



# SUSTAINABLE FINANCE AT UNDP

## The engine of development

Making national priorities investable

IMPACT BRIEF

2026



## The Global Development Constraint

# Misaligned finance and development priorities

**Sustainable development today is constrained less by ambition than by how global financial systems operate. Despite unprecedented levels of global capital, financial flows remain structurally misaligned with the sectors, geographies and time horizons required to deliver the United Nations Sustainable Development Goals (SDGs).**

Countries have clear national priorities for inclusive growth, climate resilience, social protection and economic transformation. Yet financing systems often fail to support those priorities at scale.

This is not a scarcity problem. Global wealth, excluding real estate, is estimated at US\$305 trillion. At the same time, developing countries face an estimated \$4.3 trillion annual financing gap to achieve the SDGs. In 2024 alone, investors held \$2.5 trillion in undeployed capital, including nearly \$400 billion earmarked for infrastructure.<sup>1</sup>

The constraint lies not in the availability of capital, but in how finance is structured, governed and deployed across the global system.

These patterns reflect a global financing system that does not consistently direct capital to the sectors, countries and long-term investments where

sustainable development needs are greatest. Addressing this misalignment requires changing how finance works across the system, not simply mobilizing more capital.

The United Nations Development Programme (UNDP) defines sustainable finance as all sources of finance, public and private, that generate positive outcomes for sustainable development by aligning capital with long-term economic, social and environmental objectives.

UNDP's vision is a sustainable finance system in which investment decisions reflect both financial performance and sustainable development impact, and where public budgets, private investment and risk management frameworks work together to direct capital towards national priorities at scale.

## HOW GLOBAL FINANCE IS MISALIGNED

# \$6.7 trillion

### Fossil fuel financing continues to grow

Despite global climate commitments, fossil fuel subsidies reached \$6.7 trillion in 2024, reflecting the continued underpricing of environmental and climate costs.<sup>2</sup>



### Debt service is crowding out social spending

Low-income countries spend 2.3 times more on interest payments than on social assistance, 1.4 times more than on health, and 60 percent of education spending.<sup>3</sup>

# \$25 billion

### Global markets are leaving developing countries behind

In 2023, developing countries paid \$25 billion more to their external creditors in debt servicing than they received in new financing. This negative net resource transfer limits their ability to invest in development.<sup>4</sup>

# Why misalignment persists for countries

The misalignment between global capital and development priorities persists in large part because the way risk and return are calculated across the global financial system is skewed against developing countries. Investment decisions are shaped by perceived risk, policy uncertainty and limited risk-sharing mechanisms. As a result, capital is systematically priced away from countries and sectors where development needs are greatest, even when long-term development returns are strong.

These distorted risk-return calculations are reinforced by subjective bias in how markets assess developing countries. Average expected investment losses in developing countries are between 0.4 and 1 percent. Yet these countries face borrowing costs that are two to eight times higher than developed economies. UNDP analysis finds that idiosyncrasies in global sovereign credit ratings cost African countries an estimated \$75 billion<sup>5</sup> through excessive interest costs and foregone lending, constraining access to long-term finance and investment in priority sectors.

## \$75 billion

**Estimated annual losses linked to sovereign credit rating distortions in Africa**

## WHY FINANCE DOES NOT REACH WHERE IT IS NEEDED

### 2-8 TIMES HIGHER BORROWING COSTS

Developing countries face borrowing costs two times higher than developed economies, with some least developed countries paying rates up to eight times higher.<sup>6</sup>

### LIMITED PIPELINE OF INVESTMENT-READY PROJECTS

In Africa, most infrastructure projects do not progress beyond early-stage feasibility or business planning, with only around 10 percent reaching financial close. In 2025, just 6 percent of projects advanced to construction. This persistent pipeline gap constrains investment, contributing to an estimated \$500 billion loss in GDP, 74 million jobs and one million lives annually.

### \$0.37 FOR \$1

In low-income countries, blended finance mobilizes \$0.37 in private capital for every \$1 of public finance, compared with \$1.06 in lower-middle-income countries. This gap suggests that blended finance is used more to shield investors than unlock capital where development needs are greatest.

