

PROJECT DOCUMENT
UNDP China



Project Title: Research and Promotion on Financing for the Achievement of SDG in China

Project Number: 00111482 (output-ID) Award: 00113214

Implementing Partner: China International Centre For Economic and Technical Exchanges

Start Date: October 31, 2018 End Date: October 31, 2022

PAC Meeting date: July 23, 2018

Brief Description

The Sustainable Development Goals (SDGs) require all countries and stakeholders to equally ensure social governance, economic inclusion, and environmental protection by 2030. The SDGs are the most ambitious collective development endeavour attempted, and achieving them is fraught with challenges, of which financing the SDGs is a crucial one. Despite the impressive potential, innovative Sustainable Development Impact Financing (SDF) instruments (impact investment, sustainability/SDG bonds etc.) are at incipient stages and have not yet permeated the majority of investments in China. The first reason is the lack of a comprehensive policy framework to govern innovative SDF instruments. Second, many funders and investors are generally still not aware of concepts such as impact investment and still tend to separate philanthropic giving and business as two very distinct activities that do not overlap. Third, the distinctions between impact investments and philanthropy, corporate social responsibility and low-level funding of social enterprises, remain unclear to many in China. Despite the rapid growth of social enterprises in China, few have managed to scale contributing to the lack of bankable pipeline for impact investments. The overall aim is to enable the environment and research strengthened to expand flow of new financial capital to the SDGs. To address the challenges identified above and to create consensus among stakeholders on the potential of SDF and provide coordination, UN/UNDP and CICETE will support to establish a platform for innovative SDF research. This will focus on convening the SDF ecosystem, generating research and collecting evidence on measurements systems, financing instruments, guidance/principles, and regulatory frameworks to scale SDG investment.

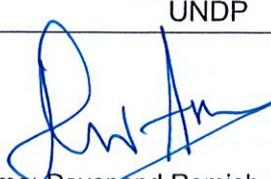
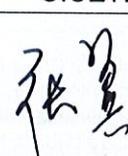
Contributing Outcome (UNDAF/CPD, RPD or GPD):

UNDAF Outcome #1: A greater proportion of the population enjoy improved living conditions and increased opportunities for economic, social and cultural development.

Indicator 1.1.2: Number of beneficiaries who have access to financial services through rural financial cooperatives and inclusive finance programmes.

Indicative Output(s) with gender marker²: G0

Total resources required:	1,400,000 USD	
	UNDP:	250,000
	CICETE:	500,000
	Un-funded	650,000

UNDP	CICETE
 Print Name: Devanand Ramiah	 Print Name: 张翼
Date: 23 Jul 2018	Date: 2018 07 23

I. DEVELOPMENT CHALLENGE

The Sustainable Development Goals (SDGs) require all countries and all stakeholders to equally ensure social governance, economic inclusion, and environmental protection by 2030. The SDGs are the most ambitious collective development endeavour attempted, and achieving them is fraught with challenges, with financing the SDGs as a crucial one. China has recorded fast growth and impressive progress with an annual GDP growth rate of 6.7% in the year 2016, and has averaged nearly 10% in recent ten years, which is the fastest sustained expansion by a major economy in history¹. Between 2013 and 2016, a cumulative total of 55.64 million people were lifted out of poverty – an average of 13.91 million per year, resulting in a reduction of poverty incidence from 10.2% in 2012 to 4.5% in 2016. However, there were still 43 million rural poor in China by 2016 (based on RMB2300/year, 2010 adjusted).

On the social front, there is a growing gap between the rich and the poor, the GINI coefficient of China in 2016 has reached 0.465². By the end of 2017, there were 241 million people aged 60 or above in China, and that the estimated number of elderly people in China will reach the peak of 487 million by 2050, accounting for the total 34.9% of the population³. The ageing population and environmental degradation due to industry-reliant economic growth has resulted in a shift towards non-communicable diseases, now responsible for 85% of total deaths in China.⁴ By the end of 2016, there were 43.35 million rural poor in China⁵, which was equivalent to the total population of Argentina. In 2017, the access to internet rate in rural areas was only 35.4%. More than 8.2 million university graduates will need to be provided with job opportunities in the coming year⁶.

On the environmental front, it is estimated that more than 40% of arable land in China is degraded due to CC, erosion and pollution⁷. China has to feed nearly a quarter of the world's population with just 7 percent of its total farmland. Direct economic losses caused by natural disasters was \$39.81 billion in 2016⁸. Environmental problems are also getting severer in China. In 2016, Beijing's yearly-average of air pollution for PM2.5 particles were 73µg/m³.⁹ This is 7 times higher than the World Health Organization's acceptable average of 10µg/ m³.

Urbanization is a crucial driver of economic growth, yet it poses challenges. In terms of mobility, in China the number of private vehicles rose from 285k in 1985 to 123m in 2014. There is an estimated shortage of 50 million car spaces and vehicles account for about 15% of manmade greenhouse gas emissions. Vehicle congestion poses also health implications. China's Institute for Health Metrics and Evaluation ranks outdoor air pollution as one of the greatest contributors to diseases and death worldwide, responsible for an estimated 3 million premature deaths every year, especially in urban areas. Cities are also responsible for around 70% of global energy use and energy-related greenhouse gas emissions.

