



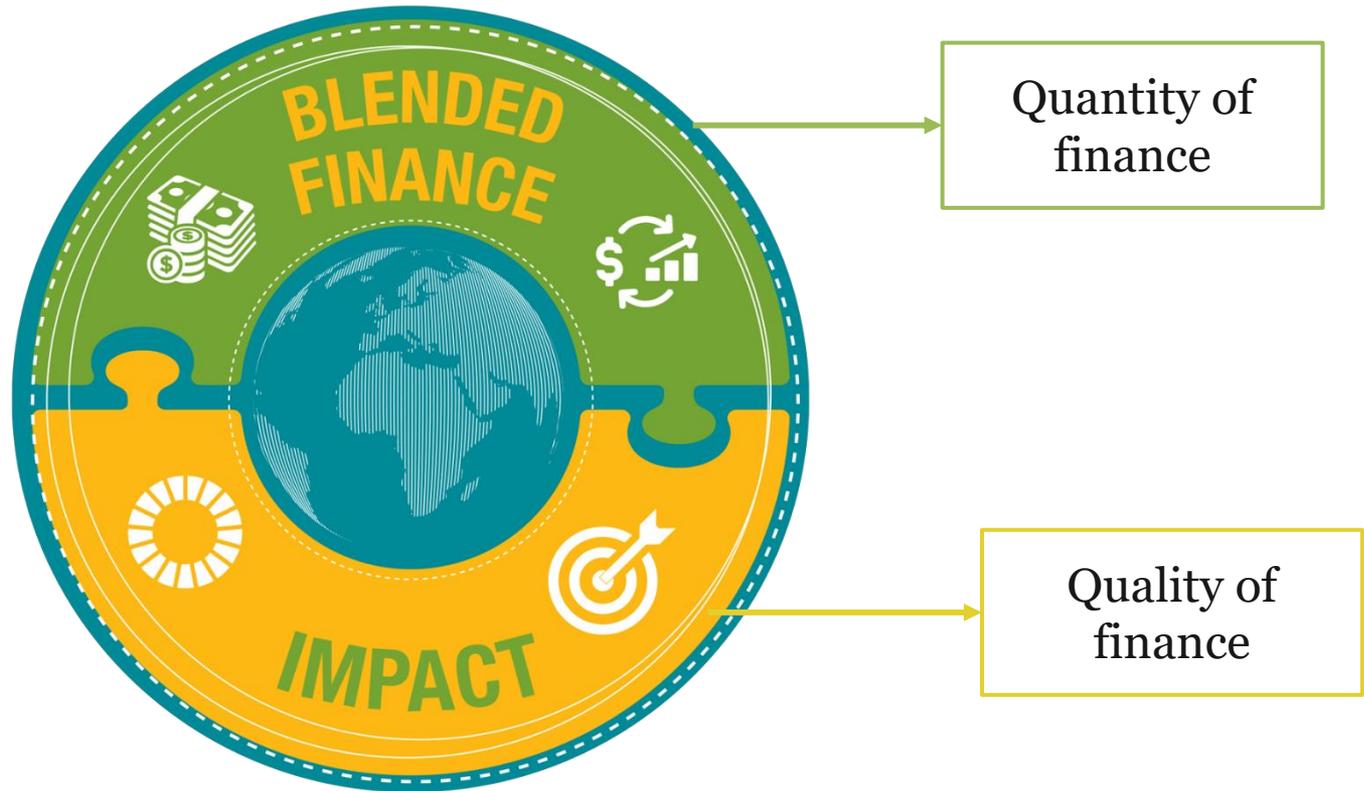
# OECD UNDP IMPACT STANDARDS FOR FINANCING SUSTAINABLE DEVELOPMENT (IS-FSD)

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# OECD DAC COMMUNITY OF PRACTICE ON PRIVATE FINANCE FOR SUSTAINABLE DEVELOPMENT (COP-PFSD)





# IS-FSD PROCESS

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- The CoP is now a community counting over 300 stakeholders





# DETAILED IMPLEMENTATION GUIDANCE

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Complements the  
Standards and  
supports  
implementation

Composed of four  
Guidance Notes (one  
per Standard) and  
overarching piece

Developed within  
the Community of  
Practice 21-22



# STRUCTURE OF THE GUIDANCE NOTES

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For each Standard, the draft Guidance Note presents:

1. a more in-depth discussion of what the Standard entails, including key 'unresolved' challenges;

For each sub-Standard, the draft Guidance Note presents:

1. 'success signals' that help assess alignment with the sub-Standard in question;
2. a step-by-step checklist;
3. a number of illustrative examples;
4. the core or 'anchor' impact-management references
5. other relevant principles and frameworks specific to the sub-Standard.



