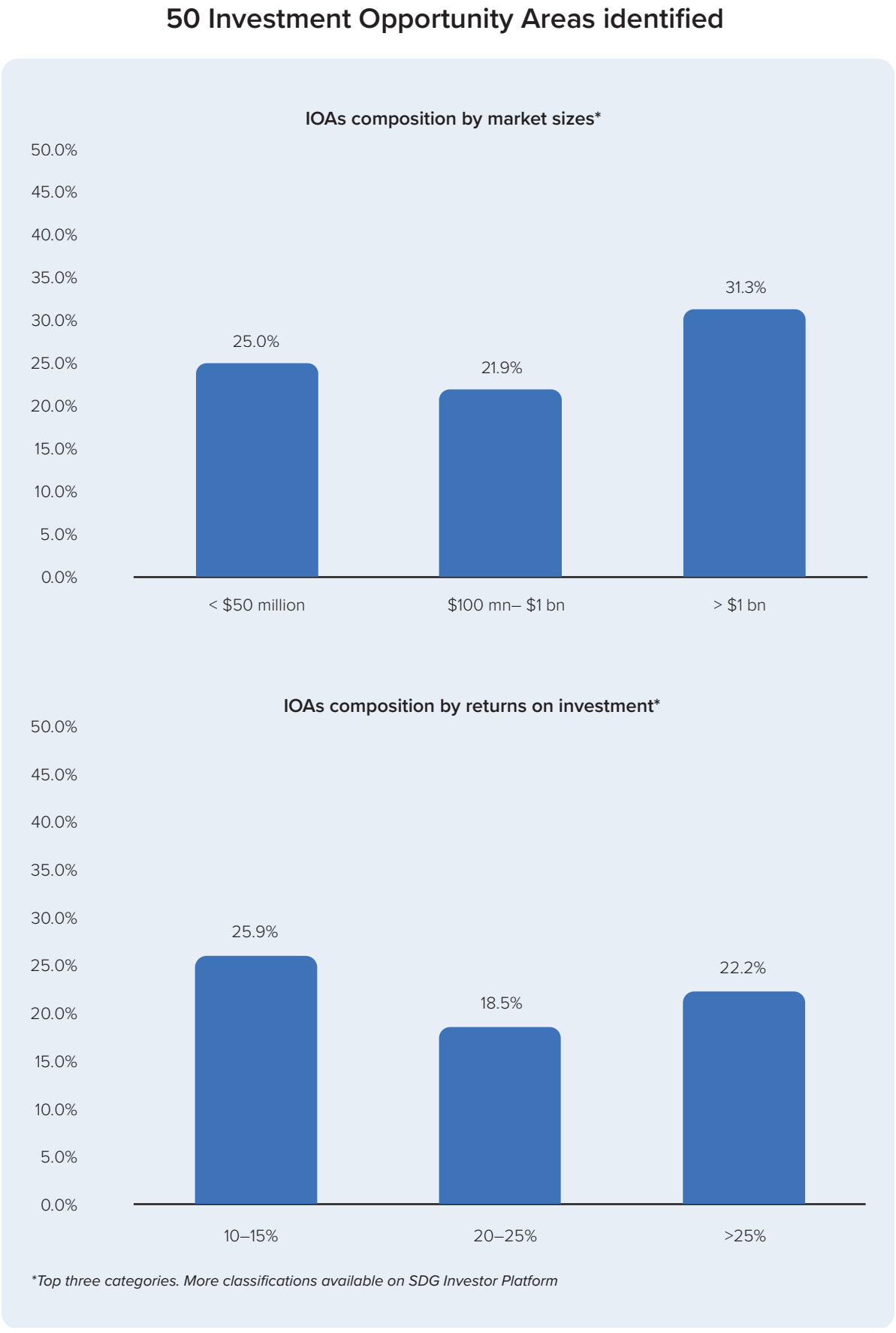

*Source:* UNDP analysis of policy gaps identified through the SDG Investor Map process.

Since the onset of the COVID-19 pandemic in 2020, around 40 percent of low- and lower-middle-income countries have reduced their educational spending (World Bank, 2022). As at 2024, the situation has not reversed, and spending on education continues to lag as governments focus on recovery efforts to address the pandemic's medium-to-long-term socio-economic impacts. There is significant scope to improve the private sector's participation while keeping intact the idea of education as affordable and primarily a public good. Investor consultations have indicated that access to a skilled workforce is essential for scaling businesses, particularly those requiring diverse technical skills. Hence, 83 percent of policy gaps recorded for the education sector focus on improving workforce quality through skill and technical education, especially as new industries emerge and green transition commitments take effect.

However, policy challenges, such as the lack of coordination between different line ministries (as skilling underpins several sectoral/industrial policies) and the lack of standardized assessments and internationally recognized accreditations, persist. There is also a need for coordinated efforts with financial institutions to offer affordable education financing solutions and systems that incentivize the private sector to employ the workforce emerging from skilling initiatives.

When properly channelled, investments in the education sector can help improve learning outcomes for learners and help democratize access to high-quality education and skilling services. Given its importance in contributing to socio-economic growth in emerging markets, opportunities in this sector feature prominently on the Maps with over 46 percent of the education sector IOAs providing competitive returns to investors. The growth of tech-enabled business models enabled by improved digital infrastructure in some markets has led to dedicated investments in this space in niche areas such as learning management systems, tuition and coaching services, and upskilling platforms, among others.

**Figure 11: Commercially viable impact opportunities in the education sector**




*Source:* UNDP SDG Investor Maps.

