



Multi-Partner Trust Fund

Building a Strategy for Financing the 2030 Agenda

2020 Annual Narrative Report¹

Fund Secretariat in the Executive Office of the Secretary-
General <http://mptf.undp.org/factsheet/fund/FSA00>

¹ As there have been no activities during the period of April through December 2021, the present report is considered Final Narrative Report, and covers activities of 2020 and the first Quarter of 2021.

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Introduction

In December 2017, with generous support from the Governments of Germany and Italy, the Multi-Partner Trust Fund “Building a Strategy for Financing the 2030 Agenda” was established as an initiative of the Secretary-General. The Executive Office of the Secretary-General (EOSG), the United Nations Development Programme (UNDP) and the United Nations Environment Programme (UNEP) are the three Participating UN Organizations in the Fund.

The Fund’s scope at the time of establishment aimed to support the Secretary-General in fully developing and implementing his strategy to scale up finance for the 2030 Agenda. In September 2018, the [Secretary-General’s Strategy for Financing the 2030 Agenda for Sustainable Development](#) was released during a UN High Level Meeting on SDG Financing.

The Secretary-General’s Financing Strategy builds on the UN’s history of supporting Member States on financing for development. It was designed to transform the financial system at all levels, from global to local, in support of the 2030 Agenda by addressing the barriers that constrain channelling finance towards sustainable development and leveraging opportunities to increase investments in the SDGs at scale.

The Strategy focuses on three objectives: (1) Aligning global economic policies and financial systems with the 2030 Agenda; (2) Enhancing sustainable financing strategies and investments at regional and country levels; and (3) Seizing the potential of financial innovations, new technologies and digitalization to provide equitable access to finance.

In 2019, the Fund supported the development of the [Secretary-General’s Roadmap for Financing the 2030 Agenda](#). The three-year Roadmap provides a pathway for the implementation of the Strategy. The Roadmap, which reflects actions and initiatives to mobilize investment and support for financing the 2030 Agenda, includes three parts.

Part I: Specific actions and ‘key asks’ championed by the Secretary-General, where his leadership can galvanize the required change.

Part II: Priority areas highlighted by the Secretary-General to enhance the work of the UN system to accelerate financing for sustainable development.

Part III: Detailed and ongoing mapping of activities by the UN system itself, offering for the first time, a comprehensive overview of the UN’s approach and value addition in financing for sustainable development.

The Secretary-General’s actions focus on “game-changing areas”: areas where change can fundamentally shift the volumes and patterns of investments to the levels required to meet the SDGs, deliver the ambitions of the Paris Agreement, and help ensure that no one is left behind. These actions and activities are identified within the six priority areas:

- i. Integrate the SDGs and the Paris Agreement into economic and financial policies and practice;
- ii. Scale up climate finance;
- iii. Highlight and advocate the needs of Least Developed Countries and Small Island Developing States
- iv. Establish Global Platforms that would enable to accelerate work on multiple fronts;
- v. Strengthen partnerships with International Financial Institutions; and
- vi. Accelerate the work of the UN system on financing the 2030 Agenda and the SDGs.

In 2019, as part of the Secretary-General’s Strategy, the Fund also provided support to the operationalization of the [Secretary-General’s Task Force for Digital Financing of the SDGs](#), the implementation of the [Invest4Climate Initiative](#), and to the climate finance workstream of the Secretary-General’s Climate Action Summit.

Activities in the Fund before and after COVID-19 in 2020

This report captures results from activities financed by the Fund in 2020, in alignment with the agreed programme of work. In 2020, before the COVID-19 pandemic was declared, the Advisory Board agreed to specific activities in 5 areas:

Area 1

Inputs and support to the Secretary-General and the Deputy Secretary-General on key financing for development processes both at global and at country levels.

Area 2

Support the preparation of bankable projects in developing countries that would assist them in implementing their Nationally Determined Contributions (NDCs) for impactful investments by Global Investors for Sustainable Development (GISD) Alliance members and others.

Area 3

Development of a biodiversity, conservation finance and sustainable resource use strategy. This strategy will complement the Secretary-General’s advocacy and strategic engagements in the “Nature Super Year 2020” and development of a post-2020 biodiversity framework. It will focus on the drivers of change for multiple climate, environmental and energy related Sustainable Development Goals (3, 7, 9, 11-15, 17) related to consumption and production, resource use, sustainable infrastructure.

Area 4

Support to scale up commitments on climate finance from the 2019 Climate Action Summit and in support of climate and environmental priorities of the Secretary-General for the period 2020.

Area 5

The Secretary General’s Task Force on Digital Financing of the SDGs

Adapting the Fund activities to the COVID-19 pandemic realities

In 2020, The COVID-19 pandemic quickly morphed into a triple crisis—health, humanitarian, and economic—with a devastating impact on all aspects of our lives. The impact of the lockdowns undertaken to fight the COVID-19 pandemic implied the need to adapt the work of the United Nations, including the activities approved by the Advisory Board, to the new reality. Pending resources were delayed for similar reasons. The Fund received EUR 1,135,000.00 (USD 1,246,775.94) as a contribution from Italy on 21 May 2020.