¹ National Bureau of Statistics of China, <http://www.stats.gov.cn/>

² National Bureau of Statistics of China, <http://www.stats.gov.cn/>

³ National Aging Office, <http://finance.china.com/news/11173316/20180228/32142367.html>

⁴ WHO "CHINA-WHO Country Cooperation Strategy 2016–2020"

⁵ "China's Progress Report on Implementation of the 2030 Agenda for Sustainable Development", Ministry of Foreign Affairs of the People's Republic of China August 2017

⁶ "Annual report of State Council 2018"

⁷ Ministry of Agriculture and Rural Affairs, http://www.moa.gov.cn/ztl/2015lhjj/gd/201503/t20150310_4431363.htm

⁸ State Statistics Bureau "China Statistical Bulletin of National Economic and Social Development 2017"

⁹ Ministry of Ecology and Environment, <http://english.mee.gov.cn/>

According to the United Nations Conference on Trade and Development, in order to achieve the SDGs, the annual demand of investment in developing countries is expected to be between \$3.3 trillion to \$4.5 trillion, still having a gap up to \$2.5 trillion annually¹⁰. It is estimated that the total investment required in Asia is \$1.7 trillion per year. China is the country with the largest capital requirements, accounting for almost half of the total¹¹

Meanwhile, China has a thriving private sector, and a large number of High Net Worth Individuals and funds, which are willing to engage in the SDGs, however, the potential to channel private investments to local poverty reduction and the Sustainable Goals is still largely untapped. In 2016, China had 251 billionaires, second only to the US's 540 and added the newest billionaires to the list (70) in 2016¹². Moreover, in 2015, the top 100 philanthropists of the country contributed USD 3.8 billion to social causes and private foundations have been at the forefront of social investment¹³. China had 4,243 registered foundations as of 2015, including 2,765 private foundations, with total assets amounting to USD 16.9 billion¹⁴. Despite a rapid growth in home-grown social investors and significant international investors, China has consistently ranked among the lowest in the CAF World Giving Index and impact investment industry is still a niche, unexplored space. It indicates that there will be huge business opportunities opening for the private sector if it delivers on the SDGs in China. These opportunities are largely identified in 5 key industries: affordable housing, energy efficiency in non-energy intensive industry, energy efficiency in buildings, expansion of renewables, and circular economy with focus on the automotive sector¹⁵.

Scarcity of cold chain logistics in many parts of the country is one reason why food is spoiled before it reaches consumers. Addressing this and other food waste challenges could lead to USD 97 billion business and investment opportunities in China alone. While USD 47 billion could be generated through business opportunities targeting low-income food markets and helping the poorest overcome malnutrition and calorie deficiency. Aquafarming is a fast-growing industry: global production was 52.8 million tonnes in 2008 and is estimated to reach 93.6 million tonnes in 2030¹⁶, of which 70% will come from the Asia-Pacific region and China alone will account for 75% of Asia's total production. In China, business opportunities in this sector have the potential to generate a prize of USD 46 billion. The need to lower healthcare costs and build sustainable health systems is increasing demand for technologies and remote monitoring systems, creating an estimated USD 46 billion worth of business and investment opportunities in China. Increased digitization and automation of processes is expected to displace jobs in traditional labour-intensive functions and China had more installed manufacturing robots in 2017 than any other country in the world with the largest potential for tech-oriented investments.

Despite the impressive potential, innovative SDF instruments (impact investment, sustainability/SDG bonds etc.) are at incipient stages and have not yet permeated the majority of investments in China. First reason is the lack of a comprehensive policy framework to govern innovative SDF instruments. Second, many funders and investors are generally still not aware of concepts such as impact investment and still tend to separate philanthropic giving and business as two very distinct activities that do not overlap. Third, the distinctions between impact investments and philanthropy, corporate social responsibility and low-level funding of social enterprises, remain

¹⁰ <https://www.weforum.org/agenda/2016/07/blended-finance-sustainable-development-goals/>

¹¹ Business and Sustainable Development Coalition, Better Business, Better World, Asia, 2017.

¹² Forbes, 2016, Forbes' 30th Annual World's Billionaires Issue

¹³ Harvard Kennedy School, 2015, China's Most Generous

¹⁴ China Foundation Centre, 2015, China Foundation Transparency Index

¹⁵ Business and Sustainable Development Coalition, Better Business, Better World, Asia, 2017.

¹⁶ FAO, <http://www.fao.org/docrep/019/i3640e/i3640e.pdf>

unclear to many in China¹⁷. A 2017 survey with different ecosystem players in the sustainable finance ecosystem in Hong Kong reveals that the primary reason for not engaging in sustainable finance is due to the lack of knowledge awareness and capacity on financial returns and best practices¹⁸. Relevant institutions lack the capacity to assess the potential of financial returns from impact investments. The lack of industry recognized definition, standards and certification is also contributing to this scepticism. In addition, for foundations and family offices who do want to put their money into impact investments, one of their biggest challenges is finding opportunities that meet both their ethical and financial criteria. Despite the rapid growth of social enterprises in China to about 3,200, few have managed to scale¹⁹ contributing to the lack of bankable pipeline for impact investments.

Overall, the perception of risks for impact investments is still high. Concessionary type of financial returns may not be as attractive to large institutional investors and family offices that need to achieve a certain type of returns on their assets. The project aims to enable policy environment for opening opportunities for strengthening the policy framework and introduce models to de-risk investments, bringing to the table the larger SDG finance ecosystem include multiple stakeholders, beyond social entrepreneurs and impact investors, but also including venture capitalists, government organisations, policy makers, banks, and corporate buyers for a healthy and long-term growth of impact investing and environmental/social entrepreneurship.

II. STRATEGY

To address the challenges identified above and to create consensus among stakeholders on the potential of SDF and provide coordination, UNDP and CICETE will support to enable environment through establishing a platform for SDF industry. This will focus on convening the SDF ecosystem, generating research and evidence on measurements systems, financing instruments, guidance/principles, regulatory frameworks and policy recommendations to scale SDG investment.

Rationale

UNDP is uniquely positioned to drive this initiative, leveraging finances for the SDGs requires working across government, civil society and business, with a degree of access, respect as neutral player, and trust by the ecosystem. Over the years, UNDP has acquired rich experience and in-depth knowledge on channelling finances towards international, sustainable targets. In the 1990s, UNDP was the first to pilot and scale microfinance solutions as creative financial innovations towards poverty reduction. Working with CICETE, UNDP introduced the concept of inclusive finance and supported the establishment of an enabling regulatory framework for a vibrant rural microfinance sector. UNDP China has partnered with various private sectors such as Mary Kay and Coca-Cola to address women economic empowerment and environmental concerns in China in line with the SDGs.