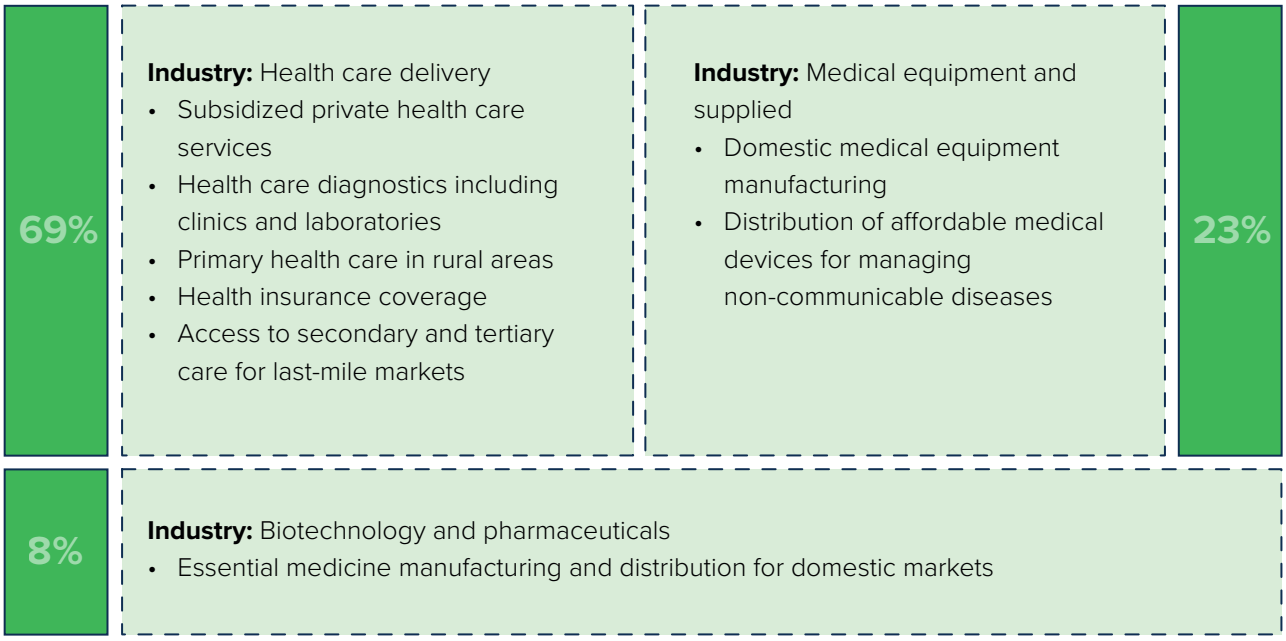
## Country example: Cambodia

### Potential IOA: Factory-linked technical and vocational education and training institutes

A key part of the economic community of the Association of Southeast Asian Nations, Cambodia launched its Industrial Development Policy in 2015 aimed at attracting diversified industries and investments and thus moving away from the industries providing low-skilled employment. Creating diversified and skilled jobs requires a labour force capable of adapting to new industrial environments and an education system responsive to economic change. Cambodia has a comparative advantage in the regional labour market due to its having a young workforce and one of the highest workforce participation rates in South-East Asia at 69.3 percent, as of 2019. In addition, the country is also a source of cross-border workforce supply with 1.23 million workers employed overseas as of 2018. To attract high-value industrial growth and to ensure private capital inflow, Cambodia needs to widen its industrial base and increase value addition. The skills gap has been identified as one of the main challenges for investors during SDG Investor Map consultations. Current educational offerings do not match industrial demands for a trained workforce due to the absence of policy direction, quality assurance, outdated training methodologies, insufficient infrastructure including outdated equipment choices, and assessment systems for trainers and trainees that match international best practices.