While activities in Areas 1 and 5 continued as expected, it was necessary to adapt the activities in Areas 2, 3, and 4 to a scenario in which events and travel were severely limited. This was done by the Steering Committee in consultation with the donors. This also included an extension of Fund activities through the first quarter of 2021, to enable the completion of 2020 plans. This report captures results through the completion of activities in 2021.

Despite the challenges, the Fund supported the implementation of the Strategy and Roadmap for Financing the 2030 Agenda and its Roadmap. The Fund was also instrumental in harvesting the outputs of the Secretary-General’s Task Force for Digital Financing of the SDGs, developing the Global SDG Impact Investment Platform, fostering the \$100 billion a year commitment, developing the Taskforce on Nature-Related Financial Disclosures (TNFD) as part of the commitments from the Climate Action Summit of 2019, accelerating and financing the Clean Energy Transition in Small Island Developing States (SIDS), supporting insurance prospects for individuals and small and medium enterprises in Least Developed Countries (LDCs), and supporting the UN leadership

in advocacy and engagement in key areas on financing for development.

Area 1. Inputs and support to the Secretary-General and the Deputy Secretary-General on key financing for development processes both at global and at country levels

In response to COVID-19, the UN deployed a [socio-economic response framework](#) that consisted of an integrated support package offered by the United Nations Development System (UNDS) to protect the needs and rights of people living under duress during the pandemic, with a particular focus on the most vulnerable countries, regions, groups, and people who risk being left behind.

Building upon the Strategy for Financing the 2030 Agenda and its Roadmap, the Secretary-General, together with the Prime Ministers of Canada and Jamaica launched the initiative on [Financing for Development in the Era of COVID-19 and Beyond](#) (FfDI). The Special Envoy on Financing the 2030 Agenda and his office provided substantive support to this process, including by coordinating the activities of six Discussion Groups, convening Member States, United Nations entities, and more than 50 institutional partners across international financial institutions, international organizations, private sector and civil society representatives, as well as think tanks and academic institutions. The themes of the Discussion Groups were 1) External finance and remittances, jobs and inclusive growth; 2) Recovering better for sustainability; 3) Global liquidity and financial stability; 4) Debt vulnerability; 5) Private sector creditors engagement; and 6) Illicit financial flows.

The Discussion Groups developed a comprehensive [menu of options](#) to survive the crisis and build back better, for the consideration of Heads of State and Government. The menu included policies related to recovering better for sustainability, mobilizing international finance, improving international liquidity, reducing debt burdens and tackling illicit financial flows.



Figure 1: Meeting of Heads of State and Government on FfDI

Several [Policy Briefs](#) were prepared to provide policy guidance to respond to the pandemic and recover better. Three Summits at [Heads of State and Government](#), and one of [Ministers of Finance](#), were organized to bring the international community together to facilitate a coordinated response to the socio-economic crisis.

As part of the efforts to encourage the private sector be an integral part of the solution, the Secretary-General has convened several initiatives, including the Global Compact, the [Principles for Responsible Banking](#) and the [Global Investors for Sustainable Development](#) (GISD)—an alliance of 30 business leaders, to mobilizing resources for sustainable development.

In 2020, the GISD Alliance agreed upon the [Sustainable Development Investing \(SDI\)](#) definition, serving to facilitate a common understanding, promotes investment aligned with sustainable development, and prevents “SDG-washing”. The GISD also developed the [SDI Navigator](#), that maps existing initiatives, including sustainability standards and frameworks, and will make it easier for investors and corporates to build on these initiatives to operationalize the SDI definition.

The report entitled “[Renewed, recharged and reinforced: Urgent actions to harmonize and scale sustainable finance](#)” served as an input to the European Commission’s consultation process on its Renewed Sustainable Financing Strategy. It provided 64 recommendations and strategic considerations which would enable leaders from the public and private sectors to harmonize objectives, coordinate global standards and align efforts to facilitate, promote and scale up investment towards the SDGs.

Finally, the GISD Alliance [call to Action for COVID-19 bond issuance](#) was launched to encourage companies and governments to issue innovative social bonds to address the COVID-19 pandemic. Funds raised through these bonds would be used for the immediate response to COVID-19 or to support a sustainable recovery. The Call to Action defines the direct and indirect challenges presented by the pandemic and outlines the expectations for a COVID-19 bond issuance in alignment with the SDGs.

The UN supported a growing number of Member States in mobilizing sustainable finance, from the development of roadmaps in evolving domestic financial sectors through to the design and deployment of specific financial sector processes and instruments, such as green bonds, and development funds and institutions.

Area 2. Support the preparation of bankable projects in developing countries that would assist them in implementing their Nationally Determined Contributions (NDCs) for impactful investments by Global Investors for Sustainable Development (GISD) Alliance members and others

A. The SDG Investor Platform

In 2020, the Fund supported the development of the [SDG Investor Platform](#): a UNDP / GISD-branded, user-friendly, and dynamic web repository facilitating SDG-relevant investing. Investors highlight the challenge of finding a common framework so that they can measure, manage and communicate all material economic, social, and environmental impacts of investments and activities as well as identifying SDG-aligned investment opportunities in developing and emerging economies that match their risk and return expectations.

