



Project Document – Preparatory Phase

A. COVER PAGE

1. **Fund Name:** Joint SDG Fund
2. **MPTFO Project Reference Number:** FC2
3. **Project title:** Sovereign SDG Impact Initiative: Accelerating the SDGs through Sovereign Wealth Funds – Preparatory Phase
4. **Short title:** Sovereign SDG Impact Initiative (SSII)
5. **Country and region:** Global
6. **Short description:** This project, implemented in partnership with IE University and the International Forum of Sovereign Wealth Funds (IFSFW), intends to convene Sovereign Wealth Fund (SWF) executives, global asset managers, and philanthropists to mobilize resources from SWFs towards SDG-aligned investments. The project will create an SDG Investment Council—a platform of dialogue, communication of best practices and knowledge sharing to support SWFs in embedding the SDGs in their investment decisions and processes. In addition, an investment vehicle tailored to the needs of SWFs and other institutional investors will be designed and structured. Lastly, this project also involves detailed research on SWF impact investments.
7. **Keywords:** SDG17, Financing for Development, Sovereign Wealth Funds
8. **Overview of budget**

| | |
|------------------------------------|--------------------|
| Joint SDG Fund contribution | 300,000 USD |
| PUNOs contribution | 0 USD |
| TOTAL | 300,000 USD |

9. Timeframe:



| Start date | End date | Duration |
|--|-----------------------|------------------|
| February 2023 ¹ (tentative) | July 2024 (tentative) | 18 months |

¹ The project will commence on the date of signature of this cover page and will be closed in 18 months.



10. Participating UN Organizations (PUNO)
- UNDP: Marcos Athias Neto (Finance Sector Hub)

SIGNATURE PAGE

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| <p>Joint SDG Fund</p> <p>Haoliang Xu. ASG</p> <p>Chairperson of the Operational Steering Committee, Joint SDG Fund</p> <p><i>Date</i> 15-Feb-2023</p> <p><i>Signature</i> </p> |
| <p>UNDP</p> <p>Marcos Athias Neto</p> <p>Director, Finance Sector Hub</p> <p><i>Date</i> 15-Feb-2023</p> <p><i>Signature</i> </p> |



B. STRATEGIC FRAMEWORK

A brief overview of the initiative

Committed to unlocking and mobilizing sovereign wealth fund capital toward the SDGs, this project implemented in partnership with IE University and the International Forum of Sovereign Wealth Funds (IFSWF) intends to convene Sovereign Wealth Fund (SWF) executives, global asset managers, and philanthropists to mobilize resources from SWFs towards SDG-aligned investments.

The Sovereign SDG Impact Initiative (SSII) will create an SDG Investment Council — a platform of dialogue, communication of best practices and knowledge sharing to support SWFs in embedding the SDGs in their investment decisions and processes. In addition, an investment vehicle tailored to the needs of SWFs and other institutional investors will be designed and structured. Other activities of this project also involve research, training for SWFs and country managers, and the development of a tech platform to enhance transparency on SDG impact management, reporting and measurement.

The SSII will allow the whole UN system, through the Joint SDG Fund, to engage with a sizeable group of SWFs. The UN Development System will benefit from privileged and direct access to SWFs' key decision-makers located in 65 countries. Consequently, the initiative will reinforce the UN engagement efforts with private impact investors and governments supporting impact initiatives in several countries.

The initiative will be able to build on the portfolio of Joint SDG Fund's catalytic investments projects implemented by multiple UN entities under the leadership of the Resident Coordinators (RCs), which offers SWFs access to financial mechanisms, instruments and transactions in operation in various country contexts.

C. PROJECT DESCRIPTION

1. Background

The number of SWFs has grown over the past decade as a wide range of governments looking to leverage their assets to benefit future generations, often by investing in strategic projects at home. Today, SWFs manage assets amounting to \$9 trillion (IE CGC, 2021) and the estimates reveal SWFs control 5% of all listed equities globally (Aguilera, Capapé, & Santiso, 2016). They are also investing more heavily than ever in private markets including non-listed equities and funds in real estate, venture capital or infrastructure, as they seek higher returns.