## Health care

**Figure 12: Composition of policy gaps in the health care sector**

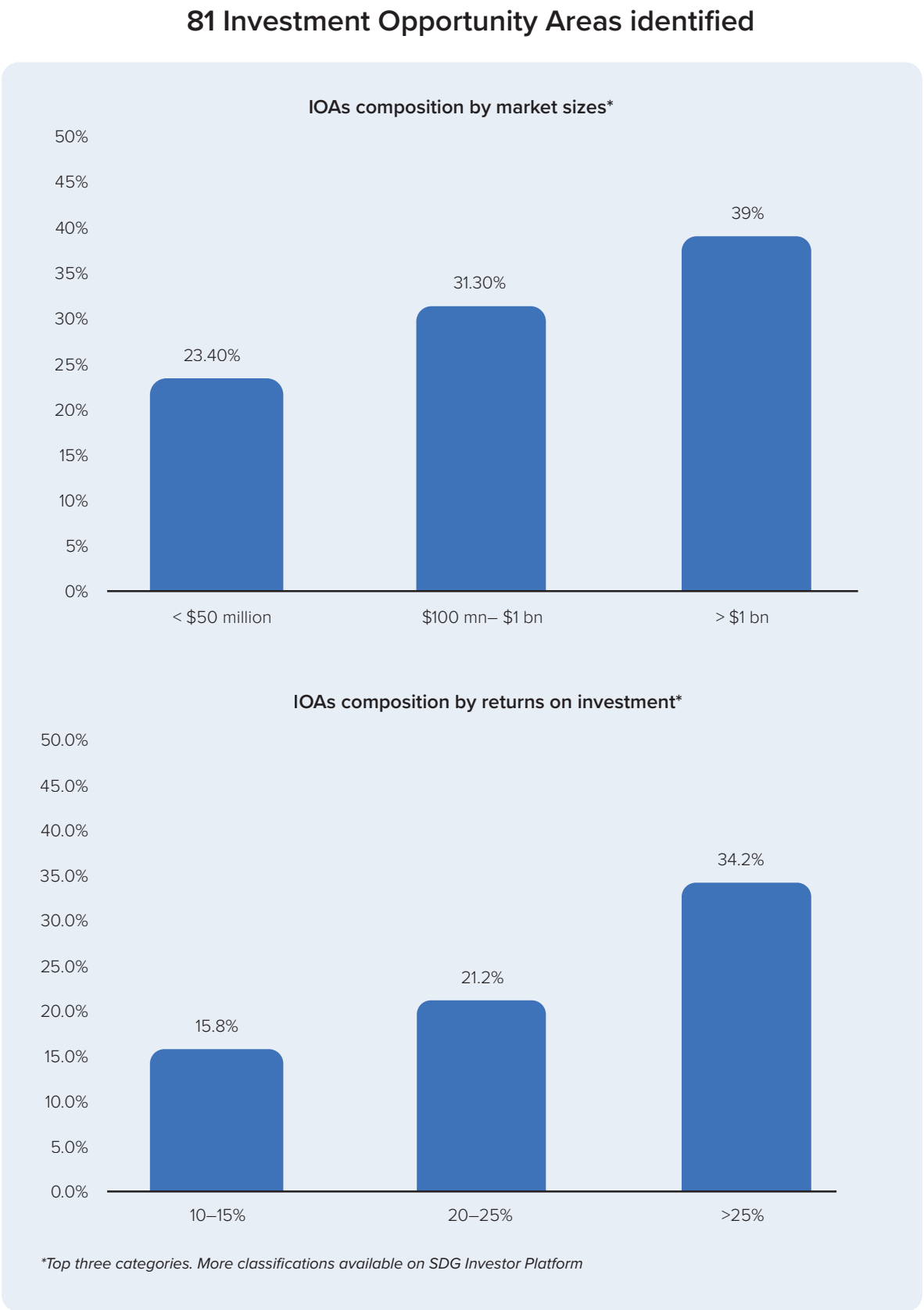



*Source:* UNDP analysis of policy gaps identified through the SDG Investor Map process.

The health care sector has seen a significant uptick in global spending, largely influenced by the COVID-19 pandemic. From 2022, sharp increases in government health spending at all income levels underpinned the rise in health spending to a new high of $9 trillion, approximately 11 percent of the global GDP (World Health Organization, 2023). However, most of this upward trend is attributed to increased public expenditures in upper-middle- to high-income countries as a fiscal response to the pandemic. Developing countries continue to face challenges such as high out-of-pocket expenditures as well as a lack of availability and access to quality health care services, especially for low-income populations. The supply chain disruptions following the pandemic have further highlighted the inequitable distribution of essential medicines and medical equipment. The private sector stands to add significant value in complementing government efforts to bridge these gaps – provided these are scaffolded by strong policies to resolve issues, such as the infrastructure required for health care delivery to last-mile markets, supply chain coordination between primary, secondary and tertiary health care needs, and adequate financial coverage to health-care-induced financial vulnerability, among others. The health care policy gaps, therefore, strongly reflect the policy fragmentation that continues to make the health care sector inequitable and inaccessible for so many people in developing countries.

The health care sector is a hub for a lot of investment activity as traditional industries such as pharmaceuticals continue to grow and draw big-ticket investments. As seen in figure 13, the return expectations, both aspirational and those recorded by studying investor exits, are higher than many other sectors featured on the SDG Investor Platform. Again, tech-enabled solutions are a key contributor to making health care services accessible and affordable with an uptick in the growth of such business models in recent years, partly propelled by improved digital infrastructure in some markets and more recently due to COVID-19 pandemic-induced health care demands.

**Figure 13: Commercially viable impact opportunities in the health care sector**




*Source:* UNDP SDG Investor Maps.

## Country example: India

### Potential IOA: Primary care centres and services in rural areas

The availability and accessibility of affordable primary health care services in rural India is a significant challenge (Mohan and Kumar, 2019). The high cost of private health care providers and the lack of viable business models to reach low-income populations is a major barrier to improving health outcomes and reducing health inequities. The cost of non-hospitalized treatment in rural India continues to be high, preventing people from seeking treatment and pushing them into poverty due to out-of-pocket expenses (National Family Health Survey, 2016). This has a significant impact on the overall demand for primary health care services. More than 64 percent of health care delivery in the private sector is conducted by small-scale entities that are subscale with low capacities and efficiencies (NITI Aayog, 2019). There is a need to consolidate and integrate the fragmented service delivery market to provide better quality services at scale, particularly for the last-mile population segments. Without having policy aid, such as government subsidies, and significant tax breaks/incentives, health care expansion into all regions in India is restricted. The quality of service may suffer in the absence of strong regulations that ensure consumer protection and high-quality assurance.

# Category II – Overarching policy gaps challenging private sector participation

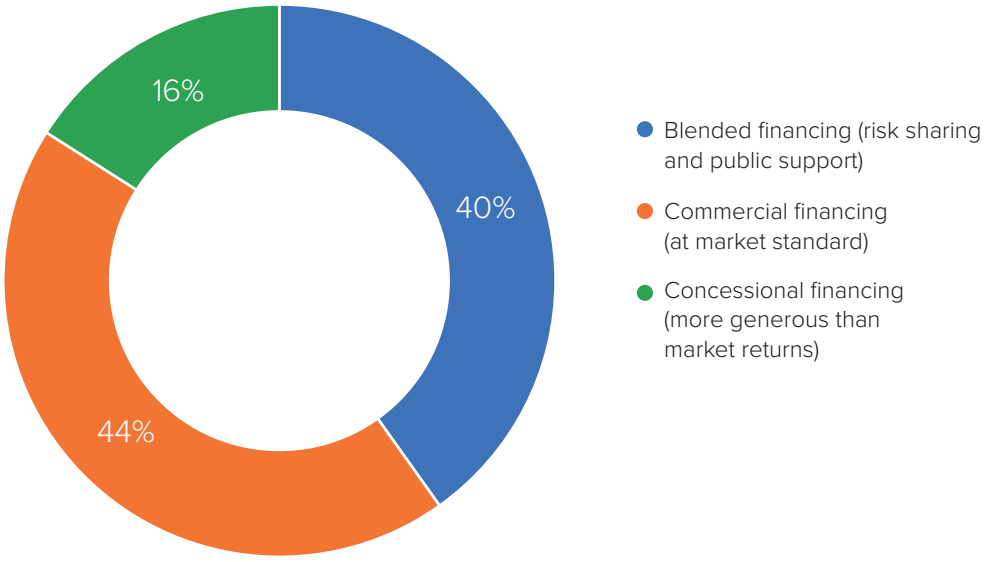
While the previous section described the vertical, sector-focused industrial policy gaps, this section focuses on underpinning policy needs that are cross-cutting and critical to address the plumbing issues in private sector capital flows to the SDGs. These include:

**Building policy coherence for SDG investments**
The adoption and ratification of the 2030 Agenda have successfully helped land the development narrative using a universal framework, but for actual implementation and for realizing the desired SDG outcomes, policy systems need to be navigable between industrial policies and development agendas.