# >10%

revenue spent on debt in 56 countries

Rising debt burdens and debt-servicing costs further erode fiscal space, limiting governments' ability to invest in development priorities or to use public resources strategically to reduce risk and crowd in private investment. In 56 countries, more than 10 percent of government revenue is spent on interest payments.

The shortage of investment-ready, bankable projects further compounds these challenges. In emerging markets and developing economies, project pipelines consistently fall short of investment needs due to weak stakeholder coordination, difficulties in sourcing and structuring deals, and limited capacity for project preparation and execution.<sup>7</sup>

# 0.7%

ODA target still unmet globally

Official development assistance (ODA) remains essential to de-risk and unlock investment, particularly in least developed countries. However, ODA remains below the internationally agreed 0.7 percent of gross national income target, even as financing needs grow. ODA should increase and be used more strategically and catalytically to address structural barriers and mobilize larger volumes of public and private finance.

Addressing these challenges requires changing how risk, return and incentives are structured across financing systems, not simply mobilizing more capital. This is the structural problem that sustainable finance seeks to address.



# Working with partners to recalibrate risk and return

The structural barriers outlined on the previous pages stem from how risk and return are assessed across the global financial system. Addressing them requires development institutions and financial institutions to work together to change how capital is priced, allocated and deployed in developing countries.

In a context of declining ODA and rising financing needs, UNDP is investing in partnerships that can shift how financing systems function. Working alongside governments, development partners, multilateral development banks and regional development banks, export credit agencies, insurers and private investors, UNDP helps reduce risk, strengthen policy and fiscal coherence, and enable finance to flow towards nationally defined priorities.

This catalytic, partnership-driven approach delivers significant leverage. Between 2022 and 2024, for every \$1 of donor funding to UNDP, an estimated \$60 in SDG-aligned investment was promoted. This demonstrates how system-level reforms can unlock capital at scale when barriers are addressed at their source. That leverage is achieved by aligning the roles of governments, development partners, financial institutions and private investors around shared national priorities.

UNDP operationalizes this approach through three interlinked sustainable finance portfolios that work across policy frameworks, public finance systems and private investment markets.

## UNDP SUSTAINABLE FINANCE PORTFOLIO STRUCTURE

- 01 Global and Country Financing Policy Frameworks
- 02 Public Finance for the SDGs
- 03 Private Finance for the SDGs

## MAKING EVERY DOLLAR GO FURTHER

**\$60**

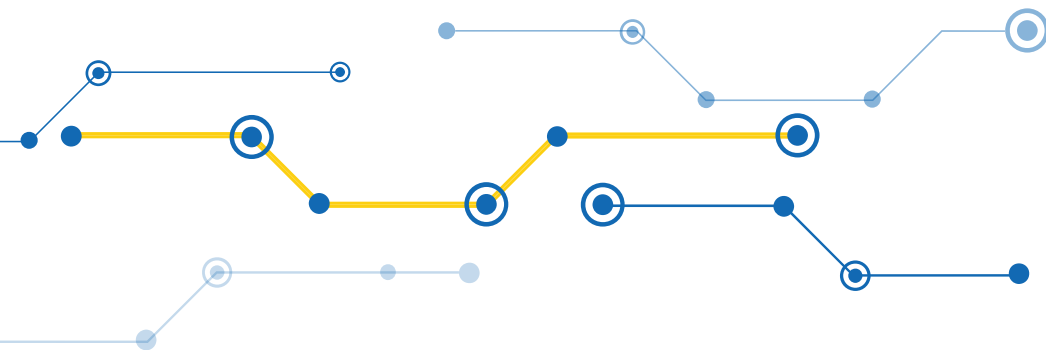
IN SDG-ALIGNED INVESTMENT PROMOTED FOR EVERY \$1 OF DONOR FUNDING TO UNDP (2022–2024)

# Global and country financing policy frameworks

## Bridging global commitments and country-level action

UNDP supports governments to bridge global financing commitments and national reform, helping align public and private finance with national development, climate and nature priorities.