As financially motivated investors with the ability to take on long-term risk, sovereign wealth funds can help support the delivery of the SDGs by financing transformational projects that can strengthen international competitiveness and foster sustainable economic development.

Organizations at every level (governments, firms, regulators, investors, and entrepreneurs) have been slow to embrace sustainable investment, largely due to the lack of access to suitable investment opportunities out of the regular national or regional network and a lack of consistent impact measurement tools and appropriate targets. Among institutional investors, the risk of compromising financial returns due to an excessive focus on environmental, social and governance (ESG) issues, has slowed this transition too. Historically, many sovereign wealth funds have not been incentivised by their owners to integrate these ESG criteria into their investment processes, and this hesitancy has been heightened by the lack of clarity on government investment policies and a clear social demand for sustainable finance (UNEP, 2018).



However, attitudes towards sustainable investing are changing fast. Today the overall global sustainable finance market is worth more than \$35 trillion (Bloomberg, 2021). Financial regulators around the world are enacting public disclosure regulations and requesting financial institutions to undertake Environmental Social and Governance risk assessments. Institutional investors are grouping and setting ambitious sustainability-aligned goals in the mid- and long-term. Sovereign wealth funds are reacting too. Their direct investments in sustainability-linked assets increased from 3% to 8% of their total sovereign direct investments over the past three years, according to data from the International Forum of Sovereign Wealth Funds. As a result, this is an apt moment to assess the role of sovereign wealth funds in supporting sustainable and inclusive development globally.

2. Project Strategy

The project's expected eventually outcome is to unlock and mobilize sovereign wealth fund capital toward the SDGs while enhancing and reinforcing the inclusive and sustainable investment culture of SWFs. This project is considered a preparatory stage project to lay down the foundations for engagement with SWFs and carry out the research and design support needed to achieve its eventual goal of leveraging additional financing for the SDGs.

IE University is the only university in the world with an SWF Research Program, an Annual SWF Report and 14 years of experience researching SWFs. The University has published an annual report, for 11 years, tracking transactions and analysing SWF investment strategies globally. The University is also a trustful academic partner of the SWF community and the only academic institution invited to annual meetings of the three largest SWF associations: IFSWF, Africa Sovereign Investors Forum (ASIF), and EMENA SWF Network.

Moreover, IE University signed an MoU in 2021 with the United Nations (signed by the Deputy Secretary General) to jointly promote the co-development of initiatives to accelerate the implementation of the 2030 Agenda. The agreement includes the objectives of (1) bringing together practitioners, academia, governments, companies and investors, (2) developing knowledge products, executive training, and advisory services to strengthen innovative practices, and (3) developing scalable solutions and making them accessible to the UN Member States for the achievement of the 2030 Agenda.

The IFSWF is the largest association of SWFs. With 43 members, it represents \$5 trillion in assets under management. The Board of the IFSWF has expressed its interest in expanding the impact and SDG-aligned investment among its members and other SWFs.

UNDP as implementation partner led by its Sustainable finance hub will bring in the experience, tools and products of the UNSDG entities to the project. It will introduce UN standards and tools in setting up the Sovereign SDG Council and provide guidance and inputs into the research and development carried out by IE University to build on relevant analysis and tools from UNDP, UNCTAD, UNEP Finance Initiative, the new Secretary-General's High-Level Expert Group on Net-Zero Emissions Commitments of Non-State entities and other relevant entities and initiatives.

This preparatory project is supported with contributions from the Government of Spain to the Joint SDG Fund. Moreover, the Spanish SWF (COFIDES), which has demonstrated a strong commitment to align its investments to the SDGs, is hosting the next annual meeting of the IFSWF in October 2023. During that period, Spain will occupy the presidency of the Council of the European Union. Thus, it shows an opportunity to organize a parallel high-level panel on impact investing during the IFSWF annual meeting that can expand the scope of this initiative.



More specifically, the project will pursue three outputs described below. This set of activities and respective budget refer to the first preparatory phase of the global project which can be scaled and continued upon assessment of the successful performance during the preparatory phase and mobilization of additional resources for the project.