Fragmentation and the lack of commonly agreed-on performance indicators at a national, subnational and interministerial level make it challenging for the private sector to navigate despite best intentions. Policy coherence is also reflected in how well regulations on sustainable investments with clarity on performance thresholds are defined and implemented.

**Availability of fit-for-purpose finance**
A key issue in the flow of private finance is the availability of capital in the form that best serves the scaling of business models making products and services affordable for those who need them the most. Through various financing dialogues with the private sector for identifying IOAs for the SDG Investor Maps, the discussion often centred on understanding the critical thresholds that define the cost of capital required to create impact.

**Figure 14: Financing models identified in SDG Investor Maps**




Traditional financing instruments like debt and equity may not support the scaling of impactful business models because of perceived and unknown risks. This necessitates the combining of these instruments with more catalytic pools of funds to help de-risk investments and encourage innovation, especially in emerging markets. There is scope to enhance the availability of such funds to ensure access to fit-for-purpose capital for outpacing development challenges.[3] Geopolitical trends, leading to inflation and price volatility, add to the constraints that hold back the flow of finance. The lack of strategic coordination to mobilize required funding volumes to catalyse impact is evident by blended finance flows of a mere $170 billion (of which $108 billion flowed into climate-related deals) (Convergence, 2022), which pales in comparison to the $130 trillion committed to achieving net-zero emissions (Mair, 2022).

3 UNDP Sustainable Finance Hub produced a stocktake report for the Indonesian G20 presidency in 2022 that spotlights the importance of blended finance in catalysing investments into the SDGs. See https://inff.org/resource/2022-inff-sustainable-investment-stocktake.

**Digital public goods**
Investors and enterprises often bring up the lack of digital infrastructure as one of the binding constraints to scale products and services to last-mile markets. Building strong, public digital infrastructure can help governments maintain their sovereignty, offer safety to citizens, and help innovators create groundbreaking solutions. Such digital goods, especially payment and data registries to enable small and micro businesses are important, as MSMEs account for over 90 percent of businesses in developing economies and often lack access to markets, financial resources and capacity-building to grow and scale. Digital IDs for citizens also facilitate access to social security benefits, goods and services, with opportunities for transparent recourse mechanisms. Moreover, the availability of national open-source digital goods offers the agility to test business models and solutions without the risk of getting locked in or constrained by proprietary technology.

**Availability of a future-fit and inclusive workforce**
With the rallying call for transitioning legacy businesses through decarbonization strategies and creating new, green industries, equipping the current and future workforce to service such businesses is critical and needs to be a deeply collaborative exercise between the public and private sectors. The cost of skilling labour to service a business model is a risky proposition if steered solely by the private sector, requiring a significant upfront investment that discourages the flow of capital. The pandemic-induced loss of jobs and labour-saving strategies employed by businesses requires policies to creatively pivot national workforce preparedness, as they implement their socio-economic recovery plans. Revising workforce policies geared to the greening of labour laws, vocational guidance and re-training for workforce shifts from fossil-fuel-based businesses to renewables is a key requirement. Flexible work schedules that enable inclusive workspaces for women and other marginalized groups, are some of the building blocks to equip sustainable businesses with an equally empowered workforce.

**Supporting MSME market linkages**
MSMEs are the backbone of most developing economies providing more than 50 percent of employment globally. The critical contribution of MSMEs to broader socio-economic objectives, including job creation, makes them a key priority area for achieving the SDGs. Formal SMEs contribute to 40 percent of GDP in developing countries, a conservative estimate given the large number of informal businesses (World Bank, no date). From a sustainable development perspective, policy initiatives to strengthen MSMEs are a non-negotiable baseline from which to attract private sector capital. Paving the way for MSMEs to plug into global supply chains by helping them access finance and marketplaces, strengthening their digitization journeys and providing visibility through national MSME registries are a few opportunities to elevate the MSME landscape in developing countries.