At the same time, China is ready for innovative approaches and solutions. Present of China, Xi Jinping is promoting a vision of an “ecological civilization.” Two of the top three goals through 2020 are keeping up the war on pollution and fighting acute poverty, with a focus on innovation-driven development. The third, managing economic risk, also strikes an impact investment note, with “impact” playing a risk-reduction role as local governments share risks with investors. China is also

¹⁷ https://impactalpha.com/letter-from-shenzhen-can-impact-investors-find-a-role-in-chinas-impact-initiatives/?picoui=login_link&picoNewUser=true

¹⁸ <https://avpn.asia/organisation/rs-group/>

¹⁹ AVPN report 2017

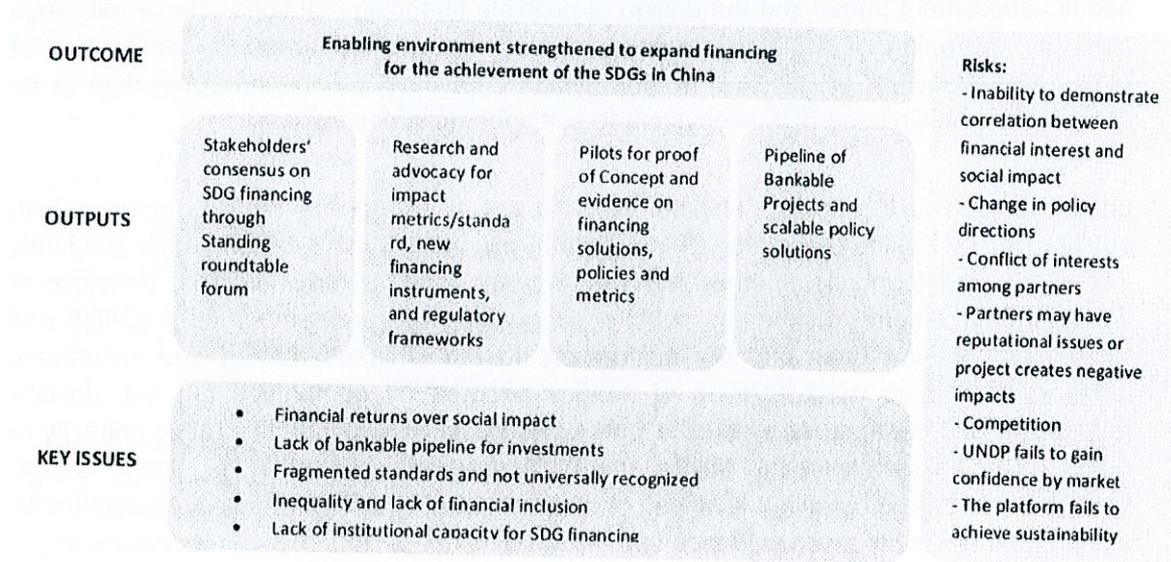
the world's biggest market for payments for ecosystem services²⁰ and the country has become the global leader in green bond issuance in a few short years²¹.

To support the national SDG agenda at the local level, in December 2016, the China State Council issued the "Development Plan of China's Innovation Demonstration Zones for the Implementation of the 2030 Agenda for Sustainable Development" to build the SDGs Innovative Pilot Zones. Piloting aims to form replicable and promotable concrete examples, it plays a demonstrative role for other regions to achieve sustainable development and provide other countries with the China experience for implementing the 2030 Agenda. State Council approved three Pilot Zones on 24th February 2018 - Taiyuan in Shanxi Province, Guilin in Guangxi and Shenzhen in Guangdong - and UNDP was invited by the Ministry of Science and Technology (MOST) as the only international organization at the table within the National SDGs Pilot Zones Expert Committee. In addition, in early 2018, the Ministry of Finance has requested all localities to ensure quality of bonds issuance for local governments given on the conditions, in light of market dynamics and specific local needs, however these should follow national principle of marketization and standardization.

UNDP works with Chinese government to promote the establishment of the platform by tackling UNDP's neutrality and convening power with standard and evaluation framework for the systematic sustainable development of China. The platform will be used by stakeholders in China in developing pipeline projects that can ensure and balance between SDG impacts and economic feasibility which is legitimate for SDF.

Strategy

The theory of change of the platform for SDF is captured in the below diagram:



In order to strengthen the ecosystem building and promoting the flow of SDF, the platform will work through a short and a longer-term approach focusing on several key enablers and gradually proposing innovative finance solutions and strengthening the pipeline of bankable investments. The key components of the strategy are the following:

²⁰ <https://impactalpha.com/the-surprising-leader-in-the-36-billion-global-market-for-payments-for-ecosystem-services-6766b960fc79/>
²¹ UNEP, China Green Finance Progress report, 2017

1. **Stakeholders' engagement** – Innovation in SDF will start by ensuring collaboration, coordination and connection of the wider SDF ecosystem involving multiple stakeholders. The 2017, ASEAN-China-UNDP report on financing the SDGs in ASEAN recognizes that establishing stronger platform for dialogue with non-state actors is an essential step for building the trust, consensus, shared ownership and systematic dialogue on the constraints, role various partners can play, and how government can help. This is an important way to build consensus and mobilize the contributions of different actors²². To secure this engagement, a Standing Roundtable Forum, and the technical advisory mechanism will be set up. It will be a small and influential body with representatives from government, impact investors and central banks, to enable an inclusive space, responsible for ensuring that small and medium actors are equally represented in making SDF recommendations. Social entrepreneurs, venture capitalists, policy makers, the UN family, and NGOs will bring their voice and represent the concerns and interest of the wide ecosystem. This mechanism will provide strategic directions to the SDF ecosystem and endorse recommendations and scalable financing solutions identified through research and experimentation. A key function particularly in the initial phase, is to design, test and approve industry standards and metrics for certifications and verification of impact.
2. **Research and advocacy for impact metrics/standards, new financing instruments, and regulatory frameworks** – to overcome the widespread scepticism towards SDF, in partnership with the most forward-looking academia, think tanks and foundations, the project will promote a positive narrative around impact measurement through applied research and evidence. Research will be developed by also involving communities in generating and presenting evidence and facilitating collective action. It will strengthen the needs assessment phase and the design of possible financing solutions. These will range from the designing of social and environmental financial instruments, identification of regulatory measures, prototype of metric systems for certification and verification to be accepted by the Chinese SDF ecosystem to guide financial decisions.