Output 1: Creation of the Sovereign SDG Council to accelerate SDG investments through SWFs

- Establish a group of high-level experts of SWFs and international institutions with expertise in SDG investing with the ability to communicate and share best practices with other partners both inside and outside the IFSWF community. This Sovereign SDG Council will meet regularly and promote annual high-level events on SWF SDG investing.
- Convene the first annual high-level event on SWF SDG investing organized by the Council in Madrid and with the participation of CEOs/CIOs of SWFs, United Nations' high-level representatives, and the IFSWF.

Output 2: Production of an original research report on SWF impact investments.

- Produce an original research report on the role of SWFs as catalysers of SDG investing that will be the backbone for the pre-design and structure of the financing mechanism. The report will focus on what SWFs have been done so far and what are the next steps to deploy resources to the SDGs at scale, starting with Africa and exploring how strategic SWFs can play a de-risking role in guiding local, regional, and international investors toward SDG-aligned deals. The research will build on relevant the standards, tools and analysis from UNSDG entities. This research would be annually updated, incorporating emerging information, lessons, and best practices.

Output 3: Pre-design of a financing mechanism tailored to the needs of SWFs and other institutional investors

- Pre-design a financing mechanism that enables aggregated and diversified investment at scale toward the SDGs. This mechanism, tailored to the needs of SWFs, and co-created with the SWFs through interviews, will enable international and strategic SWFs and other institutional investors to get exposure to a diversified investment at scale toward the SDGs. Potential sectors for investment include agriculture, digitalization, women, tourism, renewable energy, education, and healthcare.
- The mechanism will be designed with a special focus on channeling resources from international SWFs to support SDG aligned projects in the global south. Thus, the project will identify the first 3-5 African SWFs to pilot the financial mechanism and are able to absorb and manage the resources.

The project will support SWFs in integrating the SDGs in their investment decisions ensuring also appropriate allocations to gender equality and women's empowerment as well as to people who have been left behind. The research report on SWF impact investments will incorporate a gender lens and address the principles of leaving no one behind in its analysis while providing disaggregated data when available. Moreover, the project will contribute to strengthening the active participation of women in the SWF's governance with at least 30% of the Sovereign SDG Council members being women. Lastly, the financing mechanism designed by this project will ensure equitable use of resources to maximize economic, social and environmental impact and address cross-cutting issues. Therefore, gender dimension and the principle of leaving no one behind will be integrated into the investment criteria of the financial mechanism.

3. Project Implementation



3.1 Governance and implementation arrangements

The global project will be implemented by UNDP with oversight and facilitation provided by SDU/EOSG and the Fund Secretariat, which oversees the strategic partnership between UN and IE University. Based on the MOU between UN and IE University (signed March 2021), IE University has been pre-selected by EOSG and the Fund under the Fund programmatic framework to carry out the activities of the project.

UNDP will manage the partnership arrangement and fund transfers with IE University, who will be responsible for providing technical support on delivering the project's key results. The Joint SDG Fund and EOSG, who holds the MOU with IE University, will assist the project in supporting the partnership and dissemination and promotion of the project's activities and progress via the Fund Secretariat role. As a global project, the progress of the project will be monitored and managed by the Fund's Operational Steering Committee (OSC), which will review and approval any project amendments.

3.1 Monitoring, accountability, financial management, and public disclosure

The project in lieu of annual and final narrative programme progress reports will provide the following deliverables to the Joint SDG Fund Secretariat:

- TOR or similar document of the Sovereign SDG Council and summary report on the launch (within 1 months after the launch; by February 2024 TBC).
- Research report on the role of SWFs for SDGs (by May 2024)
- Report on the pre-design of the SWF SDG financing mechanism (by May 2024).

PUNOs will be required to include information on complementary funding received from other sources (both UN cost sharing, and external sources of funding) for the activities supported by the Fund, including in kind contributions and/or South-South Cooperation initiatives, in the reporting done throughout the year.

PUNOs at Headquarters level shall provide the Administrative Agent with the following statements and reports prepared in accordance with its accounting and reporting procedures, consolidate the financial reports, as follows:

- Annual financial reports as of 31st December each year with respect to the funds disbursed to it from the Joint SDG Fund Account, to be provided no later than four months after the end of the applicable reporting period; and
- A final financial report, after the completion of the activities financed by the Joint SDG Fund and including the final year of the activities, to be provided no later than 30 April of the year following the operational closing of the project activities.