# IS-FSD: 4 BUILDING BLOCKS

All files available [here](#)

1

## STANDARD 1 - IMPACT STRATEGY

The partner<sup>4</sup> sets development impact objectives, framed in terms of the SDGs, with particular attention to the overarching commitment to “leave no one behind”. Objectives are aligned with donor and partner country priorities and are embedded in the impact-centred investment strategy.

2

## STANDARD 2 - IMPACT MANAGEMENT APPROACH

The partner adopts an impact management approach that integrates development impact, human rights safeguards, the SDGs and ESG into the design and management of its operations.

3

## STANDARD 3 - TRANSPARENCY AND ACCOUNTABILITY

The partner discloses towards donors and beneficiaries how it manages and measures the development impact and contribution to the SDGs of the private sector operations deploying public resources, as well as how development impact is integrated in its management approach and governance practices.

4

## STANDARD 4 - GOVERNANCE

The partner’s commitment to contributing positively to the SDGs is reflected in its governance practices and arrangements



# STANDARD # 1 – IMPACT STRATEGY

**S1 – The partner sets development impact objectives, framed in terms of the SDGs, with particular attention to the overarching commitment to “leave no one behind”. Objectives are aligned with donor and partner country priorities and are embedded in the impact-centred investment strategy.**

1.1 The partner articulates both quantitative and qualitative development impact objectives that positively **contribute to the SDGs**, and **cross-sectoral donor priorities**. The goals are realistic but ambitious, and are aligned with the partner size and resource availability.

1.2 The partner defines investment objectives that are coherent with **local democratically-owned development priorities** and grounded in local development needs. With a focus on creating decent work, investment objectives **respect human rights**, as well as other social and environmental safeguards.

1.3 The partner develops and implements a policy for assessing financial and development **additionality**, aligned with its size and resources availability.

1.4 The partner optimises the integration of **Environmental, Social and Governance (ESG) factors** in the investment strategy and throughout the investment process.



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# SUCCESS SIGNALS

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**1.2.1** Respects local country regulation and international regulation. In the case that human rights requirements are prohibited by the local legal environment, it should contribute by lobbying the government to change.

**1.2.2** Transparently engages with the relevant local and national sustainable development context(s), to define impact objectives that are aligned with local priorities to the maximum extent practicable

→ ***EXTRA***: Includes a workforce representative (for example, a Trade Union Member) on the Board.



# STANDARD # 2 – IMPACT MANAGEMENT APPROACH (1/2)

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**S2 – The partner adopts an impact management approach that integrates development impact, human rights safeguards, the SDGs and ESG into the design and management of its operations.**

2.1 The partner assesses the investment's **compliance with local and international legal frameworks**, including international human rights frameworks, when conducting both the due-diligence and ex-post impact assessment of investments. The partner also establishes criteria for **investees' integration of ESG factors and compliance with responsible business conduct (RBC)** standards. The partner ensures that an independent functioning **grievance and reparation mechanism** is in place.

2.2 The partner has effective processes to identify **stakeholders** affected (or likely to be affected) by its operations and implements a plan to conduct **Meaningful Stakeholder Engagement** ex ante, throughout the investment cycle (when circumstances change or when needed) and ex post.



# STANDARD # 2 – IMPACT MANAGEMENT APPROACH (2/2)

**S2 – The partner adopts an impact management approach that integrates development impact, human rights safeguards, the SDGs and ESG into the design and management of its operations.**

2.3 The partner has a **monitoring and evaluation system** in place that is used to assess progress against impact targets and portfolio level impact goals, identify the partner's contribution, and to identify areas for improvement. Adequate resources are provided for monitoring and evaluation, proportionate to the size of the investment.

2.4 The partner manages its **exits** from investments in a manner that optimizes sustained effects on development impact and contribution towards the SDGs post-exit

2.5 The partner periodically reviews and **refines** its impact-centred investment strategy and impact goals **based on the learnings and evidence collected** through monitoring and evaluation to guarantee that the impact strategy and goals remain fit-for-purpose in the changing development context.



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# SUCCESS SIGNALS (summary)

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**2.1.1** Supports **investees' compliance with all applicable laws and regulations** as well as internationally recognized **Human Rights standards**.