Local research in the field of philanthropy and social entrepreneurship is growing, with publications by Peking University, China Global Philanthropy Institute, and other academic institutions and foundations; while most enterprises tend to follow internal practices of impact measurement²³. Moreover, globally recognized measurement systems (GIIRS and IRIS) have not yet been officially customized to the Chinese market and investment landscape, creating a proliferation of metrics adopted by companies but not officially recognized and certified. According to China Economic Net, insufficient rating capacity of rating agencies results in the failure in providing reasonable rating for bonds issued, leading to increasing defaults²⁴. Chinese and international stakeholders work predominantly alone and there is not much evidence of multi-stakeholder partnerships or coordination²⁵.

In the initial phase, the project will leverage the SDG innovation pilot zones as space to build up the research and systemic assessment, policy recommendations, impact measurement and monitoring metrics, and industry standards. The project will largely focus on developing Standards, that could be used for the following purposes: 1) to

²² http://www.asia-pacific.undp.org/content/rbap/en/home/library/democratic_governance/Financing-SDGs-in-ASEAN.html

²³ Constellations International, 2015, Social Enterprise in China

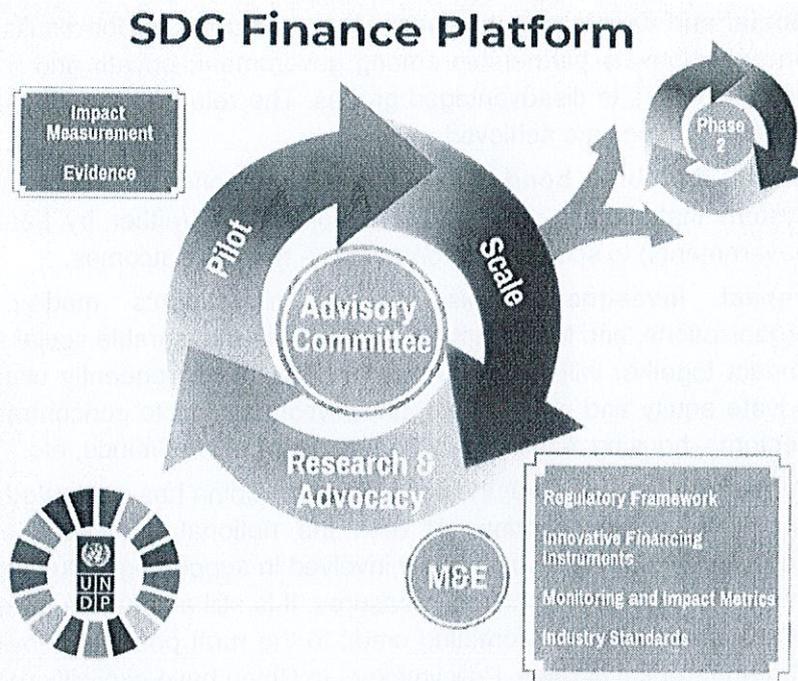
²⁴ http://www.ce.cn/xwzx/gnsz/gdxw/201805/28/t20180528_29255117.shtml

²⁵ UNDP, Unleashing the Potential of Philanthropy in China 2016

screen/evaluate the “SDG contribution” claims of investment/financing by external reviewers during the pre-issuance or pre-investment phase; and 2) to use as a basis of measurement to evaluate the impact of SDF instruments; 3) to monitor ongoing performance and to ultimately guide certification and verification of impact finance.

3. **Piloting and experimentation** –recognizing that potential of financing innovations for the SDGs, SDG innovation pilot zones as space for experimentation and adaptation will learn from the practical application of financing solutions, spacing from financial instruments. Strong impact measurement and M&E will allow to generate evidence for the re-design and improvement of the solutions. Solutions would include:
 - a. **Social and development bonds.** These are payment-for-results mechanisms built on public-private partnership among government, private and non-profit to deliver social projects to disadvantaged groups. The returns are redeemed only if specific social outcomes are achieved.
 - b. **Green and blue bonds.** Green and blue bonds are outcome-based payment system that tie the proceeds of a bond issue (either by banks, companies or governments) to specific environmentally- friendly outcomes.
 - c. **Impact investment.** This includes investments made into companies, organizations, and funds that aim to generate measurable social and environmental impact together with financial returns. The most frequently used instruments are private equity and private debt, and investors tend to concentrate on basic needs sectors – housing, energy, health, agriculture, microfinance, etc.
 - d. **Inclusive Finance.** Over the past 15 years, China has generated one of the world’s financial inclusion section. At both the national and local level, the Chinese government has been extensively involved in supporting inclusive finance through a mix of both direct and indirect measures. It is still a common misconception to view financial inclusion as promoting credit to the rural poor via subsidized approaches and preferential policies. Policymakers in China have explicitly recognized the need to shift towards more market-based, commercially sustainable approaches to financial inclusion, as outlined in China’s Plan for Advancing the Development of Financial Inclusion (2016-2020).
 - e. **Philanthropic Finance and Financial contribution of Corporate Social Responsibility (CSR) to multilateral organizations.** Seek cooperation with MOFCOM, and MOCA, to conduct policy research in the areas of venture philanthropy and companies’ engagement in CSR, such as financial contribution to NGOs and NPOs etc.
 - f. **Fintech.** The use of blockchain for distributed ledger, artificial intelligence for customer analysis, especially for creditworthiness, cloud computing for data mining, etc. are changing the way financial services are delivered. Although the overall impact remains limited at present and few FinTech’s have managed to scale significantly, these are moving into every part of the banking value chain. It is critical that regulations keep abreast of the technological changes and current developments with the fintech community and sandbox/experimentation provides appropriate safeguards to ensure the design of legal and regulatory framework, by limiting the impact on the overall financial system in the process.