UNDP’s SDG Impact initiative provides a set of tools to accelerate investment towards the SDGs at scale. SDG Impact Standards provide a framework for authenticating investment practice; SDG Investor Maps generate market intelligence on SDG-enabling investment opportunities areas; and Facilitation events bring policymakers and investors together to translate market intelligence into policy changes and investment deals.

The key content of the Platform includes:

A. Platform of Platforms

- Acting as a platform of platforms providing transparency on key global organizations and their relevant work (e.g. UN DESA, UN Global Compact, UNEP, OECD)

B. SDG Investor Maps

- Developed by UNDP which provide country level market intelligence on SDG-aligned areas for both fully private or blended investment opportunities that are proven and scalable and have the enabling regulatory and financial environment that facilitate investment.
- A space where users can browse business and investment opportunities areas that are linked to specific SDG indicators which have positive impact and receive more information vis-à-vis a potential partner on the ground. The connections between users and partners or government stakeholders will be facilitated by UNDP to ensure smooth connection and responsiveness.

SDG investor Maps produce several Investment Opportunity Areas that are aligned with the SDGs, as illustrated with an example below:



Figure 2: Sample Investment Opportunity Area

As of July 2021, SDG investor Maps completed include: Armenia, Brazil, Jordan, Colombia, India, Nigeria, South Africa, Turkey, China, Ghana, Kenya, Rwanda, Uganda, Paraguay, Namibia. New maps are coming in Tanzania, Malawi, Sri Lanka, Malaysia, Tunisia, Djibouti, Egypt, Indonesia, Jamaica, Belize, Uruguay, Sri Lanka, Angola, Cameroon, Gabon, Togo, Zambia, Eswatini, Madagascar, Indonesia, Bangladesh, Thailand, Vietnam, Cambodia, Nepal, Laos, Philippines, Chile, Peru, Dominican Republic, Ukraine, Lebanon, Kuwait, Costa Rica, and others.

C. Knowledge Hub for SDG-enabling investment

Various knowledge products have been developed with the objective of fostering an SDG-enabling investment environment:

- [SDG Impact Standards for Private Equity, Bonds and Enterprises](#): Piloted by / Partnered with Suma Equity, ABC World, Aavishkaar, ADM Capital, Blue like Orange, Bridges, Cerberus Frontier, City Light, Closed Loop, EQT, Ethos, EVPE, Franklin Templeton, Incofin, Inventures, ISquared Capital, Kaizinvest, KKR, LeapFrog, Neuberger Berman, Nordea, Nuveen, Phatisa, Pitango, Safi Capital and Trill Impact.
- [UNDP-OECD standards](#): UNDP SDG Impact collaborated with OECD on developing the Impact Standards for Financing Sustainable Development which are aimed for the donor countries’ use with their private sector partners, and are harmonized with UNDP’s SDG Impact Standards.
- [Bond Issuer Standards](#) with BICE Argentina, Banco Nacion Argentina, Banco Desarrollo Productivo Bolivia, Bancolombia, Vinte Mexico, EY, IIX, Blue Note, JP Morgan, Morgan Stanley, and LISC.
- [Enterprise standards](#) with Repsol, NTT (Japan), and Dominican Republic Enterprises: Zynk Sportswear, RL, A Emprender, Ecomensajería, Mabel Damirón Store, GRF Depot, PE, Proyectos Especiales, S.R.L and Yo Claudio Mercantil SRL, Cables e Izaje Dominicanos.
- User guidelines for the SDG Impact Standards, Glossary of terms,
- Training on SDG impact standards, including access to an online free impact measurement and management training (to be available in Coursera in Q3 2021)
- Information on the assurance framework (currently under development).

B. Support to the Stakeholder Consultation Process for the launch of the Feasibility study for the Program for Building Resilience to Food and Nutrition Insecurity in the Sahel – Phase 2 (P2RS-2)

Significant and sustainable improvement of the resilience of populations and ecosystems in the Sahel requires not only significant investments but also the large-scale adoption of climate-smart and innovative approaches, practices and technologies. The Priority Program to Catalyze Climate Investments in the Sahel (PPCI-Sahel, 2020-2025) and the Climate Investment Plan for the Sahel Region were designed to create enabling environment for the massive investments required to fight against climate change in the Sahel:

- by removing common constraints at the regional level;
- by promoting the adoption of climate-smart and innovative approaches, practices and technologies by Sahelian households ; and
- and by supporting the operationalization of Nationally Determined Contributions (NDCs) of the 18 countries of the Region.

This program will also contribute to achieve Land Degradation Neutrality (LDN) targets and the objectives of the 3S initiative "Sustainability, Stability and Security" aiming at creating green jobs

through restoration of degraded lands for the benefit of vulnerable populations.

