**Update to the Executive Board on UNDP’s work with International Financial Institutions (IFIs)**

*The aim of this paper is to provide the Executive Board an update on UNDP’s engagement with International Financial Institutions (IFIs) under the agenda of the first regular session of 2023, as requested by Member States at the Executive Board (EB) session in June 2022. This update includes: i) Analysis of the central and complementary role that IFIs play as partners to UNDP; ii) Summary of collaboration from 2017 to date; and iii) Key lessons and strategic opportunities identified to scale partnerships with IFIs under UNDP’s Strategic Plan.*

1. **Executive Summary**

In this moment of immense global uncertainty, UNDP is building on its portfolio with IFIs[[1]](#footnote-2) to support countries to access the capital, technical expertise and partnerships required to achieve the SDGs. UNDP is focusing on scaling its partnerships with IFIs, responding to the demand for collaboration towards Agenda 2030, and the dual challenge of rising needs and declining development funding.

**Partnerships with IFIs are critical for achieving the SDGs given the increasingly influential role they play** in support of sustainable development, their technical and policy expertise, the large-scale financing they contribute and catalyse, and the efficiencies that can be achieved when working complementarily. UNDP’s financial and non-financial partnerships with IFIs are also central to UNDP’s aim of promoting USD$1 trillion investment of public expenditure and private capital aligned to the SDGs.

UNDP works with IFIs through joint analysis and assessments, SDG-aligned tools and methodologies, knowledge products and policy support, capacity development and project implementation to support governments’ efforts towards sustainable and inclusive growth. Since 2017, UNDP has mobilized over US$1.85 billion from IFI partners (both directly through grant contributions and indirectly through government financing to support loan implementation).

**UNDP’s engagement with IFIs goes beyond resource mobilization, and a sole focus on this would not be strategic or realistic.** Strengthening IFI collaboration is a critical step in UNDP’s evolution from an Official Development Assistance (ODA)-focused agency to one offering innovative partnership platforms that support governments to leverage financing, technical expertise and advocacy from a wider range of sources. By joining forces, UNDP and IFIs can use and complement their respective comparative advantages in support of national development priorities and maximize development impact on the ground.

In recognition of this, UNDP has built this portfolio by focusing on: (i) **Increasing awareness** of the value of IFI partnerships and of IFIs themselves across UNDP; (ii) **Deepening existing partnerships** through outreach and engagement at all levels, IFI-tailored partnership strategies, joint action plans and products, and expanding modalities of cooperation; (iii) **Strengthening UNDP’s offers to IFIs**, focused on thematic areas that can achieve increased impact in countries and for both institutions, notably crisis response/recovery, climate, energy and development financing; (iv) **Facilitating an institutional environment** conducive to closer collaboration with IFIs by addressing operational bottlenecks, standardizing practices and strengthening capacities of Country Offices to partner with IFIs; and (v) **Developing new IFI partnerships**, including with subregional and national development banks as well as Development Finance Institutions (DFIs).

UNDP can further engage IFIs and a wider range of financial institutions by diversifying its collaboration and activities to meet the current needs of IFIs and governments and addressing key operational challenges. As noted in the 2022 Structured Funding Dialogue, UNDP is identifying ways to further strengthen its partnerships with IFIs, in part by incorporating IFI priorities and the benefits of various types of collaboration in its Strategic Plan’s upcoming resource mobilization strategy. Going forward, given the scale of ambition in the UNDP Strategic Plan, and the broader call for integrated partnerships to tackle unprecedented global challenges, UNDP is looking ahead at IFI-related strategic priorities to include:

* **Doing more, doing better**: scaling existing cooperation in areas with a strong cooperation track record and urgent needs: crisis, climate, energy, development financing, poverty reduction;
* **Responding to a new era in financing**: critically exploring the opportunities and challenges posed by the evolving financing landscape and how UNDP can respond and position to provide complementary and differentiated support to governments related to sustainable financing; and
* **Focusing on agility**: ensuring smooth processes and useful tools that can expedite partnerships and build pipelines at global, regional and country levels.