4. **Scaling and pipeline development** – in the medium to long term, the project will facilitate the evidence generated by the research and the experimentation phases to feed into solutions that are scalable vertically and horizontally – i.e. either into the regulatory framework, or across local governments, sectors, and possibly countries. The project will also support incubators and accelerators in China to ensure the development of a strong pipeline of socially focused bankable investments and enterprises. In this phase, focus will also be placed in institutional sustainability. So, comprehensive capacity building mechanisms will be developed to strengthen institutional capacity to manage the cross-sector SDF work.



The platform is defined as the combination of the above 4 stages, which through a portfolio approach, will continuously assess the landscape, refine impact measurement metrics, generate evidence to create consensus around SDF, and ultimately strengthen the flow of financing to support the SDG agenda. The platform will operate at the national in support of the national SDG localization agenda and at first, and will be looking for local cooperation of piloting financing for SDG. Targeted interventions for the unique local development issues identified by the individual local governments and communities will be co-designed within the larger platform framework.

The platform is not a substantive organization in the initial stage, but a dialogue mechanism and initiative for collaboration, cooperation of key stakeholders in the industry. It will also explore the possibility to be institutionalized in future and the solution of sustainability. The key stakeholders within the platform should jointly decide a feasible modality for services. A fee covering direct costs incurred for the delivery of project will be paid by the entities certifying their businesses and investments through the result recognition, impact measurement, matching impact against SDG generated by the platform.

III. RESULTS AND PARTNERSHIPS

Expected Results

From the theory of change and the proposed strategy, key results will include:

Establishment of a national SDF advisory body within the platform

A national SDF Standing roundtable forum will be set up to advise on the metrics and industry standard for SDF, provide policy recommendations, and provide strategic solution. It functions as an inclusive space that will provide technical directions to the work of the platform, lead research, experimentation and scaling. This body will invite key influential and strategic stakeholders with a broad array of perspectives, such as key government agencies (MoFCOM, Ministry of Finance, MOCA), financial authorities and regulators (central bank, China Banking and Insurance Regulatory Commission), investors, banks, visionaries and business leaders, international organizations and the UN family, academia and think tanks, in addition to SEs/NGOs. In the medium term, the ambition is to institutionalize the Platform as a continuous space to reach consensus, refine innovative solutions and act as custodian of industrial standards for SDGs financing. The key role of the advisory body is, among others, to ensure:

- Research and policy directions and issues;
- Mobilize technical support on the design of pilots;
- Provide direction on results measurement and how to scale;
- Discuss taxation policy for financial contribution of Corporate Social Responsibility (CSR) from private sectors to UNDP pipeline projects
- Guide industry standards and certifications;
- Inclusive participation of a broad range of actors on the design of financing and policy solutions;
- Advocacy of the impact monitoring metrics for screening, performance monitoring and evaluation of impact investments to guide certification and verification;
- Share and disseminate best practices and advocate for policy changes and scaling across sectors and localities on the basis of the evidence generated by research and pilots;
- Convene fora of investors to promote SDF;
- Strengthen capacities of key players to play an active role in SDF;
- Promote awareness and demand-supply matching.

Research and advocacy for standards/metrics, financial instruments, regulatory frameworks

Address the scepticism on social impact by generating consensus on the basis of evidence, best practices and financial results alongside to social/environmental impact. Research approaches will also involve communities and end users of business and government services, in generating evidence on the needs and guide the design of financing solutions. In partnership with foundations, think tanks, and academia, research will focus on:

- Analytical framework and quantitative/qualitative evidence to incentivize SDG based investments, influence markets, and inform investment policies;
- Gap assessments on financing needs and possible financial returns and impact particularly in poverty, inequality and last mile issues in China and in the world;

- Analytical work and options for M&E systems to guide industry standards of rating, issuance, compliance, and impact measurement;
- Provide options for impact verifications on the basis of evidence across industries, financial instruments, and countries;
- Make recommendations on the impact of technology on SDF and practical recommendations on how emerging technologies can strengthen SDF and financial inclusion;
- Provide options for the design of regulatory frameworks and financial instruments to be piloted.

Piloting and experimentation at national and local levels

Solutions designed under the research and advocacy arm will be tested and piloted by financial or government entities in practical settings to promote SDG localization efforts. Pilots will include, but will not be limited to:

- Run experiments and application of SDF instruments, policy recommendations, industrial standards and impact measurement metrics systems;
- Financing solutions could include social impact/ or, green and blue finance;
- Practical application of M&E systems for metric systems and standards to score innovative financing instruments;
- Application of new technologies on SDF solutions (instruments, metrics/standards and verification systems, data collection, etc.) to verify the effectiveness, the impact and promote financial inclusion;
- Collect data and generate evidence to inform the improvement/tweaking or scaling of solutions to make recommendations to the Technical Committee and the Standing roundtable forum for advocacy and scaling.

Scaling and pipeline development. In the medium to longer-term, the project will ensure the development of scalable financing solutions and metric systems able to expand through across sectors/ industries, local governments, countries along the Belt and Road Initiative or to inform policies and regulatory frameworks. The project will also help to increase the pipeline of business and government ventures able to attract SDG finance. This will include partnerships with accelerators and incubators to strengthen the pool of social enterprises, develop catalogues of SDF options and modalities, catalogue of bankable projects to match supply and demand, build capacities of business and public sector on SDF, etc. The main focus in this phase is to strengthen the demand of impact finance from high-quality social businesses and financial inclusion.