The support provided by the Fund targeted the Programme to Build Resilience to Food and Nutrition Insecurity in the Sahel – Project 2 (P2RS-2) which will be the first phase of the PPCI – Sahel. It resulted in successful cooperation with the African Development Bank (AfDB) Project Preparation Facility (PPF) and provided financial support to the 13 member states of the Permanent Interstate Committee for drought control in the Sahel to convene stakeholder consultations and launch the feasibility study for the **preparation of bankable projects in developing countries** that would assist them in implementing their Nationally Determined Contributions (NDCs) as well as contribute to the achievement of other SDGs targets such as Land Degradation Neutrality (LDN).

Thirteen national workshops and one regional workshop were held with the support of the Global Mechanism of the United Nations Convention to Combat Desertification. The workshops mobilized more than 150 participants at the national level and 60 participants in the regional workshop. The workshops were the opportunity to present i) the P2-PRS project objective, components, implementing approach and institutional arrangements, ii) the Technologies for African Agricultural Transformation (TAAT) and their proven solutions for the P2-P2RS and iii) the P1-P2RS results.



Figure 3: Workshop in the Republic of Gambia

Rich discussions during the workshops have led to a common understanding from all stakeholders on the intended study and the finalization of the terms of reference and guiding documents taking into account national and local specificities, as recommended during the workshops (see table below).

Guiding document area	Recommendations
Livestock breeding	<ul style="list-style-type: none"> - Take into account insurance on livestock and their mobility if possible; - Coordinate with the team of the National Platform of Bio-digesters (NPB) in Burkina Faso to understand the priorities and take into account the Ouagadougou declaration relating to it; - Take into account all livestock production systems, including pastoralism, which has the particularity of livestock and human mobility, and agro-pastoral conflicts;

	- Take into account the gender aspects along the livestock value chain;
Infrastructure	<ul style="list-style-type: none"> - Ensure that target areas and infrastructure are identified in a participatory and inclusive manner taking into account countries priorities; - Draw lessons from the P1-P2RS to ensure that sufficient resources are allocated to each identified infrastructure; - Ensure proper planning of the intervention in the countries (consultation with all stakeholders to agree on the priorities and areas of intervention on the basis of the countries resilience priorities, ongoing projects and possible synergies, define the list of infrastructures and their sites, organize a national validation workshop).
Agricultural value chains	<ul style="list-style-type: none"> - Capitalize on the various studies already available on agricultural value chains; - Ensure the development of solar energy around the achievements for the development of value chains.
Sustainable land management (SLM)	- Align land restoration activities with the Great Green Wall Initiative agenda
Environmental issues	<ul style="list-style-type: none"> - Provide a complaint management mechanism in accordance with country guidelines and AfDB Environmental and Social Impact Assessment (ESIA) standards (AfDB template); - Consult with country environmental departments and produce environmental studies in the AfDB format; - Make resources available to cover the costs of: i) conducting ESIA for targeted sites; ii) reviewing Environmental and Social Assessment reports; and iii) public investigations; - Provide national experts with TORs or guidelines;
Gender promotion and social inclusion actions	<ul style="list-style-type: none"> - Take into account the transversality of gender in all components; - Refer to the experience of the P1-P2RS.

It is anticipated that the [finalization and approval of the feasibility study](#) will result in the securing of financial resources to implement the Programme to Build Resilience to Food and Nutrition Insecurity in the Sahel (P2RS) by the 13 Member States of CILSS (Benin, Burkina Faso, Côte d'Ivoire, Cape Verde, Gambia, Guinea, Guinea Bissau, Mali, Mauritania, Niger, Senegal, Chad and Togo).

Area 3. Development of a biodiversity, conservation finance and sustainable resource use strategy

This strategy will complement the Secretary-General’s advocacy and strategic engagements in the “Nature Super Year 2020” and development of a post-2020 biodiversity framework. It will focus on the drivers of change for multiple climate, environmental and energy related Sustainable Development Goals (3, 7, 9, 11-15, 17) related to consumption and production, resource use, sustainable infrastructure.

In order to continue developing the commitments from the Secretary-General’s Climate Action Summit, the Fund supported the development and launch of the “[Taskforce on Nature-related Financial Disclosures](#)” (TNFD). It aims to support the financial sector to examine the financial dependency, impacts, transition risks and physical risks linked to the degradation of ecosystem services and biodiversity loss to inform nature-sensitive business decisions and investments.

The goal of the TNFD is to develop and deliver a risk management and disclosure framework for

organizations to report and act on evolving nature-related risks, which aim to support a shift in global financial flows away from nature-negative outcomes and toward nature-positive outcomes. [An Informal Working Group \(IWG\)](#), met for the first time on 10 September 2020 to recommend the scope and two-year programme of work for the TNFD to resolve the reporting, metrics and data needs of financial institutions and corporates that will enable them to better [understand their risks, dependencies and impacts on nature](#).

The work of the IWG was led by three co-chairs from the market: Banorte, BNP Paribas and the Green Finance Institute, and catalyzed by a partner group consisting of UNDP, UNEP FI, Global Canopy and WWF. All committed to deliver the key milestones of the compressed timeline to launch TNFD. The IWG engaged 75 member organizations covering financial institutions, regulators, corporates, governments and others influential actors with over USD 8.5 trillion assets, spanning all 6 continents across 24 countries: 67% members are corporate or financial institutions, 11% are from visionary government and regulators and 22% are from think tanks and consortia – of which 13 have a global or regional ambit: like CBD, IIF, SIF, WBCSD, WEF, etc. The MPTF-funded studies, communications and repository of tools helped to further inform decisions and actions in upcoming sectoral and political fora like G7, G20, CoP15, CoP26, UN Food Systems Summit, Finance in Common summit, as well as national, regional and global fora on financial disclosures and standard setting.