Through its engagement in global policy processes, including Financing for Development (FfD), the Rio Conventions on climate change, biodiversity and desertification,<sup>8</sup> G20 finance tracks and the Financial Centres for Sustainability (FC4S) network, UNDP helps ensure that global commitments are shaped by country priorities and translated into concrete financing shifts at the national level.



## DRIVING SYSTEM-WIDE ACTION THROUGH GLOBAL PARTNERSHIPS

UNDP works alongside a broad coalition of partners, including UN entities, multilateral development banks, public development banks, regional institutions and technical partners to shape global policy and translate international commitments into coordinated action for systems change.

### ALIGNING GLOBAL FINANCING REFORM EFFORTS BEHIND COUNTRY LEADERSHIP

Through the Sevilla Platform for Action, UNDP is working with more than 170 partners, including governments, UN entities, multilateral and public development banks, and technical institutions, to deliver on the Fourth International Conference on Financing for Development (FfD4) commitments. UNDP-led Sevilla Platform for Action initiatives advance collective action to support country-led reforms that align global and national financing with the commitments in the *Compromiso de Sevilla*.

### UNLOCKING COUNTRY ACCESS TO GLOBAL NATURE FINANCE

UNDP supported the launch of the Tropical Forest Forever Facility (TFFF), led by the Government of Brazil under the 30th Conference of the Parties (COP30), to channel long-term, performance-based finance to tropical forest countries. Through the TFFF Country Access Platform, UNDP supports national readiness, eligibility and South-South cooperation to strengthen country-level access to finance for nature.

### DRIVING SYSTEMIC MARKET TRANSFORMATION FOR CLIMATE TRANSITION

Through the FC4S global network of 44 financial centres, UNDP supported the launch of the 1.5°C Partnership for Action on Climate Transition (PACT) at the 29th Conference of the Parties (COP29). The initiative strengthens dialogue between governments and financial institutions to translate national climate targets into credible climate finance strategies.

## CLIMATE PROMISE: COUNTRY-LED CLIMATE ACTION

Through its Climate Promise, UNDP supports over 140 countries to design and implement stronger Nationally Determined Contributions (NDCs), including direct support to 104 developing countries for NDC 3.0 preparation.

**\$2.45 billion**  
in grant finance mobilized

**37 million+**  
people benefiting

## COUNTRY-LEVEL SYSTEMS CHANGE IN ACTION

At the country level, Integrated National Financing Frameworks (INFFs) and country platforms provide the foundation for bridging global commitments and national financing reform. Through these approaches, UNDP supports governments and financial institutions to align planning, policy and investment with national priorities, Nationally Determined Contributions (NDCs) and National Biodiversity Strategies and Action Plans (NBSAPs).

To date, 90 countries have adopted the INFF approach to strengthen national financing systems and mobilize resources for development priorities:

### Mexico

Mexico has integrated sustainability into its public finance system through SDG budget tagging, thematic bond issuances and its Sustainable Finance Mobilization Strategy. Since 2020, it has mobilized over \$34.5 billion through sovereign SDG bonds, expanded sustainable financing through its national development bank, and adopted a Sovereign Sustainable Finance Framework and National Sustainable Taxonomy.

### Nigeria

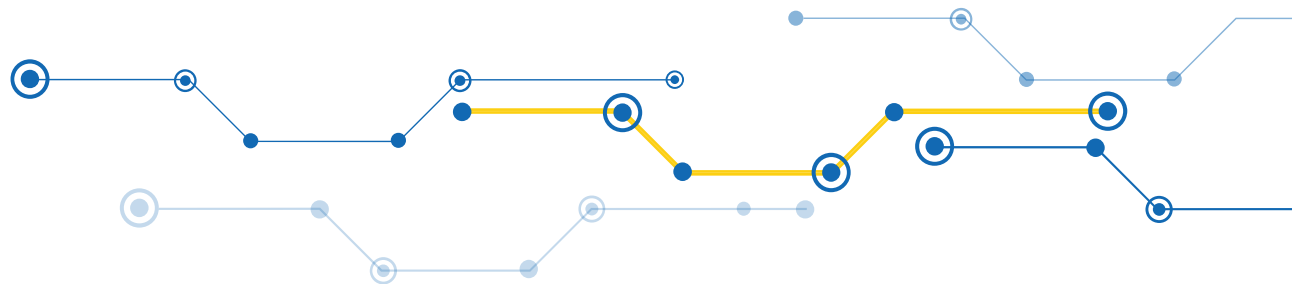
Nigeria's INFF is driving a major financing-reform agenda, supporting a \$175 million SDG-aligned project pipeline, enabling issuance of a \$19 million green bond in Gombe State, and informing tax reforms aimed at raising the tax-to-GDP ratio to 18 percent.