In the first year of the project's implementation, due to the scale of the initial funding, the project activities temporarily include organizing round-tables meeting, conducting SDF case studies developing SDG financing assessment indicators, and research, reports, and pilot activities of inclusive finance to support SDG (as a sub-project); other activities are not budgeted for initial stage.

Resources Required to Achieve the Expected Results

The platform will be a flexible solutions space, bringing partners together and promoting a healthy ecosystem for longer-term investments to promote the SDGs. As described above, it will be implemented on a phased approach, with the first two years being critical to establish credibility and gain confidence from the ecosystem. Resources will therefore be leveraged and allocated on a flexible basis, in line with the expansion of the demand for services.

The first phase of the project is developed mainly based on actual demand and condition. In the next two years, UNDP will provide 100,000 U.S. dollars covering the establishment and operation of PMO, and 150,000 U.S. dollars covering cost of industrial standard development, seminars/workshops. And CICETE will provide 450,000 U.S. dollars to promote inclusive finance for sustainable development, and 50,000 U.S. dollars to cover the establishment and operation of PMO and According to specific activity, the final budget will be conducted jointly in the annual work plan of the project during the project implementation period. Once a clear proof of concept is generated in the first year, the project will mobilize no less than 650,000 U.S. dollars of multiple resources – matching funds, cost sharing, etc. – to ensure the sustainability of the platform. In the future, will there be new sub-project developed, project document and budget will be revised by the way of adding new project outputs and activities.

Partnerships and Stakeholder Engagement

It will have a project management office jointly established by UNDP and CICETE for overseeing the day to day management of the operations. A network of experts and technical collaborators will be brought from the wider ecosystem to add critical skills and respond to the emerging priorities. The core technical team will have multidisciplinary expertise, able to work across sectors, with in-depth understanding of the Chinese financial market and development challenges. Finally, the team will ensure critical capacities to innovate, complex analyses and visualization, product development and testing, with strong familiarity with the use of data and measurement.

The technical team will partner closely with UNDP experts based in Bangkok, Indonesia and Global who will provide technical advice and facilitate connections with the network of impact investors. The team will also leverage on the wealth of expertise available in China and lessons learned by the ecosystem from the implementation of innovations.

Government and regulators The active participation by the central government and key regulators – MoFCOM, Ministry of Finance, MOCA, the People's Bank of China, China Bank and Insurance Regulatory Committee and other relevant ministries - as well as local governments from the SDG innovation pilot zones will be a critical element to give legitimacy of the work of the project and ensure that it's fully in line with national political directions. High level government participation is also indispensable to ensure that policy directions and regulatory frameworks are designed to provide adequate incentives and remove barriers, while also receiving political endorsement. Ultimately, the work of the platform has the potential to scale across localities within and outside China. Government endorsement will allow the project to horizontally scale and inform SDF initiatives and directions along the Belt and Road Initiative.

Engagement with central government will include the partnership through the Standing roundtable forum and the Technical Group, while local governments will also take active part in local project boards and in the experimentation of solutions. Local banks will also be critical partners in designing and piloting solutions at the local level.

Investors Engagement of investors, rating agencies, banks, and financial institutions throughout the work of the platform will allow to overcome the existing scepticism in SDF. The platform will first attract investors currently interested in expanding their portfolio to include SDF related products. Through research and evidence, it will also influence the wider investment ecosystem. Financial institutions have already expressed interest – such as Ernst and Young, Standard & Poor - in the platform and in the metric system for industry standards and impact measurement, confirming their ability to contribute to the verification of impact financing instruments.

Businesses and small and medium enterprises/NGOs. In China, incubation, non-financial support for social enterprises and ecosystem building initiatives are also on the rise²⁶. A growing number of incubators for social purpose organizations including social enterprises have also been established by local governments²⁷. Despite this progress, UNDP believes that there is still untapped potential to scale the success of SDG-friendly businesses and strengthen sustainable business practices and objectives of currently non-SDG oriented businesses. The project will engage social enterprises and SMEs and strengthen their capacities to attract impact finance, advocate for regulatory and policy changes and financial inclusion, and document the contribution to the SDGs of successful social businesses while also ensuring financial returns.

Academia and researchers. In China, research in the field of philanthropy and social entrepreneurship is growing, with active actors such as the Peking University, China Global Philanthropy Institute, the Beijing Normal University One Foundation Philanthropy Research Institute, Social Enterprise Research Centre, FYSE and NGO Research Centre of Tsing Hua University²⁸. The project will strengthen partnerships with existing philanthropic thinkers, as well as with academic institutions with business programmes to gather the data to incentivize government, businesses and private capital to invest in SDG market mechanisms and inform SDG friendly investment policies. The development of impact measurement metrics and standards for industry certification will be prioritized.

UN Family. The Chinese Government has made clear that over the coming years it will be looking to the UNCT for integrated solutions to challenges including ensuring more inclusive development and addressing multidimensional poverty challenges facing the vulnerable and marginalized groups. UN agencies will work together to develop and test a systematic methodology and toolkit for finding integrated solutions to China's new generation of development challenges at the local level. This will include close collaboration on SDF solutions to strengthen the impact and ensure the sustainability of SDG localization initiatives.

Risks and Assumptions

Risk 1. The government policy and directions at both national and local level on SDF may change.

Mitigating measure: In general, Chinese government supports SDF innovation and development, which is critical for the enabling environment for SDF in China. However, should policy directions change, UNDP will work closely with government entities, regulators and financial institutions to ensure that the impact financing remains as priority. The Round Table meeting will have a critical role to play in creating evidence to support advocacy efforts for SDF and overall financial inclusion.

Risk 2. The platform fails to reach financial sustainability.