## Integrated national financing strategies: A solution for enhancing policy space for an impact economy

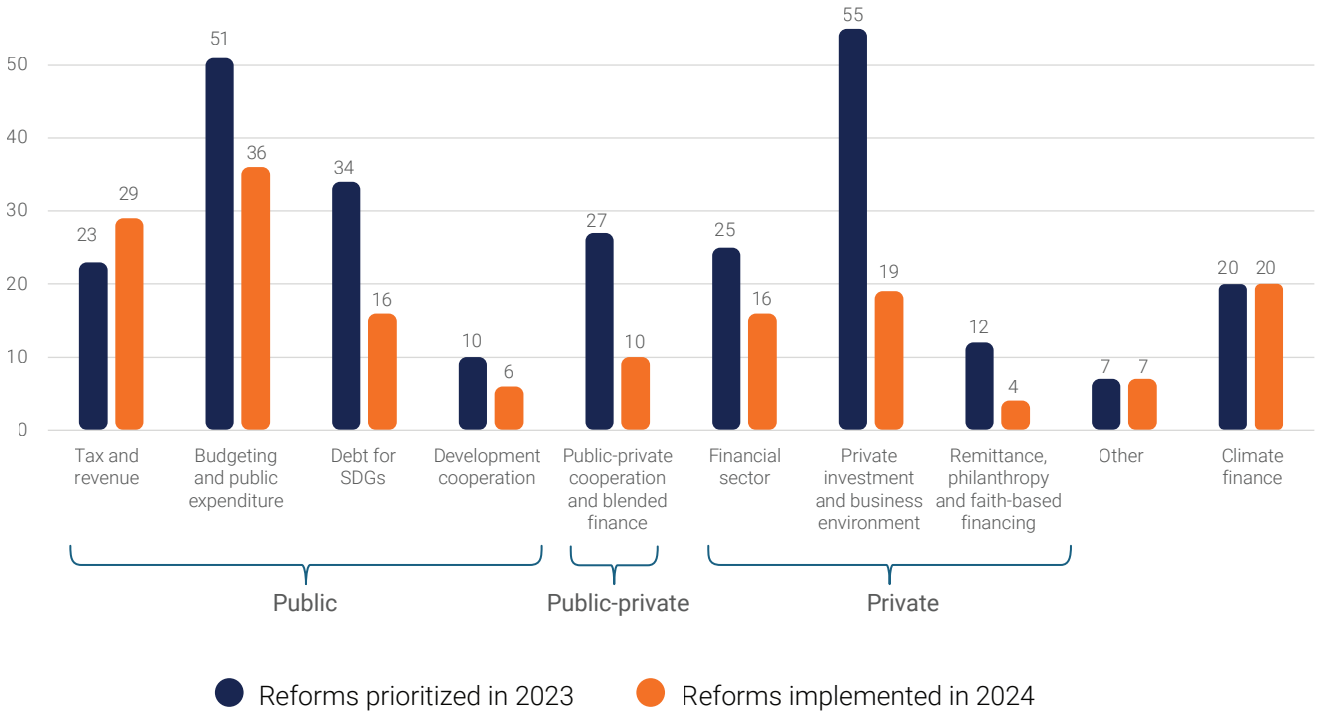
Many overarching policy gaps identified through the SDG Investor Map development processes are common across regions and countries and require a consolidated, multi-stakeholder effort to implement the necessary reforms.

As part of UNDP Sustainable Finance Hub's efforts to strengthen the policy space for sustainable development, UNDP teams have been working with governments in a country-led effort to create the INFFs that spell out how the national development strategy will be financed and implemented, relying on the full range of public and private financing sources. INFFs are a planning and delivery tool to help countries strengthen planning processes and overcome obstacles to financing sustainable development and the SDGs at the national level.

To date, 86 countries are using the INFF approach to strengthen financing for sustainable development. Thirteen national and subnational governments have an operational financing strategy, and more than 50 countries are implementing reforms shaped through their INFF (INFF Facility, 2024).

Many of these reforms are laying the foundations for longer-term transformation in key financial systems – reconfiguring the budget process to align spending with the SDGs, embedding climate risk in the governance of financial markets or establishing the capacity to deploy SDG-aligned financial instruments. These reforms also address the policy gaps identified above, with policymakers using their financing strategies as a platform to bring together all aspects of private sector governance – from the enabling environment required to foster an impact economy to specific risk-sharing instruments that can be used for transaction-level support.

**Figure 15: Financing reform shaped by INFFs**




*Source:* 2023 INFF survey

The largest reform category, as shown in the following graph, relates to the development of a conducive business/investment environment in the country, which ranges from addressing fundamental investment related issues, such as investment laws and regulations, to aligning private investment with the SDGs by mapping out the SDG IOAs, and developing a pipeline of SDG projects. Governments are using INFFs to catalyse and accelerate the incorporation of sustainability into the foundations of financial markets at the national level. Common priorities relate to the development of capital markets, the banking sector, insurance and risk financing, financial inclusion, remittances, credit guarantees and other areas including carbon markets, digital finance and trade finance. Where financial markets are at an earlier stage of development, the financing strategies have often included measures to drive fundamental financial market development such as deepening capital markets, enhancing market liquidity and establishing international standard regulations.

The impetus of the INFF approach to connect financing with sustainable development outcomes is helping drive market development not sequentially but in parallel with embedding sustainability impact. In other words, countries are establishing their financial market fundamentals with the sustainability principles embedded into the INFF process. Sustainable finance taxonomies, sustainability reporting and disclosure frameworks, and sustainability impact management and measurement, are key areas prioritized by many countries.

The INFF provides an opportunity to take forward the implementation of the identified overarching policy gaps as part of the financing strategy and its implementation. There are also opportunities to adapt the INFF experience to solve Category I of policy gaps identified in this contributing paper on sector- and industry-specific policy gaps to improve policy coherence and overall ecosystem for the private sector.

**Indonesia,** for example, launched its INFF road map in August 2022, which linked to the Medium-Term National Development Plan/RPJMN (2020–2024). Private financing is expected to cover about 40 percent of the total financing needed.

To attract investments from the private sector for the SDG priority areas, Indonesia developed an SDG Investor Map in 2022, with support from UNDP, highlighting the investable opportunities in SDG-enabling sectors that have potential to create deep development impact as well as providing favourable commercial returns to investors. Eighteen IOAs were identified, encompassing six sectors: education, health, infrastructure, food and beverages, renewable energy, and financial services, with an estimated market size of at least $13 billion. Sector deep dives have been convened to explore the investment and policy gaps to improve the enabling environment. To further channel investments towards the SDG priority areas, the Ministry of National Development Planning developed the Indonesia SDG Investment dashboard as a matchmaking platform to connect pipeline of SDGs projects with potential impact investors. Indonesia has also implemented a "Blue Finance Accelerator" programme to provide capacity-building and support mechanisms on business and impact for start-ups and SMEs operating in blue sectors.[4] The Blue Finance Accelerator aimed to catalyse public and private capital within the social entrepreneurship sector. As a collaborative and innovative platform, Blue Finance Accelerator enabled local start-ups, SMEs and government units to scale up blue economy projects. Twelve accelerator ventures combined have provided solutions to over 60,000 individual beneficiaries and 500 institutional beneficiaries across eight Indonesian provinces, with 83 percent of the ventures being women-led or -founded.