In addition to [60+ market endorsements](#), the TNFD has had a quadruple G7 welcome from the Ministers of Finance, Environment as well as in the Heads of State Carbis Bay Communique and 2030 Nature Compact. TNFD has also been increasingly positively referenced in landmark research and negotiations, including NGFS-INSPIRE study on ‘Biodiversity Loss & Financial Stability’ and the G20 Sustainable Finance Working Group.

Support and interest in the TNFD was further augmented by the IWG Observer Group made up over 130 influential organizations, spanning the Asian Development Bank, Blackrock, Nestle and the Monetary Authority of Singapore . The [Informal Technical Expert Group](#) leveraged the rich experience of the IWG and brought in further insight to support the scope of the TNFD from APG Asset Management, Dutch central bank, Impact Management Project, the Institute of Public and Environment Affairs China, IUCN, IADB and more.

The Principles of the TNFD are:



Market Usability



Science-based



Nature-related Risks



Purpose-driven



Integrated & Adaptive



Climate-Nature Nexus



Globally Inclusive

1. **Market Usability:** Develop frameworks directly useful and valuable to market reporters and users, notably corporations and financial institutions, as well as policy and other actors.
2. **Science-based:** Follow a scientifically anchored approach, incorporate well established and emerging scientific evidence and aim to incorporate other existing science-based initiatives.
3. **Nature-related Risks:** Embrace nature-related risks that include immediate, material financial risks as well as nature dependencies and impacts and related organizational and societal risks.
4. **Purpose-driven:** Be purpose driven and actively target reducing risks and increasing nature-positive action by using the minimum required level of granularity to ensure achievement of the TNFD goal.
5. **Integrated & Adaptive:** Build effective measurement and reporting frameworks that can be integrated into and enhance existing disclosures and standards. Account for and be adaptive to changes in national and international policy commitments, standards and market conditions.
6. **Climate-Nature Nexus:** Employ an integrated approach to climate- and nature-related risks, scaling up finance for nature-based solutions.
7. **Globally Inclusive:** Ensure the framework and approach is relevant, just, valuable, accessible and affordable worldwide, including emerging and developed markets.

Figure 4: TNFD principles

An assessment of the Financial Sector Readiness Study

The assessment was based on a campaign of interviews with a selection of 23 organizations, selected for representativeness across the financial sector in terms of financial services, geographical coverage, size, and perceived proactiveness with regards to the integration of sustainability dimensions, and of nature in particular, within their business.

The survey findings highlight a general consensus that the integration of nature by the financial sector is still at a nascent stage – despite recent years’ initiatives from businesses, international institutions, and civil society organizations, to raise awareness on nature loss, and on the materiality of nature-related risks and impacts on the economy as a whole and the financial sector in particular.

Some financial institutions have started to recognize the materiality of nature-related risks and opportunities, and have taken steps to improve their assessment, tracking, and reporting on, nature-related risks and opportunities within their loan books or portfolios. These “early movers” appear to have a mature climate strategy, aligned with the Paris Agreement, 1.5°C or 2°C pathways, and integrating the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in their reporting process.

TNFD cannot simply replicate the methodology and approach used by TCFD. However, owing to the widespread adoption of TCFD by the financial sector, TNFD has an opportunity to be integrated within the business processes already implemented for TCFD. This approach would reduce the perceived level of additional resources and efforts needed for adopting nature-specific processes, thereby encouraging adoption by organizations and overcoming the potential barrier of “commitment fatigue” reported by survey participants.

Besides nature-related risks and impacts, early movers have also recognized the business opportunity related to nature – generating revenue from sustainability linked financial products, attracting client interest into green investments, addressing investor expectations to address the materiality of nature-related risks, improving reputation.

TNFD should maintain active engagement with governments and supranational bodies to take stock of evolving regulations in sustainability disclosures, and where possible support the development and implementation of ambitious regulatory requirements.

The absence of widely accepted methodologies and metrics is raised as a key challenge, as well as the limitations on available nature-related data from clients and specialized data providers. A market will progressively develop for robust metrics and quality processed data, ultimately allowing financial institutions to integrate nature in a more decisive manner within their reporting frameworks.

Area 4. Support to scale up commitments on climate finance from the 2019 Climate Action Summit and in support of climate and environmental priorities of the Secretary-General for the period 2020

A. Delivering the \$100 billion a year climate finance commitment

The Secretary-General has prioritized scaling-up climate finance. **The Fund supported the development of a strategy to delivering [the \\$100 billion a year climate finance commitment from public and private sources](#).** Five independent experts, representing developed and developing countries, assessed the status of the \$100 billion goal, and provided recommendations on how to make more climate finance flow into the system, and how to shift all financial flows to make them climate-resilient and low-carbon.