**2.1.2** Ensures commitment to the UN Guiding Principles for Business and Human Rights throughout the organisation, and responsible business conduct (RBC) practices, holding staff accountable

**2.1.3** Establishes due diligence criteria and standards that ensure that the appropriate due diligence is carried out which includes respect for human rights (including **labour rights**, gender, diversity and inclusion, confidentiality and privacy considerations), anticorruption and environment in its **direct** (and where relevant, indirect) **operations** and **throughout** its **supply** and **value chains**

**2.1.4** Assesses the investees' compliance with local and international legal frameworks and Human Rights norms **when pre-screening potential investments**, and ensures this compliance **is reflected in financial contracts** with investees.

**2.1.5** Establishes and participates in **effective grievance mechanisms** for stakeholders (including the avoidance of doubt, whistleblowing and safeguards), as directed by the UN Guiding Principles for Business and Human Rights, as well as the Ten Principles of the UN Global Compact



## SUCCESS SIGNALS

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**2.2.3** Together with the donor and other shareholders and partners, defines the **relevant local stakeholders**, the strategy to engage them and the resourcing plan

→ **EXTRA**: Includes CSOs, feminist and women's rights groups, indigenous communities as well as **trade unions** in multi-stakeholder dialogue consultations, as appropriate, and based on the resourcing availability agreed with donor.



# STANDARD #3 – TRANSPARENCY AND ACCOUNTABILITY

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**S3 – The partner discloses towards donors and beneficiaries how it manages and measures the development impact and contribution to the SDGs of the private sector operations deploying public resources, as well as how development impact is integrated in its management approach and governance practices.**

3.1 The partner **discloses information** at the **portfolio** and, where feasible, **individual operation** level, that promotes SDG and ESG impact integrity, comparability and transparency towards the donors and relevant investment stakeholders with a view to building trust and confidence.

3.2 The partner discloses to donors and other relevant stakeholders, at the portfolio and, where feasible, individual operation level, the **sources of data** used for both the ex-ante and ex-post assessment of development results and for monitoring.



# TRANSPARENCY IS A KEY ISSUE

**TABLE 3: Impact measurement transparency of bilateral DFIs and multilateral non-sovereign operations**

Institution	General (Organisation Level)					Process (Activity Level)					Results (Activity Level)					
	Is there a statement on the DFI's website explaining approach to impact measurement?	Does the DFI indicate which standards / initiatives it is aligned to?	Does the DFI list / link to external evaluations?	Theory of Change (organisational or sectoral)?	Definition of additionality?	Theory of change?	Project Rationale?	Additionality statement?	Explanation of process - (e.g. use of baseline, midline, end line)	Project indicators?	Do indicators have metrics / definitions / methodology?	Baseline Data	Midline Data	End line Data	Cost-benefit / economic analysis / VFM assessment available?	Does DFI share evaluations?
<b>Bilaterals</b>																
Bilateral 1																
Bilateral 2																
Bilateral 3																
Bilateral 4																
Bilateral 5																
Bilateral 6																
Bilateral 7			N/A									N/A	N/A	N/A	N/A	N/A
Bilateral 8																
<b>Multilaterals - Private</b>																
Multilateral Private 1																
Multilateral Private 2																
Multilateral Private 3																
Multilateral Private 4			N/A									N/A	N/A	N/A	N/A	N/A
Multilateral Private 5																
Multilateral Private 6																
Multilateral Private 7																
Multilateral Private 8																
Multilateral Private 9																

Source: Publish What You Fund – DFI Transparency Initiative



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# SUCCESS SIGNALS

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- *Ex-ante* **and** *ex-post* data in reporting + evaluations
- Annual reporting as a minimum
- Report on why objectives were *not* achieved and/or deviations
- From aggregated to granular reporting
- “Comply or explain”
- Provide resources for transparency



# STANDARD #4 – GOVERNANCE

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## S4 – The partner’s commitment to contributing positively to the SDGs is reflected in its governance practices and arrangements.

4.1 The partner **engages actively its shareholders**, based on its governance structure.

4.2 The partner ensures the presence of **impact management competences** in its governing bodies, promoting a culture of learning and development.

4.3 The partner **incentives its staff** to embed impact considerations at all investment stages and decision-making levels, to facilitate the adoption of the impact-centred strategy and approach.

4.4 The partner **allocates adequate** (financial and non-financial) **resources** to the development and implementation of a sound impact management process.



## NEXT STEPS

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- Case studies
- Integration in peer reviews



# THANK YOU

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