## Colombia case study

Colombia has identified 22 SDG-aligned investment opportunities in seven economic sectors: food and beverages, technology and communications, renewables and alternative energy, health care, financials, infrastructure, and services and education. Through multi-stakeholder dialogues as part of the SDG Investor Map process, the government identified policy recommendations to improve the impact investment ecosystem. Moreover, a growth stage impact ventures programme has been established to provide high-impact companies operating in the IOAs with access to investment and impact business model support. The growth stage impact ventures programme is supporting seven impact enterprises to scale up their businesses, which represent over $20 million in investment opportunities.

Bringing the integrated approach to sustainable financing, the Government of Colombia is implementing budget tagging, using a Policy Priority Inference tool to identify public investments with the highest SDG impact, and integrating SDG financing tools into their Territorial Planning Toolkit, which enables subnational governments to design SDG-aligned public investment projects.

While the INFFs address a critical component in the policy landscape to consolidate and target efforts to finance the sustainable development agenda, solutions for shifting and course-correcting industrial policies will be equally important to design and implement in order to create meaningful change in how business is done and how expectations around economic output are organized.

4 Including sustainable fisheries, aquaculture, marine debris waste management, plastic pollution reduction, climate change mitigation and adaptation.

# CONCLUSION

The SDG Investor Maps and global research on policy gaps impacting private investment in SDGs suggest the need for a policy framework that shifts the narrative from an output-driven economic system to an outcome-based one, as figure 15 illustrates. This is simply an outline emerging from UNDP **Sustainable Finance Hub's** INFF experience and the rich consultations that contributed to the development of the SDG Investor Maps and the identification of policy gaps thereof.

It is important to underline that commercial returns, environmental outcomes and social outcomes are a joint agenda that can be tangibly measured and managed together, provided a level playing field is created by a supportive policy and regulatory regime. Some broad strokes spanning national, regional and global efforts to shape a future-fit policy framework include:

- **Embedding a sustainability focus in policymaking** to become a business-as-usual practice to encourage similar behaviours in the private sector. Industrial policies especially need to be bolstered by performance indicators that help track and manage sustainability goals.

  At UNDP Sustainable Finance Hub, our teams are working with securities exchange commissions and other government agencies to help institutionalize impact measurement and management into regulatory guidelines for the private sector. For example, Mongolia is expanding the current "green taxonomy" to SDG finance taxonomy to enable monitoring of the SDG alignment of over $7 billion loan portfolios at commercial banks. Namibia, Thailand, Uruguay, Mexico and others are also establishing taxonomies that will track allocations by financial institutions against sustainable development priorities.

  Another example is the Thailand Securities Exchange Commission which worked with UNDP to launch the SDG Guidebook for Thai Listed Companies to provide strong decision-making guidance for listed companies to integrate sustainability considerations into business practices.
- **Adopting sustainability-focused policymaking** and implementation should be an iterative process, given the dynamic nature of many sustainability issues. The unfolding climate crisis and the COVID-19 pandemic are examples of how the definition of problems continuously evolves, requiring agility in policymaking to provide quick and smart solutions where private sector participation is imperative.
  For example, country-led INFFs initiatives are geared towards expanding their SDG policy space, broadening their horizons beyond fiscal policy and public finance reforms.

  Over 30 countries have launched or are developing INFFs and related monitoring frameworks and systems to encourage dynamic policymaking in relation to financing.
- **Policymaking should recognize the role of** disenfranchised groups and communities as active drivers that contribute to sustainability-related goals.

  For example, the lens needs to shift from women and other marginalized groups as 'beneficiaries' to their role as crucial participants in the impact economy where they are important drivers for an inclusive economy. This approach will expand the serviceable market size where both development outcomes and commercial success are achieved.

  For example, the SDG Investor Maps have been built for 43 developing markets (as at July 2024) and 23 percent of the published investment opportunities have the potential to contribute to SDG 5 (gender equality and empowerment of women and girls). Moreover, for policymakers and the private sector, gender and marginalization challenges and opportunities have been analysed for 100 percent of investment opportunities, currently showcased on the platform.
- **Sustainability-focused policy shifts cannot** be effective if they remain isolated initiatives. International cooperation and policy coherence are a must to ensure that sustainability agendas are ratified and implemented across the globe.

  The SDGs have provided the common framework and language but the journey between intention to actual practice remains fragmented and not quick enough to outpace development challenges.

- **The climate crisis is a classic example of** this dilemma where developing economies experience negative impacts of extractive decisions made by developed markets. The playing field will remain lopsided unless common agendas such as the Paris Declaration become binding and equitable.

