SDG Investor Maps
Impact Intelligence and Facilitation Services for COVID-19
Rebuilding & Sustainable Development Progress
February 2021
SDG Impact offers tools for investors to direct capital to the achievement of the SDGs

**Impact Management**
A means to better decisions that drive investment capital to where it is needed

- SDG Impact Standards
- SDG Impact Seal
- SDG Impact Training

**Impact Intelligence**
Produces data and insights needed for increasing financial flows to the SDGs

- SDG Investor Maps
- Interactive SDG Investment Platform

**Impact Facilitation**
Fosters matchmaking and collaboration to realize investments

- SDG Impact Investor Convenings
- SDG Impact Policy Dialogues

Investors identify **lack of viable pipeline and market intelligence** as main barrier to SDG-aligned investment
SDG Investor Maps and Impact Facilitation strengthen existing INFF and DFA processes

Entry-points for Public-Private Financing Dialogue platforms, translating SDG oriented NDP priorities into investor language.

Through the SDG Impact Standards, it can support impact measurement and SDG finance reporting.

Provides evidence, data, and concrete recommendations on viable business models enhancing DFAs processes.

Inform National SDG Financing Strategies with market intelligence.
SDG Investor Maps

Overview
SDG Investor Maps translate SDG needs & policy priorities into actionable investment opportunities

- Country-specific market **intelligence backed by data** and evidence
- **Produced locally by UNDP Country Offices (COs)** based on secondary and primary research
- Provided as a **public good to investors** and governments
- Findings are made available through an **online platform** for easy access by domestic and foreign investors
- **Impact facilitation events bring findings to life**: UNDP Country Offices lead **investor convenings** and **policy dialogues** to mobilize private sector capital and policy changes
SDG Investor Maps identify concrete, investable solutions to pressing needs at country level

Filtering down from national priorities to derive Investment Opportunity Areas (IOAs)

- Define the national priority starting point
  - Distil and compare national development needs and national policy priorities to identify sectors where there is demonstrable political/financial commitment to stimulate development & investment

- Identify critical subsectors to focus on
  - Prioritize subsectors where there is development need and policy/investment momentum

- Identify priority subregions to focus on
  - Identify the subregions where there is both high development need within each subsector, and strong political/financial momentum to spur potential subsector growth

- Derive more specific ‘investment opportunity areas’
  - Highlight impactful business models within priority subsectors and subregions where new capital can facilitate scale, and identify potential ‘white spaces’ where new business models are most needed
IOAs are underpinned by 20 actionable data points spanning business and impact considerations

<table>
<thead>
<tr>
<th>Subsector and Location</th>
<th>Sector</th>
<th>Subsector and Industry</th>
<th>Target Locations</th>
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<tbody>
<tr>
<td>Pipeline Opportunity</td>
<td>Business Model</td>
<td>Case Studies</td>
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<tr>
<td>Business Case</td>
<td>Market Size and Environment</td>
<td>Return Profile</td>
<td>Investment Timeframe</td>
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<td>Impact Case</td>
<td>Sustainable Development Need</td>
<td>Expected Development Outcome</td>
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<tr>
<td>Enabling Env.</td>
<td>Policy Environment</td>
<td>Regulatory Environment</td>
<td>Financial Environment</td>
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SDG Impact
SDG Investor Maps result in IOA data sets for presentation in the SDG Investment Platform

The **SDG Investment Platform** will present the collected data and bring market intelligence and impact measurement tools to the desktop for foreign and domestic investors.
SDG Investor Maps

In Practice: Findings from Brazil
The pilot SDG Investor Map for Brazil found twenty-one IOAs across six priority sectors