The experts conducted extensive research, interviews, and briefed member states during a roundtable organized by the Climate Action Team, which brought together key negotiation groups such as G77, BASIC, AOSIS, LDCs, AGN, AILAC, EU as well as the US, Canada and other developed countries. The final version of the report was launched on the margins of the Climate Ambition Summit in December 2020.

In addition to informing the priorities of the Secretary-General, and specific climate finance asks, for instance those by the Secretary-General to G7 members ahead of the Cornwall Summit in June 2021, the findings of the report informed the position of the UK COP Presidency on public climate finance priorities. The report has also informed the asks of the Secretary-General in terms of prioritizing adaptation finance, doubling the amount of grants providing by developed countries to at least \$24 billion, and asks in terms of Multilateral Development Banks' (MDBs) alignment with the goals of the Paris Agreement.

B. Project on adaptation and resilience finance in SIDS

Access to international climate finance is challenging for SIDS: A report was commissioned to assess the climate finance landscape for SIDS and explore how to support enhanced action to improve SIDS access to adaptation and resilience finance. The report focused on three specific sectors: agriculture, infrastructure, data collection, and management. 34 SIDS from the three regions: Caribbean and Africa & India Ocean were included in the assessment of climate finance adaptation flows. 13 entities associated with climate finance in SIDS were interviewed (i.e. MDBs, Insurance, Climate Services and Data Collection, International and Regional Entities and Private Investors).

Barriers exist in the requirements for access and the complicated network of access modalities and intermediaries, and the lack of incentives to support relatively small projects in SIDS by funds, facilities, and financing institutions seeking to meet global climate finance targets. Among a number of challenges SIDS face, the small volume of overall climate finance also reflects the inadequacy of the climate finance system, which is not "fit-for-purpose" for the unique characteristics of SIDS/small countries. Historically climate finance has disproportionately favored both mitigation investments, and projects/programs in larger countries, thus accelerating inadequate and unequal access by smaller recipient countries. Those stakeholders that manage the international climate finance architecture must do their part to address the barriers inherent in the system that result in smaller, more vulnerable countries from accessing needed climate finance.

The report produced recommendations to be announced/achieved in the context of COP26:

Priority 1: Greater volume and predictability of adaptation finance from donor countries and public development banks, including MDBs (i.e., 50%: 50% between adaptation and mitigation)

- o Commit to greater volume of adaptation finance in SIDS: Donors, with G7 countries taking the lead, should commit at least \$2-3 billion annually for the adaptation and resilience needs of SIDS from 2021-2025. These commitments should be no less than \$2 billion per year, as derived from both the baseline of historical flows and current expected annual needs. MDBs should support donors to deploy these funds by actively ensuring systems are in place to channel the funding to SIDS.

Priority 2: Integrate climate risk into policy, investment, budgetary, and procurement decision-making

- o Finance climate and weather data infrastructure to strengthen climate risk understanding in SIDS: MDBs should partner with, and commit at least \$200 million between 2021-2026 to, the Systematic Observations Financing Facility (SOFF) to help overcome capacity gaps on high-quality weather forecasts, early warning systems, and climate information and start developing the tools to facilitate climate-risk understanding and the integration of risks and opportunities in decision-making at a national level.

Priority 3: Scaled up disaster risk financing and develop instruments for ex-ante resilience building

- o Finance parametric insurance and climate-related insurance products for SIDS: MDBs, with support from donors, should expand the volume of finance for climate-related parametric insurance to at least \$1.5 billion within the Multi-Donor Trust Funds. Insurance coverage for all SIDS should be increased and rolled out with core partners by policy year 2021/22. In addition to parametric insurance for sovereigns, support should also aim to develop SIDS' domestic insurance markets, and further capitalize in-country climate-related insurance products, particularly for agribusiness and infrastructure.

Priority 4: Ease access for developing countries, especially LDCs and SIDS, and promote debt relief

- o Facilitate SIDS debt relief for climate outcomes: MDBs should commit to promoting efforts (such as the extension of the G20 Debt Service Suspension Initiative) that enable SIDS to realize debt relief and ensure that SIDS' post-COVID recovery and fiscal and macro-economic stability are aligned with their climate resilience goals. Implemented as part of a larger restructuring of post-COVID recovery strategy, this will help recipient countries restore sustainable debt levels and enable those fiscal space-constrained SIDS to benefit from these mechanisms.
- o Commit to design an empowerment pathway to facilitate access to climate finance for SIDS: By COP, climate funds(at least the AF and GCF) should agree on the design of a SIDS' empowerment pathway to coordinate the AF's Streamlined Accreditation Process of Smaller National Implementing Entities¹⁰ and the GCF's Fast Track Accreditation Process and ensure that by 2030 all SIDS' small national entities can access funding from these funds. Climate funds should identify and agree to design the in-country mechanisms (e.g., policies, processes, or fora for engagement) that must be put in place to develop this pathway, with the support of MDBs, where possible.