1. **Context**
2. The UN has estimated that the world will need to spend between US$3 trillion and US$5 trillion annually to meet the SDGs by 2030, while the ongoing COVID-19 pandemic has already increased that estimate by an additional US$2 trillion annually.[[2]](#footnote-3) In addition to the increased need for development finance, the highly fragile global economic outlook, impacts of climate change and rising geopolitical tensions, have led to a major deterioration in international public finance, resulting in 54 developing economies being highly indebted.[[3]](#footnote-4) The pre-COVID-19 annual SDG financing gap of US$2.5 trillion in developing countries has widened by an estimated US$1.7 trillion in 2020.[[4]](#footnote-5) The early scenario analysis on the impact of the Ukraine war also presents alarming consequences, including the decrease of global growth by over 1 percentage point in 2022, which would further widen the financing gap.[[5]](#footnote-6)
3. In times of overlapping global crises that disproportionately affect developing countries, IFIs provide access to critical financing building blocks given their counter-cyclical role, while leveraging their financial capacity, technical expertise and de-risking instruments in ways that can attract private investments. Their increasingly crucial role in global sustainable finance architecture further pushes IFIs to realize their own ambitious goal set in 2015 to use the *billions* in ODA to mobilize *trillions* in investments of all kinds – in particular, private investment.[[6]](#footnote-7) Within the difficult ODA environment, there appears to be a notable increase in commitments in concessional financing through IFIs which, in line with their mandates and priorities, have been given record high financial support from their government shareholders. For example, the World Bank was granted a record IDA 20 replenishment of US$93 billion in 2021, compared to US$82 billion in 2019. The IMF increased the commitments of its Poverty Reduction and Growth Trust serving low-income countries from US$6 billion per year to a projected US$12 billion a year and has established the IMF Resilience Sustainability Trust of US$45 billion from unspent Special Drawing Rights. Additionally, many IFIs are developing up-to-date strategies to operate and advance their roles in fragile and conflict-affected settings, and increasing their financing to address fragility, conflict and violence.
4. IFIs also play a critical role in green transition with both their own capital and the mobilization of private investments. According to the [*2021 joint report on MDBs’ Climate Finance,*](https://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=EZSHARE-1107396210-238)joint MDB climate finance delivery reached a new record at US$82 billion and the mobilization of global private finance amounted to US$41 billion. Climate finance committed by MDBs rose by more than 24 percent in 2021 compared to 2020. While MDBs are in fact the main financial contributors to the yet unmet [US$100 billion goal](https://www.oecd.org/climate-change/finance-usd-100-billion-goal/), there is more that can be done to help achieve a low-carbon transition and contain the rise in global temperatures. One of the most notable steps forward for climate finance at COP27 was the text urging a reform of MDBs and other international financial institutions[[7]](#footnote-8) to meet their targets in terms of a pathway towards low greenhouse gas emissions.
5. Despite their financial capacity and leveraging power, IFIs, like any other partner, cannot fulfil their potential to advise, fund and implement projects in alignment with the SDGs and national development priorities or to realize their ‘Billions to Trillions’agenda by themselves. IFIs have struggled to make full use of de-risking instruments such as guarantees as revealed by the [Indonesian G20 Presidency’s Independent Review of MDBs’ Capital Adequacy Frameworks](https://g20.org/wp-content/uploads/2022/07/CAF-Review-Report.pdf), and thus yet to mobilize private finance to a full extent by using public funding based on their ‘Billions to Trillions’agenda. IFIs also face challenges in successful implementation of loans and grants throughout the project cycle, especially in fragile and conflict-affected settings.
6. Against this backdrop and in response to the Addis Ababa Action Agenda and *UN Secretary General’s Roadmap for Financing the 2030 Agenda for Sustainable Development*, the UN System has been working more closely with IFIs to promote sustainable and innovative financial systems at country level to increase climate finance and to catalyse more private finance. UNDP recognizes the importance of growing partnerships with IFIs in this vein, leveraging its role as an operational backbone, trusted adviser, convenor, accelerator and de-risker of investments.
7. **Status/update on UNDP’s work with IFIs**

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| **Key Facts on UNDP’s Collaboration with IFIs** | |
| * UNDP has worked with 17 IFIs during 2017-2022 * UNDP works with IFIs across all its six Signature Solutions toward achieving SDGs: poverty, governance, resilience, environment, energy and gender * Between 2017 and 2022,[[8]](#footnote-9) UNDP has mobilized US$1.85 billion in total IFI financing, including US$1.33 billion through direct grants and US$521.63 million indirectly by supporting governments in the implementation of IFI loans * As of 3 January 2023, UNDP and IFIs are working together in 77 countries across five regions * Top five IFI/DFI partners on average since 2017 by volume of resources mobilized: World Bank, KfW, IaDB, IsDB and CABEI | |
| **How do we work together?** | |
| **Financial partnerships** | **Non-financial partnerships** |
| * Loan or grant implementation, especially for crisis response in fragile contexts * Parallel financing and co-financing | * Joint analysis/assessments (e.g., Post-Disaster Needs Assessments, Recovery and Peacebuilding Assessments) * Joint capacity development trainings, technical assistance, platforms, and knowledge products * Accelerating finance for the SDGs (e.g., Integrated National Financing Frameworks, SDG bonds/budgeting, SDG Investor Maps, Impact Measurement and Finance Tracking) |
| **Bank-specific Joint Action Plans, MOUs and Partnership Frameworks with 14 IFIs** | **Standard Financing Agreement Templates with 11 IFIs** |
| Asian Development Bank  African Development Bank  CAF – Development Bank of Latin America  Eurasian Development Bank  European Investment Bank  Caribbean Development Bank  China Development Bank  Council of Europe Development Bank  European Bank for Reconstruction and Development  Inter-American Development Bank  IFAD  Islamic Development Bank  KfW- Development Bank of Germany  World Bank | Asian Development Bank  African Development Bank  Caribbean Development Bank  Development Bank of Latin America  Inter-American Development Bank  Islamic Development Bank  KfW – Development Bank of Germany  World Bank  European Investment Bank  Arab Bank for Economic Development in Africa  CAF – Development Bank of Latin America |