The Project will be using a pass-through fund management modality where UNDP Multi-Partner Trust Fund Office will act as the Administrative Agent (AA) under which the funds will be channelled for the Global Project through the AA.

The Participating UN Organizations (PUNOs) shall assume full programmatic and financial accountability for the funds disbursed to it by the Administrative Agent of the Joint SDG Fund (Multi-Partner Trust Fund Office). Such funds will be administered by each PUNO by its regulations, rules, directives and procedures. PUNOs shall establish a separate ledger account for the receipt and administration of the funds disbursed to it by the Administrative Agent.



Indirect costs of the PUNOs recovered through project support costs will be 7%. All other costs incurred by each PUNO in carrying out the activities for which it is responsible under the Fund will be recovered as direct costs.

Procedures on financial transfers, extensions, financial and operational closure, and related administrative issues are stipulated in the Operational Guidance of the Joint SDG Fund. PUNOs and partners must comply with Joint SDG Fund brand guidelines, which include information on donor visibility requirements.

ANNEXES

1. Budget per UNDG categories

| UNDG BUDGET CATEGORIES | UNDP | | TOTAL | |
|--|----------------------|-------------------------|----------------------|-------------------------|
| | Joint SDG Fund (USD) | UNDP Contribution (USD) | Joint SDG Fund (USD) | PUNO Contribution (USD) |
| 1. Staff and Other Personnel | 0 | 0 | 0 | 0 |
| 2. Supplies, Commodities, Materials | 0 | | 0 | |
| 3. Equipment, Vehicles, and Furniture (Including Depreciation) | 0 | | 0 | |
| 4. Contractual services | 280,374 | | 280,374 | |
| 5. Travel | 0 | | 0 | |
| 6. Transfers and Grants to Counterparts | 0 | | 0 | |
| 7. General Operating and Other Direct Costs | 0 | | 0 | |
| Total Direct Costs | 280,374 | | 280,374 | |
| 8. Indirect Support Costs (Max. 7%) | 19,626 | 0 | 19,626 | 0 |
| TOTAL Costs | 300,000 | | 300,000 | 0 |

2. Work plan

The following work plan includes the project's budget taking into consideration the 7% of indirect support cost.

| Outputs | Activities | Tentative timeframe | Gender Marker | Budget | PUNOs/ Partners |
|---|--|---------------------|---------------|-------------|-----------------------------|
| 1. Launch of the Sovereign SDG Council to accelerate SDG investments through SWFs | <ul style="list-style-type: none"> Identify and engage key high-level SWF and institutional investing experts to be members of the Sovereign SDG Council to accelerate SDG investments. Define the objectives and specific activities of the Council. Convene the first annual high-level event on SWF SDG investing organized by the Council in Madrid and with the participation of CEOs/CIOs of SWFs, United Nations' high-level representatives, and the IFSWF. | Jan-Dec 2023 | 2 | 120,000 USD | UNDP / IE University, IFSWF |



| Outputs | Activities | Tentative timeframe | Gender Marker | Budget | PUNOs/ Partners |
|--|--|---------------------|---------------|-------------|-----------------------------|
| | <ul style="list-style-type: none"> Generate a pipeline of global high-level events to expand the impact and visibility of the initiative. | | | | |
| 2. Production of an original research report on SWF impact investments | <ul style="list-style-type: none"> Produce an original research report on the role of SWFs as catalyzers of SDG investing that will be the backbone for the design of the financing mechanism. The report will focus on what SWFs have been done so far and what are the next steps to deploy resources to the SDGs at scale. | Jan 2023-May 2024 | 2 | 100,000 USD | UNDP / IE University, IFSWF |
| 3. Pre-design of a financing mechanism tailored to the needs of SWFs and other institutional investors | <p>Pre-design a financial mechanism to channel resources from international SWFs to domestic SWFs to support SDG-aligned projects.</p> <ul style="list-style-type: none"> Identify 3-5 strategic SWFs in Africa with a capacity to be the first to absorb capital from the financial mechanism and deploy it efficiently. | Jan 2023-May 2024 | 2 | 80,000 USD | UNDP / IE University, IFSWF |