### Egypt

Egypt is using its INFF to coordinate financing reforms for its Vision 2030 and its Nexus of Water, Food and Energy, which has brought multiple development partners into a coordinated country platform that has mobilized over \$4 billion investment in the renewable sector.

Through global leadership, country partnerships and systems-based approaches, UNDP supports governments to transform financing systems, turning global pledges into national, evidence-based financing reform that accelerates sustainable development.

# Public finance for the SDGs



## Transforming public finance systems for sustainable development

Public finance is the backbone of sustainable development. UNDP supports governments to strengthen tax systems, improve expenditure quality and build coherent fiscal policies that expand fiscal space while directing resources to climate action, gender equality, social protection, biodiversity and crisis resilience. Since 2022, UNDP's public finance work has helped governments align and leverage \$510 billion towards national development priorities.

UNDP integrates domestic resource mobilization, public financial management, fiscal policy coherence and digital fiscal governance to support system-wide reform. Through partnerships with ministries of finance, sector ministries, capital market actors and global institutions, including the International Monetary Fund (IMF), the World Bank, the Organisation for Economic Co-operation and Development (OECD), regional development banks and United Nations entities, UNDP helps ensure reforms are aligned and scaled.

# \$510 billion

aligned towards national  
development priorities since 2022

## STRENGTHENING GLOBAL PARTNERSHIPS FOR FISCAL GOVERNANCE

Through global partnerships, UNDP brings together ministries of finance and international partners to coordinate fiscal reform, strengthen implementation and share solutions across countries:

### BUILDING TAX CAPACITY THROUGH INTERNATIONAL COOPERATION

The OECD-UNDP Tax Inspectors Without Borders (TIWB) initiative has generated \$2.72 billion in additional tax revenue for developing countries through tax audit support, including transfer pricing and criminal tax investigations involving multinational enterprises, demonstrating a return of \$125 for every \$1 invested.

### ALIGNING PUBLIC FINANCE SYSTEMS WITH THE SDGS

Launched under the Sevilla Platform for Action, the Public Finance for the SDGs Collaborative brings together ministries of finance, international financial institutions and development partners, including the World Bank and the IMF, around a shared ambition: fiscal systems that are coherent, equitable and aligned with national priorities across budgets, tax systems and borrowing strategies.

### ALIGNING FISCAL POLICY WITH PEOPLE AND PLANET

UNDP supports governments to align fiscal systems with human development and environmental goals.

- Through the 3×35 Health Taxes Initiative with WHO, countries are raising taxes on tobacco, alcohol and sugary drinks to expand fiscal space while reducing non-communicable diseases, with up to \$2.1 trillion in untapped revenue potential over five years.
- Through EQUANOMICS, UNDP supports efforts to address gender bias in tax systems and align budgets with women's economic empowerment, with returns of 3–9 percent of GDP.
- Through its fiscal policy coherence approach, UNDP supports countries to redirect public resources toward climate priorities and deliver on NDCs, including by shifting a share of the \$1.4 trillion in fossil fuel support.

### EXPANDING FISCAL SPACE THROUGH HEALTH TAXATION

Through the 3×35 Health Taxes Initiative, in partnership with the World Health Organization (WHO), UNDP supports countries to design health taxes that expand fiscal space while reducing non-communicable diseases.

## TRANSFORMING NATIONAL PUBLIC FINANCE SYSTEMS

At the country level, UNDP's public finance work is supporting governments to implement fiscal reforms that deliver measurable results:

### Armenia

A UNDP-supported Digital Forensic Laboratory enhanced the State Revenue Committee's capacity to detect and prosecute tax evasion using digital evidence. The laboratory uncovered shadow turnover exceeding approximately \$180 million and identified tax liabilities amounting to tens of millions of dollars.