1. Acknowledging IFIs as an important development partner, UNDP works to accelerate both financial and non-financial partnerships with IFIs. **Financial partnerships** consist primarily of project implementation whereby UNDP supports governments at their request in the implementation of loans and provision of technical assistance or receives direct grants from IFIs, especially for crisis response in fragile contexts (examples [here](https://www.undp.org/content/undp/en/home/librarypage/development-impact/strong-partnerships--stronger-impact---working-with-governments-.html)). UNDP’s tailored support allows governments to realize the greatest possible impact from these resources – saving time and funds while simultaneously strengthening national institutions and capacities.
2. From 2017 to 2022[[9]](#footnote-10), UNDP received IFI contributions either directly (US$1.33 billion) or indirectly (US$521.63 million) through government financing, in total of US$1.85 billion. Of this total amount, US$1.3 billion or 67% (of which US$1.21 billion in direct grants and US$87.2 million in indirect contributions) went to fragile contexts.[[10]](#footnote-11) The 2018 sharp increase was due mostly to the World Bank’s direct contribution to UNDP to support the implementation of the Yemen Emergency Crisis Response Project (YECRP). 2019-2021 data shows a decline of direct IFI contributions and a growth in indirect contributions through government loans, due to UNDP’s increased support to governments in the procurement of critical medical equipment and to strengthen health responses during the COVID pandemic.

The top five IFI contributors from 2017 to 2022 included the World Bank, KfW, Inter-American Development Bank (IaDB), Islamic Development Bank (IsDB) and Central American Bank for Economic Integration (CABEI).

1. **Non-financial** **partnerships** involve joint research, knowledge and research products and publications such as the [*Pathways for Peace*](https://openknowledge.worldbank.org/handle/10986/28337) report with the World Bank; [*Guide for Integrated Planning in Africa*](https://www.africa.undp.org/content/rba/en/home/library/guide-for-integrated-planning-in-africa.html) with the African Development Bank; the annual [Asia-Pacific SDG Partnership report](https://sdgasiapacific.net/home) with the Asian Development Bank and UNESCAP; [*Harmonizing Investments and Financing Standards (2019)*](https://www.cn.undp.org/content/china/en/home/library/south-south-cooperation/harmonizing-investment-and-financing-standards-.html) with the China Development Bank; and [*Africa’s Digital Solutions to Tackle COVID-19*](https://www.undp.org/press-releases/undp-and-european-investment-bank-identify-effective-digital-response-covid-19) with EIB.
2. **UNDP also partners with IFIs on joint analysis and assessments**, including joint [Post Disaster Needs Assessments](https://drive.google.com/file/d/1AYg4AnjSlow-eKLyH5ORpuL7dB6QLr2b/view)  [a](https://drive.google.com/file/d/1AYg4AnjSlow-eKLyH5ORpuL7dB6QLr2b/view)nd [Recovery and Peacebuilding Assessments;](http://www.recoveryandpeacebuilding.org) COVID-19 Recovery Needs Assessments; and Socio-economic Impact Assessments and Response Plans.
3. Non-financial cooperation involves **joint platforms**, **staff exchanges and secondments**, **joint capacity development trainings and technical assistance**, or **joint events and advocacy**, such as UNDP’s participation in WB’s Fragility Forum, IFI participation during UNDP’s Development Dialogues, collaboration around issue-based and audience-specific launches of the Human Development Report or joint engagements during IFIs’ Annual Meetings or the UN General Assembly. UNDP and IFIs also collaborate on [development finance policy areas](https://sdgfinance.undp.org/), parallel financing (through which each partner uses its own funding streams for a common programme) or through joint applications to the Green Climate Fund.

**Box 1: How can UNDP add value to International Financial Institutions (IFIs)?**

*UNDP offers access, impartiality and expertise to help IFIs maximize development impact of every dollar invested***:**

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| **Extensive global presence**   * Over 22,000 personnel in 170 countries * Operates in fragile and crisis contexts and other challenging environments, more than any other UN agency   **Partnerships and policy influence**   * Long-standing and trusted relationships with governments (across ministries), IFIs, private sector, CSOs and other development financing stakeholders * Ability to convene a diverse range of global, regional and local development partners * Knowledge of subnational and local networks * Ability to catalyse partnerships to de-risk investments   **Thought leadership and support role in the UN Development System**   * UN agency serving as custodian and integrator of the SDGs, working with UN Country Teams and supporting Governments in the formulation of national development strategies * Vice-Chair of UN Sustainable Development Group (UNSDG) and co Vice-Chairs of the Regional Collaborative Platforms with strong engagement in UN System-wide coordination platforms and mechanisms | **Credibility and reputation**   * Credibility and neutrality through the ‘UN flag’ * Trusted by governments in sensitive contexts   **Trusted advisor on range of sectors**   * Experienced government partner for SDG planning, financing, budgeting and implementation at national and subnational levels * Supporter of whole-of-government approach to implementation of national development priorities, including role to support national SDG architecture * Lead support to country’s Integrated National Financing Frameworks * Lead support to countries on NDC implementation * Effective partner for project de-risking and piloting * Convener of South-South and triangular and quadrilateral partnerships to enable IFIs to engage in innovative partnerships | **Commitment to and custodian of SDG-aligned Standards**   * Commitment to ESG (environmental, social and governance) and SDG-aligned impact for investments and project implementation * High standards for project quality, accountability, transparency and impact measurement * Methodologies for harmonizing impact frameworks with SDGs for governments, private sector, IFIs, DFIs   **Capacity development and implementation track record**   * Helps IFIs to address underperforming loans by addressing national implementation gaps while developing long-term capacity * Effective project implementation, monitoring and evaluation oversight, risk management, development of bankable projects * Key partner to implement vertical fund projects * ‘One stop shop’ to solve high-volume/transaction issues (e.g., recruitment, procurement, financial management services)   **Intellectual resources**   * Works with partners to develop knowledge products and case studies based on good practice * Facilitates cross country and regional learning and South-South knowledge exchange * Hosts roster of experts for rapid deployment in crisis, financing and climate areas * Co-leads the UN in the global partnership on Recovery and Peacebuilding Assessments and Post-Disaster Needs Assessments |