Mitigating measure: Firstly, a strong Standing roundtable forum, dynamic local pilots and partnership portfolio are crucial to generate evidence of the connection between the SDG impacts and economic feasibility and to generate demand. In addition, a balanced business model, with a funding strategy including financial income from a variety of sources will avoid over dependency on one sources of funds. In addition, the Standing roundtable forum will ensure political and

²⁶ AVPN report 2017

²⁷ Stanford Social Innovation review, 2017, Making Strides in Social Innovation

²⁸ Constellations International, 2015, Social Enterprise in China.

financial attention, and the interest of local governments in the services of the platform will be actively explored. Private sector finances will also be leveraged for the provision of technical services to the business community.

Risk 3. Reputational risks for the certification of projects not aligned to social and environmental criteria

Mitigating measure: UNDP will not issue certifications, industry standards or endorse verification of investments. These will be issued by qualified financial actors inspired by the research, testing and recommendations emerged by the work of the platform. Capacity building of financial institutions, private and public sector will be ensured to promote the appropriate use of metrics systems, in line with the SDGs. Corrective mechanisms will be set up to deal with unqualified projects in the pipeline once identified, together with a positive/negative incentive scheme for project suppliers, certification agencies etc.

Risk 4. Fail to reach market recognition in view of increasing competition by other financial players

Mitigating measure: The platform will be extremely selective on the initiatives it will embark on in the initial phase to ensure that the results provide an excellent test case to demonstrate the legitimacy of the work. The Standing roundtable forum and the Technical Group will ensure that the work of the platform is guided by technical advice, sound experience, and alignment with political priorities. Knowledge management and communication will be critical components of the platform to ensure that the impact of SDF is documented and promoted.

Risks 5. Conflicts of interests of stakeholders involved in the platform

Mitigating measure: Information on past, ongoing and planned investments will be discussed and monitored to ensure that no partner will profit from the work of the platform. Transparency and openness will be a fundamental criterion of the work of the platform and the MoU will require partners to share information and should evidence of inside trading or inappropriate use of information be established, arrangements for the termination of partnership will be initiated. Government supervision agency such as the People's Bank of China will be closely involved to provide guidance on the management of conflict of interests. Due diligence will also be exercised for all private sector partners.

Risks 6. SDF cannot find legitimate projects to support.

Mitigating measure: Outreach, capacity building and engagement with business accelerators/incubators will allow the project to identify social oriented businesses or to allow non-SDG oriented business to adopt sustainable practices. Case studies, best practices, and toolkits will allow to support the transition to sustainability and to increase the market of bankable projects.

South-South and Triangular Cooperation

The Belt and Road initiative (BRI) is a Chinese-lead vision of a "community of shared destiny for mankind" open globally. It seeks to enhance economic cooperation through five major pillars of

policy coordination, infrastructure connectivity, unimpeded trade, financial integration and people-to-people connections. While started as an initiative to develop new trade and investment opportunities and to act as an engine for shared economic growth, it is now understood that it aims to bring social benefits and overall development results. UNDP has established the BRI Platform to provide targeted advice to promote development dividends along the BRI and the countries involved.

Through the BRI Platform, UNDP will support investment and financing projects for development impact. Linking development to selected market-based projects through BRI-enhancing demonstration/pilot projects and effective on-demand quality assurance combined with principled, pragmatic, and concrete advice on how to incorporate sustainability principles into the project cycle from pre-feasibility to implementation. In addition, UNDP will also help build the capacity of participating private sector and investment entities for more sustainable and responsible businesses.

While the initial focus of the project is to enhance the flow of capital for SDG achievement in China, solutions and lessons generated from the research and experimentation will have the potential to scale along the countries involved in the BRI. Knowledge and lessons will inform the capacity building and financing work of the BRI Platform and the wider investments by the Chinese private sector along the BRI. Lessons will also be used to provide peer-support across the network of UNDP offices in the Asia-Pacific region and beyond.

Knowledge

The project will generate research, knowledge and evidence to promote SDF in China and beyond. This may include:

- Research/papers/publications on financing gaps in specific issues, sectors, geographical areas and the possible financial return for sustainable investments;
- Models and schemes to prototype financing instruments to address specific challenges;
- Impact measurement standards for verification of impact investments, including standard economic performance indicators, SDG related indicators, social and environmental safeguards and gender equality indicators;
- Tailored metric systems to certify financial instruments;
- Implementation toolkit for financing instruments and mechanisms to strengthen social business models;
- Evidence and lessons learned from the experimentation of financing options;
- Policy recommendations;
- Recommended Catalogue of bankable SDG-friendly ventures;
- Recommended Catalogue of tested and scalable SDF solutions.

Knowledge generate by the Platform, through the four phases, will inform the wider UNDP SDF agenda and will be used to guide other countries in the Asia-Pacific and globally in catalysing private resources towards the SDG agenda.

Sustainability and Scaling Up

The sustainability of results is embedded into the design of the platform where financing solutions are first prototyped and then tested by Chinese government and financial entities before larger scale implementation, to ensure that the instruments and policy actions are scalable, address concrete development issues faced by the bottom of the pyramid, and can attract finances. The objective of the platform is to support Chinese government creating a conducive ecosystem for

SDF, when the solutions are designed and tested, these are no longer within the project but exists with partners, in government and the marketplace.

IV. PROJECT MANAGEMENT

The project will operate under a portfolio approach, with local level interventions contributing to the wider outcome. From a management point of view, the platform will be operated and supervised by the established Project Management Office. As articulated earlier in this document, the key elements of the strategy underpinning the Platform will be implemented on a short and medium to longer term approach. In the initial phase, where UNDP and CICETE will contribute with some resources. Capacities of the platform will be gradually augmented as demand for the services of the platform grows, it will be funded from external resources of potential partners leveraged by the platform.