Priority 5: Support regional adaptation and resilience initiatives

- o Support SIDS regional adaptation and resilience initiatives: Donors - through MDBs - should commit at least \$1-2 billion annually between 2021-2025 to one large regional SIDS

initiative or financing facility - such as ADB's SCRIPTs¹², the CCCCC's Implementation Plan for the Regional Framework for Achieving Development Resilient to Climate Change (IP)¹³, or other equivalents for the AIS region. Annual targets should increase annually thereafter.

C. Project to foster insurance for individuals and small businesses in LDCs

A report was commissioned in partnership with the Office of the High Representative for the LDCs, LLDCs and SIDS to explore the status of disaster insurance in LDCs, barriers and policy options for overcoming them. The paper will serve as an input to the ongoing preparatory process for the Fifth UN Conference on LDCs, which will take place from 23-27 January 2022, in Doha, Qatar, when the international community is expected to adopt the next 10-year Programme of Action for the LDCs.

Expanding disaster insurance would lead to several important gains such as:

Alleviating strain on government budgets: Less than half of the US\$510 billion in losses from disasters in 2017 and 2018 were covered by insurance (UNDP).

Enabling faster response: For example, Dominica received a payout of US\$ 9 million from the Caribbean Catastrophe Risk Insurance Facility (CCRIF) only 14 days after hurricane Maria struck in 2017. On average, international assistance will only cover about 9% of the total cost of a disaster; and it often takes weeks or months for humanitarian aid to arrive in a country following a disaster (UNEP, UNU).

Helping avoid resorting to negative coping strategies: For example, coverage from an index-based livestock program in Kenya (IBLI) led to an estimated reduction of 25 – 36 % in the likelihood of distress livestock sales (Schaefer and Waters, 2016).

Climate risk insurance can also have wider economic benefits by **providing incentives to invest more in the insured assets during business-as-usual periods**. For example, farmers insured by ACRE Africa in Kenya, Rwanda and Tanzania invested 19 % more and earned 16 % more than their uninsured counterparts (Schaefer and Waters, 2016).

Market and Institutional Barriers:

A number of market and institutional barriers stand in the way of disaster insurance in LDCs. **For individuals, communities and countries**, issues of awareness, affordability, trust, mindset play a part in entrenching the gap, as does lack of awareness or understanding of climate change, exposure to risk, risk management and response options and financial issues on the part of MSMEs and households.

Supply side factors contribute to the widening of the protection gap, including the regulatory enabling environment, transaction costs of schemes, and underdevelopment of markets, especially due to limited distribution networks. Other barriers MSMEs in LDCs also tend to face are lack of detailed information about MSME needs, and **insurance market hesitation** to enter the MSME market.

The Role of Microinsurance

Microinsurance is the protection of low-income people against specific perils in exchange for regular premium payments proportional to the likelihood and cost of the risk involved. In LDCs, microinsurance could play an important role in addressing the protection gap for households, especially in the farming sector as an index-based product. It can also support MSMEs positively.

But the impact it can have when it comes to MSMEs is quite limited due to the unique characteristics of MSMEs, including their small size, the irregularity of business and cash flow cycles of MSMEs, and the absence of distribution networks.

The Role of Technology

Technology could play an important role in addressing this bottleneck, by introducing technology-based distribution channels. Technology and digitization, especially in the context of mobile sales, payments and services, could play an increasing role for delivering insurance to underserved market segments. But as with every solution proposed, the trade-offs need to be carefully considered.

In the context of LDCs, measures to increase the affordability of products are paramount to the success of insurance schemes. To make insurance affordable, the product would necessarily have to be subsidized by governments or other partners. This can also be achieved by taking a hybrid approach of designing schemes innovatively such as combining insurance products with safety net initiatives that can play a bridging role.

The report finds that there are increasing challenges to the viability of the insurance business model for vulnerable countries, due to the high payouts and increasing frequency and severity of extreme weather events. Further, there are barriers from the enabling environment especially legislation and regulation, ease of doing business, and a system of distribution networks to reach households and MSMEs.

- To address the needs of MSMEs and lower-income households, strengthening the entire insurance industry using the appropriate entry point is essential, before zooming in to disaster insurance. In LDCs, the appropriate entry points for strengthening the insurance sector in general are pressing priority of poor households such as life insurance (often linked to a loan) or health insurance.
- **It will be important to engage key entities – especially UNDP, UNDRR, UNEP, UNFCCC and V20 - in any future work in support of promoting the development of disaster insurance in the LDCs, while building synergies on existing initiatives.**

Area 5. The Secretary General’s Task Force on Digital Financing of the SDGs

The Task Force was established by the Secretary General as part of the Roadmap for Financing the 2030 Agenda for Sustainable Development: 2019-2021, with the support of the Fund. The Task Force mandate was to catalyse and recommend ways to harness digital financing to accelerate the financing of the Sustainable Development Goals. It brought together 17 leaders from finance, technology, policy, regulation and international development, who through their work together, engaged in dozens of countries and with hundreds of experts and institutions over an 18-month period.

The Task Force has focused on how digitalization can support the development of a citizen-centric financial system that supports peoples’ priorities, collectively represented by the SDGs. The Task Force’s findings point to digital disruption as a historic opportunity to reshape finance. Digitalization can have a transformative impact by empowering people as savers, lenders, borrowers, investors, and taxpayers.