**Spotlight: UNDP’s partnerships with IFIs for COVID-19 response and recovery**

1. Between March 2020 and November 2022, UNDP **received nearly US$325.67M to support governments to strengthen their COVID-19 response** with direct grants and indirect financing for the implementation of loans from IFIs such as the World Bank, KfW, IFAD, CAF, the IsDB, the ADB, EIB, BADEA and the IaDB. Most of this financing enabled UNDP to support government partners with procurement of vital personal protection equipment, health care supplies and the strengthening of national health care capacities and expertise.
2. UNDP supported the Government of Belarus with the implementation of a US$56M loan from the World Bank for COVID-19 response in 2021. From 2020-2021, KfW grants enabled UNDP to strengthen public officials’ capacities to deliver health care and public services to vulnerable communities in **Algeria** (US$11 million), **Lebanon** (US$22 million) and UNDP's **Programme of Assistance to the Palestinian People** (US$24 million). In 2022, UNDP signed an agreement with the Government of **Cameroon** with funding from the Arab Bank for Economic Development in Africa (**BADEA**) for US$19 million to support MSMEs impacted by the pandemic in the country; and with the Government of **Angola** and funding fromthe **European Investment Bank** (EIB) a US$61 million deal to strengthen the health care response. On the non-financial front, UNDP, serving as the UN’s technical lead on the socio-economic response to the pandemic, has supported over 144 **Socio-Economic Impact Assessments** and 122 **Socio-Economic Response Plans** – a vital means to inform countries’ recovery paths— often jointly with IFIs, the European Union, bilateral donors, private sector and civil society actors[[11]](#footnote-12).
3. UNDP and the WB also conducted joint periodic **surveys on the impact of COVID-19** on households, targeting different population groups in countries such as **Ecuador, Peru, Costa Rica, Dominican Republic and Jamaica,** with data used to produce joint country-specific policy notes to inform policy decisions and national-/regional-level **strategic dialogues**. UNDP-WB also cooperated on government-led **COVID-19 Recovery Needs Assessments** in **Cape Verde, Ecuador, El Salvador, Mozambique, Haiti and the Philippines,** producing [consolidated assessment reports](https://www.undp.org/coronavirus/socio-economic-impact-covid-19) for key sectors of the economy and presenting the overall effect and impact of COVID-19.

**Spotlight: Cooperation with IFIs in fragile and crisis-affected situations**

1. **With five out of 10 of its largest Country Offices located in crisis or fragile settings and about 67% of its total IFI financing going to projects in crisis settings,**[[12]](#footnote-13) UNDP works in close cooperation with the humanitarian system, and across the development, peace and human rights pillars of the UN system— and beyond— to facilitate more joined up approaches to address risks on the horizon, prevent development losses in the midst of crisis, and to build more sustainable and stable societies for the future. UNDP works with IFIs such as the World Bank, KfW, IsDB, AfDB, ADB and EIB in 21 out of 39 fragile countries.[[13]](#footnote-14) For example, under the *UN-World Bank Group Strategic Partnership Framework for the 2030 Agenda (2018)* and the *UN-WB Partnership for Crisis Affected Situations* (2017), UNDP and the World Bank have cooperated in more than 100 countries through successful implementation in fragile contexts, and assessments including Recovery and Peacebuilding Assessments and Post-Disaster Needs Assessments as part of the Tripartite EU-UN-WB partnership, most recently in [Pakistan (PDNA)](https://drive.google.com/file/d/1AYg4AnjSlow-eKLyH5ORpuL7dB6QLr2b/view) [and Mozambique and Libya (RPBAs).](https://www.recoveryandpeacebuilding.org/)
2. UNDP’s flagship partnership with the World Bank on a humanitarian-development nexus approach through the **Yemen Emergency Crisis Response Project (YECRP)** has been an essential avenue to keep development investments flowing during the crisis. YECRP is helping Yemeni people to regain access to essential public services and infrastructure for local trade, revitalize SMEs, generate jobs and expand access to affordable and nutritious food. Since 2016, UNDP has delivered nearly US$604.2 million in World Bank financing to save lives and livelihoods in Yemen. UNDP’s strong presence on the ground has enabled large-scale grants in a high-risk and volatile setting in coordination with other UN agencies, including UN OCHA, which has co-financed nearly US$13 million to YECRP.
3. In **Afghanistan**, UNDP’s partnership with the **World Bank** will enhance the capacity of local Non-governmental and Civil Society Organizations in delivering quality basic services to the most vulnerable in the communities, and support NGOs and CSOs Quick Impact Projects (QIPs). The QIPs will improve access to health, education, agriculture, community resilience, food security and livelihood activities for vulnerable and marginalized communities, including persons with disabilities. The Project will build capacity for a total of 400 NGOs and CSOs across the eight regions and 34 provinces of Afghanistan.
4. In the **Democratic Republic of the Congo**, UNDP is working closely with the government and the **International Monetary Fund** in an unprecedented partnership to deliver an allocation of US$263 million of Special Drawing Rights, combined with US$348 million in government resources, towards a massive community development programme to improve local infrastructure such as health centres, schools public administration buildings and agricultural roads, and provision of off-grid renewable energy and development of community value chains in nine out of 26 provinces in the country.
5. In **Ukraine**, **EIB** and UNDP have signed a €2 million agreement funded by the Eastern Europe Energy Efficiency and Environment Partnership under which UNDP will support selected Ukrainian cities in benefiting from EIB’s Ukraine Public Buildings Energy Efficiency Programme, a €300 million EIB framework loan with Ukraine aimed at financing thermal renovations of public buildings as well as war damage repairs and adaptations to buildings to ensure that they better suit the needs of internally displaced people and hosting communities.