### Colombia

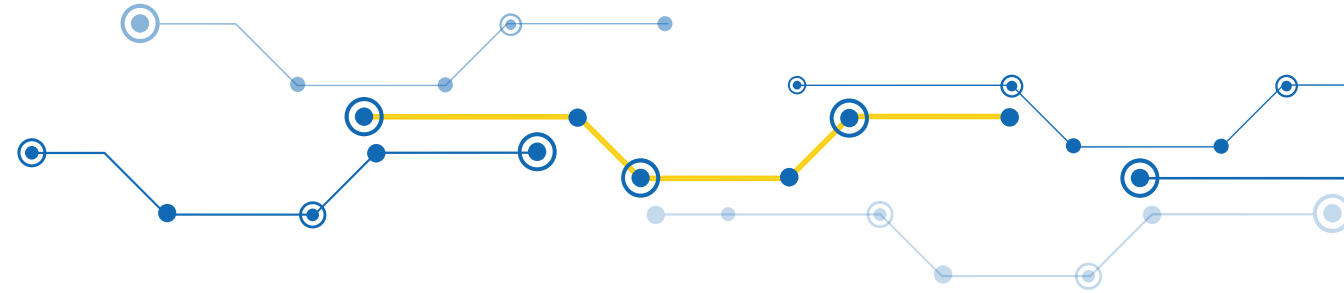
SDG budget-tagging reforms strengthened the alignment of public expenditure with national development priorities, increasing SDG-aligned expenditures by \$10 billion from 2020 to 2024.

### Indonesia

Public finance reforms to strengthen capital market development enabled the government to mobilize \$5.63 billion through thematic bonds—including SDG Bonds (\$2.1 billion), Green Sukuk (\$3.2 billion) and Blue Bonds (\$333.8 million)—financing investments in health care, education, renewable energy and the blue economy.

Through systems-based approaches and country partnerships, UNDP's public finance portfolio equips governments to increase revenue fairly, allocate resources effectively and strengthen accountability, creating durable fiscal systems that support long-term development outcomes.

# Private finance for the SDGs



## Mobilizing private capital and transforming markets for national development priorities

Mobilizing private capital at scale is essential to closing the SDG financing gap and aligning global investment with national development priorities. UNDP works with governments, regulators, investors, insurers and enterprises to shape markets so private investment advances national priorities in climate, nature, poverty reduction, gender equality and resilience. Since 2022, UNDP has helped countries align and leverage more than \$400 billion in private investment.

UNDP strengthens enabling environments through improved investment regulations and standards, support for thematic and sustainability-linked bond markets, expanded sustainable debt markets and investment-ready pipelines. Tools such as the ISO 53001 management system standard for SDG impact, the SDG Impact Standards, SDG Investor Maps and the SDG Investor Platform help embed impact considerations directly into investment and business decision-making. UNDP's insurance and risk finance solutions further de-risk investment, protect livelihoods and enable businesses and governments to invest with greater confidence.

# \$400 billion+

private investment aligned since 2022

## GLOBAL PLATFORMS ACCELERATING INVESTMENT

Through global platforms, UNDP brings together governments, regulators, investors and insurance companies to align markets with the SDGs and translate reforms into investable pipelines at scale:

### EXPANDING INSURANCE AND RISK FINANCE SOLUTIONS FOR RESILIENCE

Through its Insurance and Risk Finance Facility (IRFF), UNDP works with public and private partners in 39 countries to develop insurance and risk finance solutions that protect vulnerable populations and public finances from climate and disaster shocks. In Nigeria, a parametric flood insurance policy for Lagos State will cover up to 4 million people and secure \$7.5 million for rapid response and recovery.

### EMBEDDING IMPACT MANAGEMENT INTO HOW MARKETS OPERATE

Together with the International Organization for Standardization (ISO), UNDP co-convenes the ImpactWorks Alliance to advance adoption of ISO 53001 and the SDG Impact Standards, shifting global market practice from reporting on impact to managing for impact.