<table>
<thead>
<tr>
<th><strong>Food and Beverages</strong></th>
<th>Cold storage infrastructure</th>
<th>Cold storage infrastructure for horticulture products</th>
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<tbody>
<tr>
<td>Agri-food supply chains</td>
<td>Enhancement of agri-food supply chain operation through Dairy Hubs</td>
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<td>Greenhouses</td>
<td>Enhancement of feed/fodder/forage production</td>
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<td></td>
<td>Development of greenhouse crop production sector</td>
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<tr>
<td><strong>Renewables and alternative energy</strong></td>
<td>Solar Energy</td>
<td>Utility-scale and small-scale solar stations linked or not to electricity grid</td>
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<td>Wind energy</td>
<td>Wind farms for decentralized energy production</td>
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<td>Biofuels</td>
<td>Small- and medium scale biogas production</td>
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<td><strong>Healthcare</strong></td>
<td>Healthcare delivery</td>
<td>Mobile medical services in regions (rural and urban)</td>
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<td></td>
<td>Small- to medium size medical clinics (retail healthcare)</td>
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<tr>
<td><strong>Services</strong></td>
<td>Pre-school institutions</td>
<td>Kindergartens in rural areas and secondary cities</td>
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<td>Tourism</td>
<td>Development of eco- and agri-tourism in regions</td>
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<tr>
<td><strong>Technology and communications</strong></td>
<td>IT sector</td>
<td>Development of IT training centers</td>
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<tr>
<td>Energy efficiency technology</td>
<td>Wide application of energy efficiency technologies in rural households</td>
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<tr>
<td>Biotechnology and pharmaceuticals</td>
<td>Production of active pharmaceutical ingredients (API)</td>
<td></td>
</tr>
<tr>
<td><strong>Infrastructure</strong></td>
<td>Irrigation network</td>
<td>Wide application of drip irrigation technology</td>
</tr>
</tbody>
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*Note: see Country Office Handbook document for detailed explanation of sector taxonomy and on methodology for deriving IOAs*
An overview of Brazil’s findings shows priority sectors, business model types and need cases

**Priority Sectors**
- Renewables
- Food & Beverage
- Infrastructure
- Transportation
- Healthcare

**13 Subsectors**

**21 IOAs**

**5 Business Model Types:**
- Product
- Service
- Infrastructure
- Technology
- Financing

**5 Need Cases:**
- Productivity
- Climate
- Inequality
- Gender
- Access to Finance

**Questions:**
What might limit scale over time? Why hasn’t investment arrived at scale up to today?

**Highlights:**
- 17% Average IRR
- 19 Regulation & Laws referenced
- 21 Sources per IOA*
Zooming into a sample Brazil IOA: Mixed plantation forestry for commercial timber production

Overview:
- To address the rate of deforestation and biodiversity loss in the Atlantic Forest, investors could consider sustainable forestry models focused on the breeding and planting of mixed (native & bulk) timber species over deforested land, with the aim of commercializing resultant sustainable timber to commodity markets.

Need case:
- The deforestation rate of the Atlantic Forest in Brazil grew by nearly 60% between 2015-2016\(^1\) and, though the pace has slowed down, over 11,000 hectares were destroyed between 2017-2018\(^2\); deforestation has also hurt biodiversity, with the Atlantic Forest being the Brazilian biome with the highest number of endangered fauna\(^3\).
- This IOA could contribute directly to SDG15, particularly 15.2.1. (progress towards sustainable forest management) and 15.3.1. (proportion of land that is degraded over total land area), and indirectly to SDG12 and SDG13.

User or beneficiary:
- This investment would benefit forests in states like Minas Gerais, Piauí, Paráná, Bahia, and Santa Catarina, regions where a large share of land (80%, vs. Amazonia’s 20%) can be focused towards commercial use.
- A benchmark investor is deploying this model at an IRR of 11.7% with potential for >17% if operation is doubled\(^4\).

Economic factors:
- Institutional investments in mainstream reforestation today represent an industry of $35 billion in Brazil, where there are approximately 50 million hectares available for reforestation\(^5\).
- While mixed species reforestation can include fast growing species that can be commercialized on an annual basis, higher quality timber will take 10-15 years to grow and generate returns\(^6\).