**Spotlight: From climate commitments to actions working with IFIs**

1. UNDP partners with IFIs to support governments enhancing climate action and, in parallel, helps IFIs’ climate commitments to be implemented. **UNDP’s Climate Promise** helps over 120 countries and territories reach their Nationally Determined Contributions (NDCs) and has a growing number of collaborations with IFIs in programme countries, as well as with the **Coalition of Finance Ministers for Climate Action** which represents the most institutionalized and overarching collaboration with IFIs to date. **UNDP is working with MDBs under the Climate Promise in 15 countries across five regions** – for example, with the WB to advance NDC implementation in **Peru** and **Tunisia** through the design and development of tools on carbon pricing policy and carbon markets and developing investment plans for NDCs with AfDB in **Côte d’Ivoire**.
2. With its expertise in climate finance tracking in 33 countries globally, UNDP supports Ministries of Finance to accelerate the regional shift towards a low-carbon, climate-resilient growth model**..** As more IFI loans require governments to track national climate finance, UNDP leads the implementation of climate finance tracking methodologies, including **Climate Public Expenditure Reviews**, **Private Climate Expenditure Reviews**, **Climate Budget Tagging** and **Investment Financial Flows and Assessments**. In **Ecuador**, the **World Bank’s** first green and resilient recovery development policy loan (US$700 million) and AFD’s credit loan (US$150 million) both require such specific climate change tagging tools as triggers for the operations. In this case, UNDP supports the Ministry of Finance to set up an operative platform to track national climate finance, which contributes to the progress towards the integration of climate-change-related expenditures into national budgetary processes, and tailored Climate Finance Frameworks.
3. UNDP also partnered with the **African Development Bank (AfDB), the Global Environment Facility (GEF) and the Rocky Mountain Institute (RMI) through** [**The Africa Minigrids Program (AMP),**](https://sdgfinance.undp.org/products-and-country-experiences/africa-minigrids-programme-amp) a country-led technical assistance programme for minigrids, aiming to support access to clean energy by increasing financial viability and scaling up private investments in solar battery minigrids in 21 African countries, with a focus on cost-reduction levers and innovative business models. The AfDB is providing an initial US$142.3M in grant funding and co-financing (loans and grants).[[14]](#footnote-15) AfDB is also leveraging its own activities such as its Africa Mini-Grid Market Acceleration Programme and participates as a development partner in the AMP Regional Project Board. Launched at COP27, AfDB, GEF and RMI, the AMP commenced implementation in 2022 and will continue until 2027. UNDP also works with IFIs to leverage financing from vertical funds, for example, in **Viet Nam** through combining concessional financing from the Asian Development Bank (ADB) with grant financing from the Green Climate Fund (GCF) to strengthen the capacities of farmers in the Central Highlands and South-Central Coast to adapt and respond to climate-change-induced rainfall variability and droughts, multiplying the impacts of both funding sources.
4. Through operationalizing the Climate Promise initiative at the regional level and by leveraging Integrated National Financing Frameworks (INFFs) and SDG Investors Maps, **UNDP’s Green Arab States Facility for Transition** is a platform for governments, financial institutions, private sector and development partners to urgently and effectively scale up climate action, investments and leadership in the Arab States through the promotion of blended finance solutions. Following dedicated events at UNGA 2022 and COP27, the **Islamic Development Bank, the European Investment Bank** and the **World Bank** have initiated discussions on collaboration, and other IFIs and partners (**EBRD, KfW**, among others) are invited to join the facility looking toward an official launch at COP28.
5. An example of working with IFIs to co-design innovative financing models for cooperation is in **North Macedonia** with a new financial vehicle. With financial support from the **UN Joint SDG Fund**, and joint support from **EBRD**, UNDP, government and private banks, the **Green Financing Facility** will provide access to affordable green financing for small and medium-sized enterprises and individuals and households (including marketable but underserved individuals and households) for investments in renewable energy and energy efficiency solution.
6. Another relevant example is UNDP’s partnership with the **Inter-American Development Bank** in **Uruguay** to support an innovative sustainability-linked sovereign bond. The key characteristic of this bond is that its performance indicators are all linked to Uruguay’s NDC. UNDP played a role in the design of the framework and will perform the role of verifier of the yearly results of the bond’s indicators, which consists of the technical review of the annual bond issuance report, the technical review of each Key Performance Indicator calculation, and the assessment of the performance level. The bond raised US$1.5 billion in its first issuance.