### BUILDING BANKABLE PIPELINES FOR CLIMATE ACTION

Through PISTA - the Platform for Investment Support and Technical Assistance, supported by Italy, UNDP has already delivered \$2.5 million in technical assistance and allocated an additional \$6.5 million to develop a portfolio of 25 climate mitigation and adaptation projects across more than 20 African countries. This has unlocked over \$100 million in confirmed financing, with a target of mobilizing at least \$500 million by 2027.

### SHIFTING FINANCIAL SECTOR PRACTICES TO ADDRESS MODERN SLAVERY RISKS

Through the Finance Against Slavery and Human Trafficking (FAST) initiative, in partnership with the United Nations Children's Fund (UNICEF), the Principles for Responsible Investment and other global partners, UNDP supported 10 financial institutions and companies implement measures integrating human rights risks into financial decision-making.

## COUNTRY-LEVEL MARKET TRANSFORMATION

UNDP supports countries to strengthen sustainable investment ecosystems and mobilize private capital through investment pipelines, standards and market reforms:

### Thailand

More than 800 listed companies, representing approximately \$625 billion in market capitalization, now apply SDG-aligned disclosure requirements introduced by UNDP and the Securities and Exchange Commission, helping mainstream sustainability across national capital markets.

### Tanzania (Zanzibar)

Financing reforms have helped mobilize more than \$11 billion through blended finance and thematic instruments, including a \$300 million green bond. In Zanzibar, a SDG Investor Map identified and promoted more than \$6.8 billion in SDG-aligned investment opportunities across eco-tourism, the blue economy, digital infrastructure and services, and agriculture.

### North Macedonia

The Green Financing Facility, implemented with the European Bank for Reconstruction and Development and the Joint SDG Fund, uses performance-based financing to incentivize renewable energy and energy-efficiency investment. An initial \$7.8 million grant leveraged \$34 million from international financial institutions, the Government of North Macedonia and private banks. In 2025, the facility contributed to annual emissions reductions of 30,000 tCO<sub>2</sub>e, cleaner air and more inclusive access to sustainable finance.

Through partnerships with public and private actors, UNDP's private finance work strengthens markets, reduces risk and mobilizes large-scale investment for climate, nature, inclusion and resilience, helping reshape financial systems to deliver sustainable development at scale.

# System change at scale

UNDP's sustainable finance work delivers impact by aligning public and private finance with national development priorities. The results below illustrate the scale and leverage of this system-level approach across countries and portfolios.

## SYSTEM-LEVEL RESULTS (SINCE 2022)

**\$920+ billion**

SDG-aligned public and private investment promoted

**\$380+ billion**

Private investment aligned through impact standards, taxonomies and disclosures

**\$16 billion**

New financing mobilized through INFF reforms across 17 countries

**\$400+ billion**

Public budgets aligned through fiscal and budget reforms

## MARKET-SHAPING AND RISK INSTRUMENTS

**\$31.5 billion**

Sovereign and corporate thematic debt issuances supported

**\$2.7 billion**

Biodiversity finance mobilized through Biodiversity Finance Initiative programmes (41 countries)

**\$2.72 billion**

Additional tax revenue mobilized through Tax Inspectors Without Borders (70 jurisdictions)

## GLOBAL REACH AND COUNTRY ENGAGEMENT

**100+ countries**

Receiving support on sustainable finance solutions

**90 countries**

Using the INFF approach (65 implementing reforms)

**700+ investment opportunity areas**

Identified through SDG Investor Maps across 50+ countries

**40 countries**

Supported on thematic debt instruments, including debt swaps

**39 countries**

Public and private partners supported through UNDP's Insurance and Risk Finance Facility