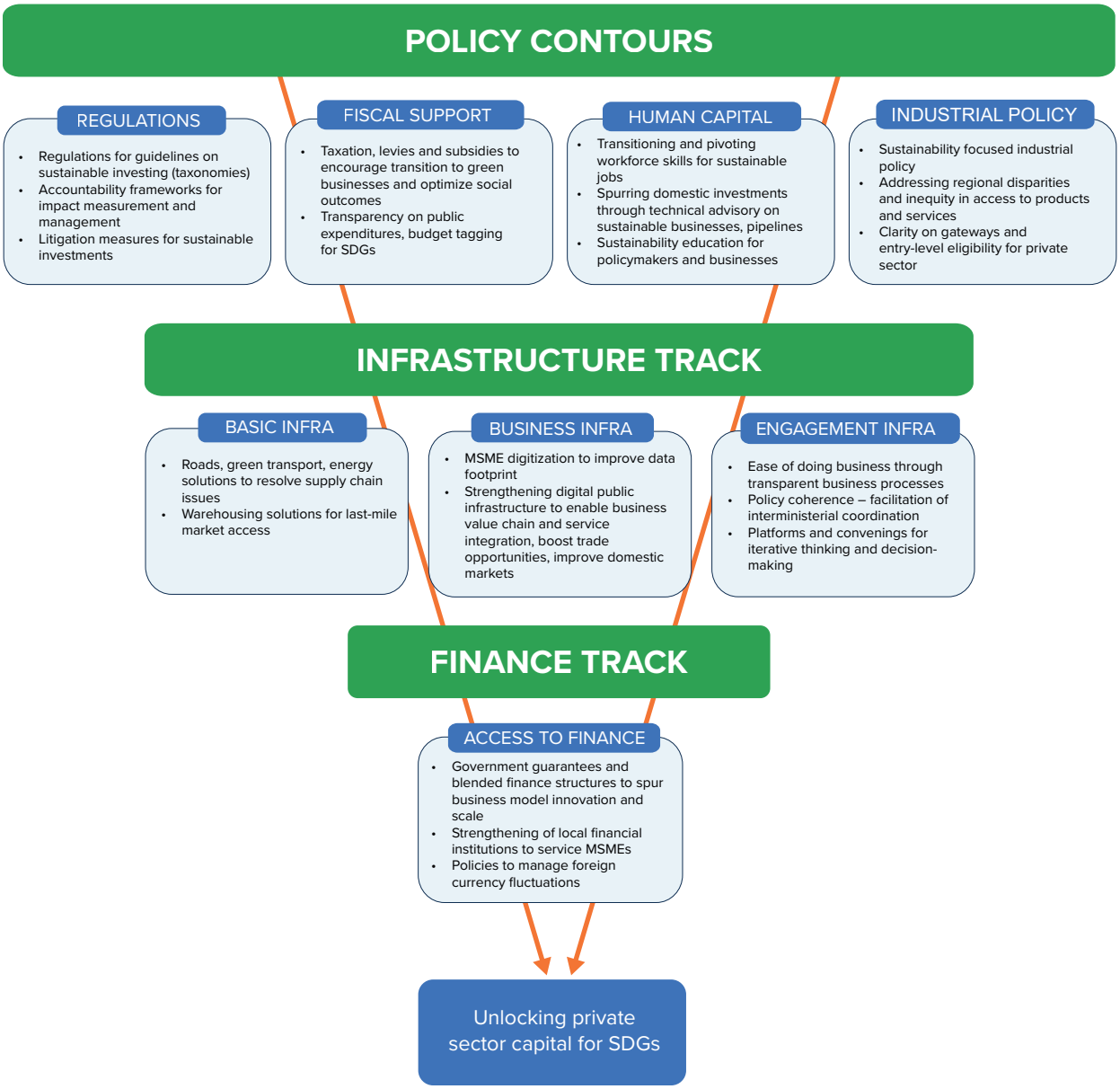
  To rally key sovereign powers towards a coherent, international cooperation to achieve the economic architecture to support sustainable development, UNDP Sustainable Finance Hub serves as the secretariat for the G20 Sustainable Finance Working Group. The group focuses on guiding the G20 forums to 1) improve comparability and interoperability of approaches to align investments to sustainability goals; 2) overcome information challenges by improving sustainability reporting and disclosure; and 3) enhance the role of international financial institutions in supporting the goals of the Paris Agreement and 2030 Agenda.

- **Policies that promote private sector participation** can result in improved efficiencies in public expenditure: Policies to promote private sector participation in key sectors and industries, such as agriculture and energy, can help governments manage public expenditures more efficiently and redirect savings into more pressing areas such as disaster response or into social spending.

  However, such entry points for the private sector should be designed with adequate checks and balances, such as access to cheap and clean energy sources, or in areas such as food systems, equity in accessing these services should not be diluted through profit incrementalism. To achieve an optimal balance, governments may need frameworks to measure the costs of publicly funded projects vis-à-vis those driven in partnership with the private sector.

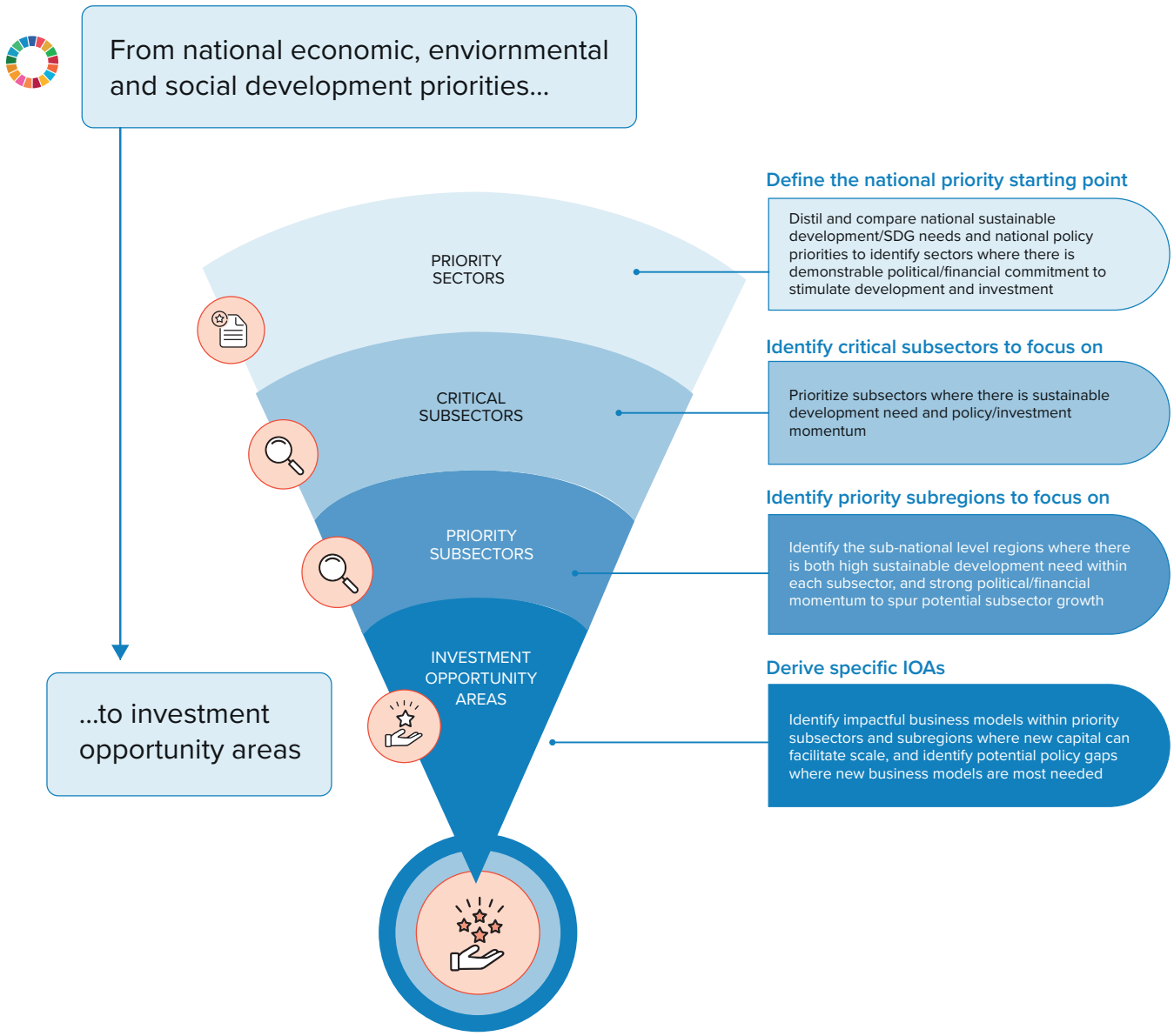
  For example, by adequately ramping up ICT investments in emerging markets that often have hard-to-reach areas, critical services such as payments and utility service management can improve, boosting business output and supply chain smoothening, especially for smaller businesses.