On 26 August 2020, United Nations Secretary-General António Guterres, together with Co-Chairs Achim Steiner and Maria Ramos, launched the report of the Task Force, [People’s Money: Harnessing Digitalization to Finance a Sustainable Future](#). The report illustrates, through case examples and data, how digitalization has the potential to reshape the flows of large amounts of finance towards SDG impacts and alignment through more and better data, cheaper

intermediation and innovative new business models.

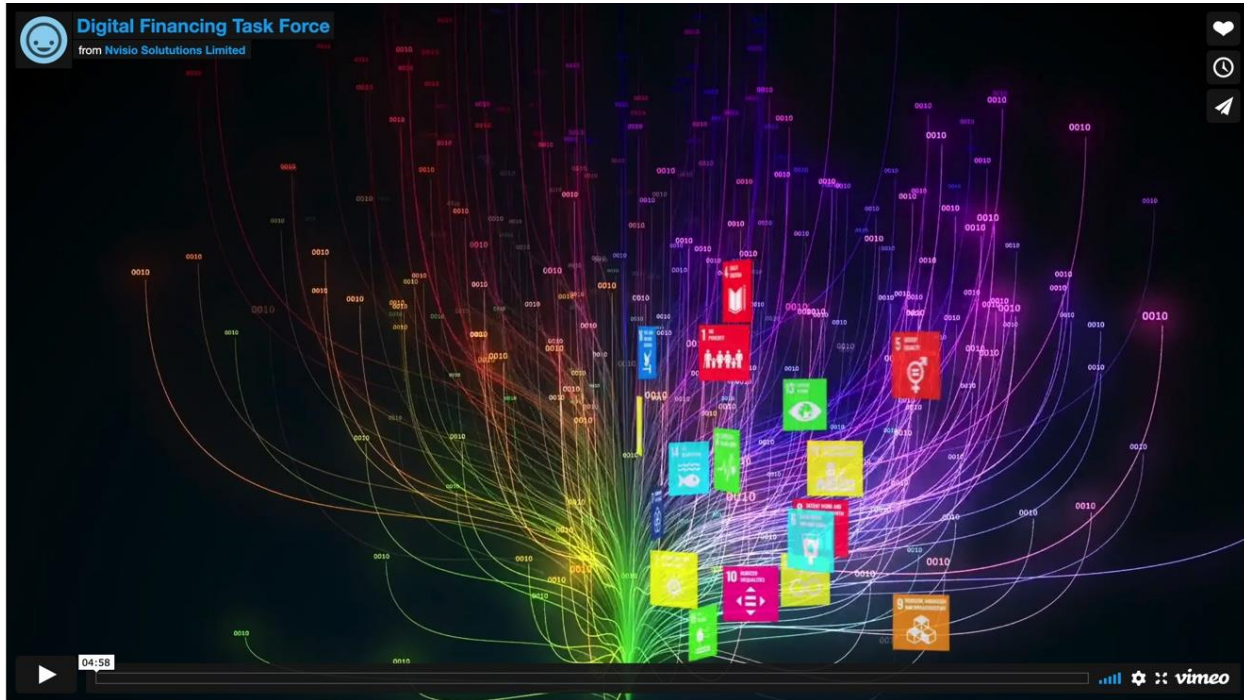


Figure 5: Sample visualization of SDG-related financial flows

Since then, UNDP and UNCDF have worked to jointly take forward some of its most ambitious recommendations, in 3 key areas:

Connecting sustainable digital finance ecosystem development with national planning processes.

- Building SDG-aligned digital finance ecosystems.
- Pilot initiated in November 2020 and underway in Uganda to construct and finalize methodology.
- Additional pilots in Bangladesh and Namibia were initiated in the first quarter of 2021.
- Plan is to make global toolkit and technical expertise available to country offices.

Advancing large-scale, catalytic opportunities in harnessing digital finance innovations for the financing of the SDGs.

- Scale-up through global advocacy, market engagement and sharing of 'public good' products to inspire action.
- Share best practices and take to scale catalytic opportunities as identified by the Task Force, including leveraging citizen's micro-savings through a digital platform to finance green infrastructure projects.
- Methodology and expertise will be available to country offices.

In the first quarter of 2021, UNDP and UNCDF jointly supported the implementation of one of the catalytic opportunities identified by the Task Force, namely the creation of a digital finance platform to leverage micro-savings to finance green infrastructure projects. This work continued in 2021 through a pilot in Bangladesh, supported by further funding from the Joint Programme “Financing a Green, Inclusive and Sustainable Recovery”.

Governance of global digital finance platforms: This platform seeks to advance governance innovations which align global digital finance with sustainability across developing economies.

- Technical papers produced, with new knowledge around SDG impacts of global digital finance platforms and related governance challenges.
- 3 Roundtables delivered in 2020 to advance advocacy, engage key constituencies and disseminate learnings (IMF, WB, BIS, G20, global digital finance players themselves, ITU, UNCTAD etc.).
- Global stewardship: setting-up an online repository of everything digital finance for the SDGs (from an online tracker to public good tools and resources, and a knowledge base)