# Sustainable finance as the engine of UNDP delivery

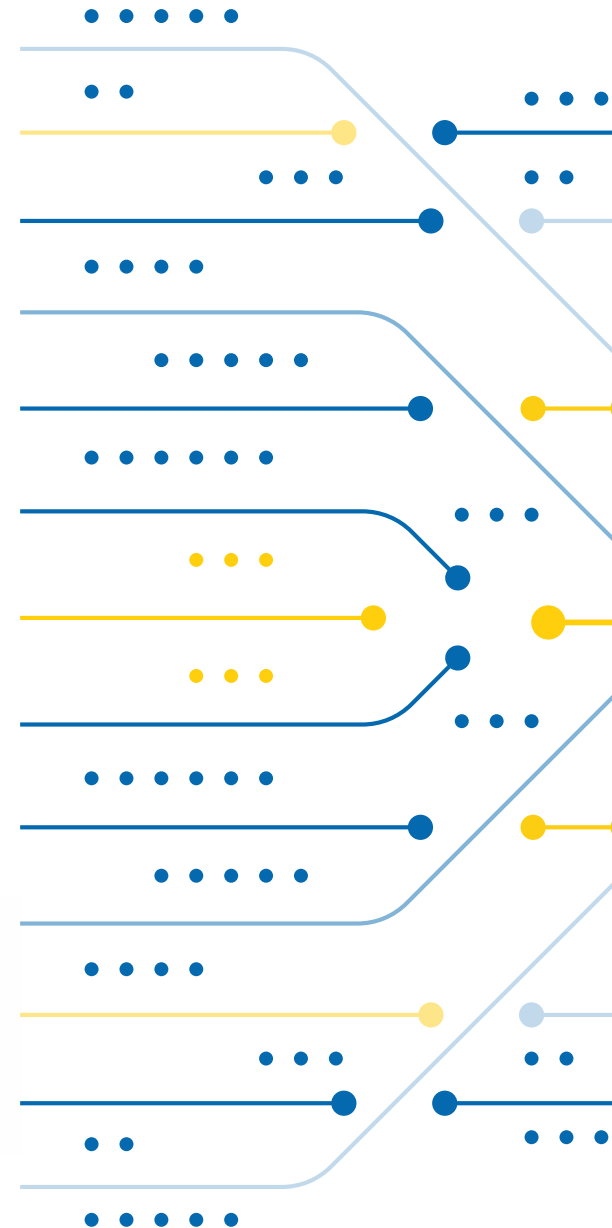
UNDP demonstrates that when countries have stronger financial systems, coherent policies and access to catalytic finance, development results accelerate. Between 2022 and 2024, UNDP support helped countries align and leverage more than \$920 billion in SDG-aligned public and private finance, translating development ambitions into concrete results for people and the planet.

Across all portfolios, sustainable finance is not an add-on. It is the engine that enables UNDP to deliver at scale. By strengthening national financing systems, building investment ecosystems and mobilizing public and private capital, UNDP helps ensure that development solutions are financed, sustained and nationally owned.

Through this work, UNDP supports structural transformation by enabling governments to spend more effectively, guiding private markets towards sustainability, strengthening resilience to shocks and delivering lasting development outcomes for people and communities across countries.

Sustainable finance is not an add-on.

It is the engine that enables UNDP to deliver at scale.



## Annex

### Data sources and notes

This annex provides reference information for the data points cited in this report. Detailed sources and footnotes are included for transparency and internal reference. Unless otherwise specified, figures relating to programme results reflect UNDP-supported programmes, partnerships and policy engagements across sustainable finance portfolios and do not imply sole UNDP attribution. Global figures draw on publicly available international sources. Programme-level results are based on UNDP internal reporting and partner data. Aggregated figures may reflect promoted, aligned or mobilized finance and are indicative.

## Endnotes

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6. UNCTAD (2024), A world of debt, op. cit. (see note 4).
7. World Bank (2023), Mind the gap: Time to rethink infrastructure finance, World Bank Blogs, available at: <https://blogs.worldbank.org/en/ppps/mind-gap-time-rethink-infrastructure-finance>
8. The three Rio Conventions refer to the United Nations Framework Convention on Climate Change (UNFCCC), the Convention on Biological Diversity (CBD) and the United Nations Convention to Combat Desertification (UNCCD); see United Nations Framework Convention on Climate Change (UNFCCC), The Rio Conventions, available at: <https://unfccc.int/process-and-meetings/the-rio-conventions>



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