Enabling factors:
- The approval in June 2019 of the National Plan for Commercial Forestry seeks to increase the country’s tree planting area by 20% up to 2030.
- Programa ABC, Pronamp, and Pronaf Eco are BNDES loans to investors in reforestation or forestry protection businesses\(^7\); and the BNDES Climate Fund Facility lends at below-market rates\(^8\).

Risk factors:
- Small-scale illegal commercialization remains unchecked (tax evasion, labor rights, sustainable harvesting), driving the emergence of pockets of unfair and unsustainable competition.
- Recent decrees allowing environmental fines to be replaced by environmental recovery and conservation actions may disincentivize environmental protection.

Impact management:
- Investments falling under this IOA are likely to act to avoid harm (IMP classification A), given that this business model yields a commercial outcome that can reverse harmful practices in this specific subsector and geography.

Note: selection of insights from SDG Investor Map (not comprehensive for this IOA); 1Agência Brasil, 2017; 2Globo, 2019; 3SOS Mata Atlântica, 2019; 4Dalberg analysis; 5denotes areas not covered by either urban areas, forests or agriculture; 6Dalberg analysis; 7BNDES, 2019; 8BNDES, 2018.
Other sample IOAs are available from 15 SDG Investor Maps that have been completed in 2019 - 2020.
SDG Investor Maps

Process
The SDG Investor Maps process follows a standardized 8-step methodology:

1. **Collect information** on national development needs and policy priorities.
2. **Synthesize needs and policies** into a set of national priority sectors.
3. For each sector, **collect information** on sectoral development needs and sectoral investment policies.
4. **Synthesize needs and policies** into a set of priority subsectors.
5. **Identify the subregions** most aligned to each subsector.
6. **Synthesize information** into a set of priority subregions to dig deeper into by subsector.
7. With this context, **identify potential business models** that could tackle sub-sectoral and subregional development needs whilst capitalizing on policy and investment momentum.
8. For each business model, **add a range of supporting information** that can enable investors to perform diligence and eventually shape impactful deals.

Output: 15-25 investment opportunity areas (IOAs) supported by actionable information.
Steps 1 to 6 generate hypotheses around what key needs are underinvested in and where:

1. Collect information on national development needs and policy priorities
2. Synthesize needs and policies into a set of national priority sectors
   Output: 3–5 sectors that capture both national development need & policy priorities
3. For each sector, collect information on sectoral development needs and sectoral investment policies
   Output: 1–4 subsectors within each national priority sector
4. Synthesize needs and policies into a set of priority subsectors
5. Identify the subregions most aligned to each subsector
   Output: 1–3 subregions to focus on for each subsector
6. Synthesize information into a set of priority subregions to dig deeper into by subsector

Investment Opportunity Areas:
7. With this context, identify potential business models that could tackle sub-sectoral and subregional development needs whilst capitalizing on policy and investment momentum
8. For each business model, add a range of supporting information that can enable investors to perform diligence and eventually shape impactful deals
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SDG Impact
Steps 7 and 8 then identify the investable, scalable business models that address these needs.

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Output: 15-25 investment opportunity areas (IOAs) supported by actionable information
SDG Investor Maps process undertakes extensive consultation and takes 2-6 months to complete

Stakeholders are involved at all four stages of the methodology:

- At step 1, public sector stakeholders to **validate development needs and policy priorities**
- At step 3, public sector experts to **validate subsector longlist with specialized stakeholders**
- At step 7, private sector stakeholders (institutional investors, commercial banks, VC / impact investors) to **distill and discuss IOAs**
- At step 8, private sector stakeholders for a **final validation meeting**

The completion of an SDG Investor Map takes **2 – 6 months**, depending on:

- Team composition
- Availability of data/documentation
- Availability of stakeholders
- Market size

Steps 1-2: 1-4 weeks  
Steps 3-4: 1-4 weeks  
Steps 5-6: 1-4 weeks  
Steps 7-8: 3-5 weeks
Questions?

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