**Spotlight: Accelerating Sustainable Finance with IFIs**

1. **UNDP is strengthening its engagement with IFIs through its dedicated Sustainable Finance Hub,** which builds on UNDP’s global network of teams and partners in 170 countries. UNDP does not do financial transactions but engages governments, IFIs, private sector and other actors to mobilize and align finance at scale to achieve the SDGs. UNDP works with IFIs to jointly deliver and mobilize financial expertise to governments and development expertise to the private sector; co-design instruments for the delivery of vertical funds and innovative instruments; and support sustainable finance architecture alongside ministries of finance and their partners at country level.
2. UNDP supports 86 governments to design **Integrated National Financing Frameworks (INFFs),** a country-led approach to bridge the gap between financing policies and national sustainable development priorities. These INFF platforms and processes provide an opportunity for IFIs, DFIs and NDBs to align their investments with national priorities, financing policy reforms and partnership platforms with private sector. IFIs are increasingly active[[15]](#footnote-16) in INFF processes in more than 50 countries through a variety of mechanisms, from participation as members of INFF oversight committees to joint technical assistance in INFF processes, including public expenditure and financial accountability, public expenditure reviews, SDG costing assessments, and engagement in financing dialogues.
3. [**Mongolia**’s INFF financing strategy was endorsed in August 2022 by the National Committee for Sustainable Development](https://www.undp.org/mongolia/press-releases/mongolias-top-sdg-governing-body-endorses-draft-integrated-national-financing-strategy), which benefited from collaboration with the World Bank, IMF, and ADB in the INFF development process, including an SDG financing needs assessment, public expenditure and financial accountability assessment, and INFF monitoring and review framework. [**Nigeria**’s INFF was also launched](https://www.undp.org/nigeria/publications/nigeria-integrated-national-financing-framework) in September 2022, which included the IMF, World Bank, IsDB and AfDB in developing the policy frameworks to be taken forward under the INFF. Beyond current partnerships with IFIs in the INFF process, UNDP can further support [MDBs’ commitment](https://www.eib.org/attachments/press/cop27-mdb-joint-statement-en.pdf) in expanding their support to countries in their low-carbon, climate-resilient transition by helping mobilize financing sources in alignment with the government needs and priorities.
4. **In the area of public finance, the IMF, UNICEF and UNDP are working together to integrate SDG and climate** change into national budgets and support knowledge exchange and generation around country experiences. Technical guidance collaboration between UNDP and IMF has included [Climate Sensitive Management of Green PFM](https://www.imf.org/en/Publications/staff-climate-notes/Issues/2021/08/10/Climate-Sensitive-Management-of-Public-Finances-Green-PFM-460635) (IMF) and [Guidance note for governments to integrate climate change integration in budgeting](https://www.undp.org/publications/budgeting-climate-change-guidance-note-governments-integrate-climate-change-budgeting) (UNDP) and joint capacity development efforts have included [IMF’s South Asia Regional Training and Technical Assistance Center (SARTAC)](https://www.sarttac.org/).
5. UNDP is strengthening its support to IFIs and DFIs in the area of **impact measurement and management** as demand increases for coherent and common language for sustainable finance taxonomies; and optimization of IFIs’ resource allocations, practices, products, processes and systems by aligning them to the SDGs and in order to deliver on strategic priorities. UNDP and OECD developed [the Framework for SDG Aligned Finance](https://sdgfinance.undp.org/sites/default/files/Framework%20for%20SDG%20Aligned%20Finance%20OECD%20UNDP.pdf), intending to bring order and clarity to the standards and disclosures, increase transparency, help governments design regulation and support new instruments. UNDP’s SDG Finance Taxonomy (China) and UNDP’s SDG Impact Standards served as a guidance for a US**$5 billion SDG-linked bond issuance by New Development Bank**, and UNDP is supporting **ADB’s Private Sector Department** to develop an inclusive business framework for portfolios of companies to scale ADB’s ability to measure progress against SDGs.
6. UNDP also strengthens partnerships with IFIs through forums including the [**G20 Sustainable Finance Working Group** (SFWG)](https://g20sfwg.org/). UNDP, as a Secretariat for G20 SFWG, supported the development of the [G20 Sustainable Finance Roadmap](https://g20sfwg.org/wp-content/uploads/2022/01/RoadMap_Final14_12.pdf) to help focus the attention of G20, IFIs and other stakeholders to strengthen the alignment of all sources of financing for sustainable development. In **Latin America**, [UNDP has taken sustainable finance principles agreed by the G20](https://www.undp.org/latin-america/press-releases/building-common-framework-sustainable-finance-taxonomies-latin-america-and-caribbean) into work with several multilateral development banks, the regional economic commission, sister UN entities and a forum of environment ministers to develop sustainable finance taxonomies.
7. **Lessons learned**

Throughout the past seven years, UNDP has made significant progress in institutionalizing IFI partnerships and in firmly recognizing and approaching IFIs as critical partners in development. Along the way, a few key lessons have emerged:

1. ***UNDP-IFI partnerships are unique, complementary and catalytic, requiring a whole-of-UNDP approach:***UNDP recognizes that the most valuable partnerships with IFIs are driven by substance and developed with the primary objective to help countries achieve the SDGs. Therefore, UNDP consistently promotes the broad and diverse nature of IFIs – not as donors, but as partners – and the need to work together through a range of modalities: financial, non-financial and blended, at the policy/upstream level and programmatically at the country level, in joint technical assistance, capacity-building and platforms, depending on local needs, and alongside other UN agencies.
2. ***Resources from IFIs will not replace/make up for decreased core and non-core contributions:***IFIs’ financing is primarily directed to governments. While policy-related and non-financial partnerships can eventually lead to funding for UNDP programming, collaborations with IFIs across more topics and regions do notnecessarily translate into increased financial resources for UNDP. When financial partnerships do take place, including to support loan implementation per governments’ requests/requirements, it is essential to demonstrate that the value of working with UNDP is to develop long-term capacities and ensure linkages to SDG-aligned national development priorities. Support and facilitation consistent with this messaging from the Executive Board member countries is welcomed, as they are also the shareholders of IFIs and hold a key place in achieving a more coherent and impactful multilateral system.
3. ***The importance of IFI-specific and tailored approaches to engage, including fit-for-purpose policies, procedures, tools and capacities:*** To become a more agile partner to IFIs, UNDP has co-created joint IFI-specific strategies/action plans; designed collaborative spaces for teams working on IFI partnerships across the organization; and upgraded IFI-related resources, trainings and tools for Country Offices to engage. Standardized policies, procedures and tools across the UN System, for example standard financial agreement templates harmonized with other UNAs, could help to expedite collaboration with IFIs, however. However, such standardized templates/tools take a long time to negotiate and, once finalized, they are not consistently used or adhered to by IFIs, governments or UN partners.
4. ***The need to expand partnerships beyond traditional lending institutions and designing multi-partner integrated offers***: Given the evolving development finance landscape and key role of development banks in building sustainable finance architecture as well as in key thematic areas, UNDP has put forward a concerted effort to diversify partners at global, regional and national levels. Through UNDP’s implementation track record and support to financing ecosystems across public and private financing, UNDP has expanded from cooperation with multilateral and regional development banks, to DFIs and national and subnational development banks and has increased exchanges with newer IFIs such as the **Asian Infrastructure Investment Bank** and **New Development Bank**. These expansion efforts have been enabled by innovative partnership models beyond resource mobilization and UNDP policy positioning in new areas of SDG-aligned financing. UNDP also notes that, in the ecosystem, engagement with commercial banks, private sector and SMEs crosses over and many IFI/DFI priorities are rooted in UNDP’s thematic portfolios in climate and energy.
5. **Opportunities and strategic priorities for the way forward**
6. ***Doing more and doing better by scaling existing solutions and focusing on partners and areas that are working***: This means putting IFI partnerships at the heart of UNDP’s thematic, regional and project level portfolios while at the same time matching UNDP’s value addition with the challenges and focus areas of IFIs. This also requires an examination of what strategic partnerships with IFIs are called for beyond loan implementation and a concerted effort to manifest this corporate ambition at the country level. Based on internal/external mapping and lessons learned in this space, areas where IFI collaboration can be further strengthened lie in areas with urgent global needs: climate, energy, crisis/fragility, sustainable financing and poverty/inequality reduction. This will require a process to consolidate UNDP’s narrative and messaging on its role as a strategic partner *vis-à-vis* IFIs in 2023. Alongside this prioritization process, an updated IFI strategic document can serve as a roadmap to explore how UNDP can deepen cooperation and increase its capacity to bring in IFIs. This would include identifying the cooperation modalities with high resource mobilization potential, ways to provide technical and financial support to strengthen these mechanisms if necessary, and updated guidance on how to financially cooperate with IFIs.
7. ***Responding to a new era in financing by positioning UNDP as the partner of choice for financing solutions, both in implementation as well as advisory services:*** With countries facing a debt crisis and looking at growing financing and technical needs for IFIs to fulfil their critical role in scaling financing for sustainable development, they would need to increase SDG and climate finance by not focusing on stand-alone projects or added-on climate adaptation components, for example, but rather on ensuring that all investments consider and incorporate the objectives of the Paris Agreement across their portfolio. UNDP needs to respond to these challenges with solutions that allow it to co-create global public goods with IFIs and de-risk their investments through work on the enabling environment, government capacities as well as support to the structuring of SDG-aligned debt instruments such as bonds and guarantees. UNDP will need to consider how it brings government financing together with IFI-related initiatives and look ahead to future modalities of quadrilateral cooperation that will include Governmentsgovernment, UNDP, IFIs and donors. It will also be important to strengthen UNDP’s offerings around advisory and technical assistance that supports more effective loan implementation, project preparation pipelines and more models for cooperating with IFIs to access vertical funds to leverage the type of complementary financing and expertise required for countries to meet their SDG targets.
8. ***Focusing on agility to build a fit-for-purpose IFI partnership pipeline:*** Noting the strides made to date, UNDP’s collaboration could be expanded by UNDP’s availability of, and capacity to use, a broader set of financial instruments (beyond grants and loan implementation support, e.g., for guarantees, to issue bonds, to co-finance and apply blended financing solutions). Operational bottlenecks that are being addressed by a cross-organization task team include: usage of standard financial agreement templates, final procurement authority and its instruments (policies, procedures, templates, guidelines, contracts) and other areas including implementation modalities and General Management Service (GMS) rates,[[16]](#footnote-17) considering GMS an allowed expense under the loans, general terms and conditions tailored to the needs and status of borrowers, single audit principle, recovery policies and sanctions.  UNDP will continue to work closely with other UN agencies to find opportunities to further standardize policies, procedures and tools to engage with IFIs and to ensure that they are used and adhered to, for example, through joint communications, messaging and tools.
9. **Conclusion**