**Figure 16: Impact economy focused policy framework for private sector development**



# ANNEX I: SDG INVESTOR MAP METHODOLOGY

## Developing an SDG Investor Map requires filtering down from national priorities to derive IOAs




*Source:* UNDP (2024b).

As a result of extensive desk review and stakeholder consultations, 20 actionable data points spanning business and impact considerations are developed for every IOA that is featured on the SDG Investor Platform.

| | | | | | | |
|---|---|---|---|---|---|---|
| **(Sub)sector and location** | Sector | Subsector and industry | Target locations | | | |
| **Pipeline opportunity** | Business model | Case studies | | | | |
| **Business case** | Market size and environment | Return profile | Investment time frame | Ticket size | Market risks and scale obstacles | |
| **Impact case** | Sustainable development need | Expected development outcome | SDGs and SDG indicators | Stakeholders Impacted | Outcome and impact risks | IMP impact classification |
| **Enabling environment** | Policy environment | Regulatory environment | Financial environment | Actors in IOA space | | |

*Note:* IMP = Impact Management Project.

# ANNEX II: Sustainability Accounting Standards Board's Sustainable Industries Classification System

| CONSUMER GOODS | FOOD & BEVERAGES | RESOURCE TRANSFORMATION | EXTRACTIVES & MINERALS PROCESSING |
|---|---|---|---|
| • Apparel, accessories & footwear<br>• Appliance manufacturing<br>• Building products & furnishings<br>• E-commerce<br>• Household & personal products<br>• Multiline and specialty<br>• Retailers & distributors<br>• Toys & sporting goods | • Agricultural products<br>• Alcoholic beverages<br>• Food retailers & distributors<br>• Meat, poultry & dairy<br>• Non-alcoholic beverages<br>• Processed foods<br>• Restaurants<br>• Tobacco | • Aerospace & defense<br>• Chemicals<br>• Containers & packaging<br>• Electrical & electronic equipment<br>• Industrial machinery & goods | • Coal operations<br>• Construction materials<br>• Iron & steel producers<br>• Metals & mining<br>• Oil & gas exploration & production<br>• Oil & gas midstream<br>• Oil & gas refining & marketing<br>• Oil & gas-services |
| **HEALTH CARE** | **SERVICES** | **FINANCIALS** | **INFRASTRUCTURE** |
| • Biotechnology & pharmaceuticals<br>• Drug retailers<br>• Health care delivery<br>• Health care distributors<br>• Managed care<br>• Medical equipment & supplies | • Advertising & marketing<br>• Casinos & gaming<br>• Hotels & lodging<br>• Leisure facilities<br>• Media & entertainment<br>• Professional & commercial services | • Asset management & custody activities<br>• Commercial banks<br>• Consumer finance<br>• Insurance<br>• Investment banking & brokerage<br>• Mortgage finance<br>• Security & commodity exchanges | • Electric utilities & power generators<br>• Engineering & construction services<br>• Gas utilities & distributors<br>• Home builders<br>• Real estate<br>• Real estate services<br>• Waste management<br>• Water utilities & services |
| **TECHNOLOGY & COMMUNICATIONS** | **RENEWABLE RESOURCES & ALTERNATIVE ENERGY** | **TRANSPORTATION** | **EDUCATION / SKILLS DEVELOPMENT** |
| • Electronic manufacturing services<br>• Original design manufacturing<br>• Hardware<br>• Internet media & services<br>• Semiconductors<br>• Software & IT services<br>• Telecommunication services | • Biofuels<br>• Forestry management<br>• Fuel cells & industrial batteries<br>• Pulp & paper products<br>• Solar technology & project developers<br>• Wind technology & project developers<br>• Electric vehicle | • Air freight & logistics<br>• Airlines<br>• Auto parts<br>• Automobiles<br>• Car rental & leasing<br>• Cruise lines<br>• Marine transportation<br>• Rail transportation<br>• Road transportation | • Education financing<br>• Education technology<br>• Formal education |

*Note:* Education is not a part of the Sustainability Accounting Standards Board's Sustainable Industries Classification System taxonomy. Given the Education sector's importance and relevance to the achievement of SDGs, UNDP has adjusted the taxonomy to add education as a separate sector. Over time, consultations with government and private sector stakeholders have also helped UNDP map the most relevant subsectors and industries under the education sector.

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**United Nations Development Programme**
One United Nations Plaza
New York, NY 10017