In response to the need for more responsive, tailored and complementary action to meet the SDGs, UNDP places special emphasis on the role of IFIs. With a strategic mix of complementary expertise, strategies and modalities, coordinated efforts across IFIs, UN entities, governments and private sector can catalyse countries’ access to the technical knowledge and financial support needed to achieve SDG and climate targets. Under the Strategic Plan, boldly scaling ambitions with IFIs is one important and essential way to bring together partners to deliver impact and SDGs together.

1. For the purpose of this document, International Financial Institutions (IFIs) include (i) Multilateral Development Banks such as World Bank Group and the International Monetary Fund; Regional Development Banks such as the African Development Bank, Asian Development Bank, Asian Infrastructure and Investment Bank, Inter-American Development Bank, Islamic Development Bank, New Development Bank, European Bank for Reconstruction and Development, and European Investment Bank; as well as the International Fund for Agricultural Development, and national development banks with international objectives such as Germany’s KfW. More recently, UNDP has also started to engage with Development Finance Institutions, both multilateral DFIs (private sector arms of IFIs) such as the European Investment Fund, IFC or IDB Invest, or bilateral DFIs such as FMO, PROPARCO and Swedfund. [↑](#footnote-ref-2)
2. <https://www.unglobalcompact.org/sdgs/sustainablefinance> [↑](#footnote-ref-3)
3. <https://www.undp.org/press-releases/50-percent-worlds-poorest-need-debt-relief-now-avert-major-systemic-development-crisis-warns-un-development-programme> [↑](#footnote-ref-4)
4. <https://www.oecd-ilibrary.org/sites/6ea613f4-en/index.html?itemId=/content/component/6ea613f4-en> [↑](#footnote-ref-5)
5. OECD. 2022. OECD Economic Outlook, Interim Report: Economic and Social Impacts and Policy Implications of the War in Ukraine. [↑](#footnote-ref-6)
6. <https://thedocs.worldbank.org/en/doc/883731485963739623-0270022017/original/frombillionstoTrillionsMDBcontributionstofinancingfordevelopment.pdf> [↑](#footnote-ref-7)
7. Now the COP27 “calls on the shareholders of multilateral development banks and international financial institutions to reform multilateral development bank practices and priorities, align and scale up funding […] define a new vision and commensurate operational model, channels and instruments that are fit for the purpose of adequately addressing the global climate emergency, including deploying a full suite of instruments, from grants to guarantees and non-debt instruments, taking into account debt burdens” (para 61); and “calls on multilateral development banks to contribute to significantly increasing climate ambition using the breadth of their policy and financial instruments for greater results” (para 62). [↑](#footnote-ref-8)
8. Preliminary figures as of 3 January 2023. [↑](#footnote-ref-9)
9. As of 3 January 2023. [↑](#footnote-ref-10)
10. As of 15 November 2022, following [World Bank’s FY23 List of Fragile and Conflict-affected Situations](https://thedocs.worldbank.org/en/doc/69b1d088e3c48ebe2cdf451e30284f04-0090082022/original/FCSList-FY23.pdf). [↑](#footnote-ref-11)
11. *Lessons learned and Future Readiness: An Overview of the UN COVID 19 Socio-Economic Response*, United Nations Sustainable Development Group, 2022. [↑](#footnote-ref-12)
12. On average between 2017-2022, UNDP’s RM Tool. [↑](#footnote-ref-13)
13. Per [WB FY23 List of Fragile and Conflict-affected Situations.](https://thedocs.worldbank.org/en/doc/69b1d088e3c48ebe2cdf451e30284f04-0090082022/original/FCSList-FY23.pdf) [↑](#footnote-ref-14)
14. AfDB co-financing includes: US$2 million in grant funding and implementation of two AMP national projects in Madagascar and Angola; US$113 million in co-financing to AMP national projects in Burkina Faso, Comoros, Ethiopia and Nigeria; and US$27.3 million in co-financing to the AMP Regional Project. [↑](#footnote-ref-15)
15. The World Bank is engaged in INFF processes in more than 40 countries, including Tunisia, where they co-hosted financing dialogues as part of the INFF process. The IMF is engaged in INFFs in more than 25 countries and participates alongside the EU, UNDP and UN DESA in regular country-focused dialogues to coordinate technical assistance and capacity development. UNDP, UNICEF and DESA are working together with the IMF to support cross-country lessons on SDG-aligned budgeting. Other IFIs, including the Asian Development Bank, Islamic Development Bank and African Development Bank, are engaged in INFFs in more than 30 countries. [↑](#footnote-ref-16)
16. Based on an increased number of requests by IFI partners for UNDP to lower its General Management Services (GMS) rates and recognizing that UNDP cannot operate effectively/sustainably through exceptions, UNDP is preparing a business case to assess whether/how/when to update its GMS policy, to introduce, for example, a 'sliding scale' for GMS fees applied to IFI funding, with greater tolerance for exceptions in the short term. [↑](#footnote-ref-17)