The project management not only focuses on administrative management but also emphasizes the substantive management to enhance the project impacts. Pilots' management is also critical for the project outputs with combined bottom up development solutions and top down policy and technical support. Resource mobilization will be a continuous effort for the project to enhance project impacts and involving more stakeholders for project replication and scaling up.

As articulated in section III – Resources to deliver the results, the platform will rely on the PMO as a core team, and a network of in-house and outsources technical experts as an agile system to quickly and effectively respond to the demand. These will be brought in as needed, to provide technical advice and guidance to the clusters established in the SDG related areas in future. Specific competences of the team are elaborated in section VIII.

UNDP and CICETE will jointly approve annual work plans (AWP) for the umbrella project with the consultation with the policy advisory Standing roundtable forum and the dialogue of the platform's technical team, under the overall coordination of the PMO. The Steering Committee Board will meet regularly and will also include sessions for the review of progress, provide strategic directions for the approval of AWP for the following year, with the technical advice of the Consultancy and Technical Advisors. Technical workshops will be jointly organized by UNDP and CICETE to enhance coordination of umbrella project outputs for consolidated impacts while also involving other cities for replication and scaling up.

V. RESULTS FRAMEWORK²⁹

Intended Outcome as stated in the UNDAF/Country Programme Results and Resource Framework:												
UNDAF Outcome #1: A greater proportion of the population enjoy improved living conditions and increased opportunities for economic, social and cultural development.												
Outcome indicators as stated in the Country Programme Results and Resources Framework, including baseline and targets:												
Indicator 1.1.2: Number of beneficiaries who have access to financial services through rural financial cooperatives and inclusive finance programmes.												
Applicable Output(s) from the UNDP Strategic Plan:												
Output 1.2.2: Enabling environment strengthened to expand public and private financing for the achievement of the SDGs.												
Project title and Atlas Project Number: 00111482												
EXPECTED OUTPUTS	OUTPUT INDICATORS ³⁰	DATA SOURCE	BASELINE		TARGETS (by frequency of data collection)						DATA COLLECTION METHODS & RISKS	
			Value	Year	Year 1	Year 2	Year 3	Year 4	Year ...	FINAL		
Output 1 National SDF platform established	1.1 Number of forums to mainstreaming SDG investing	In-house data	0	2018	1	1	1	1			4	Progress reports of the Standing roundtable forum
	1.2 Number of policy recommendations endorsed	In-house data	0	2018				2			2	Progress reports of the Standing roundtable forum
	1.3 Industry standards and metrics scaled across sectors and financial instruments	In-house data	0	2018		1					1	
	1.4 Number of technical training programmes and workshops delivered	In-house data	0	2018	1	3	2	2			8	Progress reports of the Standing roundtable forum

²⁹ UNDP publishes its project information (indicators, baselines, targets and results) to meet the International Aid Transparency Initiative (IATI) standards. Make sure that indicators are S.M.A.R.T. (Specific, Measurable, Attainable, Relevant and Time-bound), provide accurate baselines and targets underpinned by reliable evidence and data, and avoid acronyms so that external audience clearly understand the results of the project.

³⁰ It is recommended that projects use output indicators from the Strategic Plan IRRF, as relevant, in addition to project-specific results indicators. Indicators should be disaggregated by sex or for other targeted groups where relevant.

	1.5 Number of local partnerships developed with financial institutions and governmental institutes	In-house data	0	2018	1	1	1	1		3	Progress reports of the Standing roundtable forum
Output 2 Research and Advocacy for SDF standards/metrics , new financial instruments, and policy recommendations	2.1 Number of research papers issued	In-house data	0	2018	1	1	1	1		4	Internal progress reports
	2.2 Number of financing options / solutions identified through research	In-house data	0	2018		2	2	2		6	Internal progress reports
	2.3 Metrics system designed to issue and certify financial instruments	In-house data	0	2018		1				1	Internal progress reports
	2.4 M&E designed to measure and verify social / environmental returns	In-house data	0	2018			1			1	Internal progress reports
Output 3 Evidence and proof of concept of metrics, financing instruments and policy secured through pilots and experimentation	3.1 Number of SDG pilot zones running financial instruments	In-house data	0	2018		1	1	1		3	Internal progress reports
	3.2 Number of financial instruments run through SDG pilot zones	In-house data	0	2018		1	1	1		3	Internal progress reports
	3.3 Evidence / feedback generated on pilot performance	Public consultation	0	2018			1	1		2	Internal progress reports
	3.4 M&E and industry standards for verification and certification validated through experimentation	Public consultation	0	2018				1		1	Internal progress reports
Output 4 Pipeline of Bankable Projects developed and Scalable Policy Solutions Applied	4.1 Amount of funding mobilized / matched for SDGs	In-house data	0	2018		650,000 USD				650,000 USD	Internal progress reports
	4.2 Number of scalable solutions identified	In-house data	0	2018				1		1	Internal progress reports
	4.3 Catalogue of bankable projects	In-house data	0	2018			1			1	Project database
	4.4 Catalogue of financial instruments	In-house data	0	2018			1			1	Project database
	4.5 Upgrading of NGO MFIs	In-house data	0	2018		1	1	1		3	Project database

	4.6 Standardization of Rural Cooperative Finance	In-house data	0	2018		1				1	Project database
--	--	---------------	---	------	--	---	--	--	--	---	------------------

VI. MONITORING AND EVALUATION

In accordance with UNDP's programming policies and procedures, the project will be monitored through the following monitoring and evaluation plans:
[Note: monitoring and evaluation plans should be adapted to project context, as needed]

Monitoring Plan

Monitoring Activity	Purpose	Frequency	Expected Action	Partners (if joint)	Cost (if any)
Track results progress	Progress data against the results indicators in the RRF will be collected and analysed to assess the progress of the project in achieving the agreed outputs.	Quarterly, or in the frequency required for each indicator.	Slower than expected progress will be addressed by project management.		
Monitor and Manage Risk	Identify specific risks that may threaten achievement of intended results. Identify and monitor risk management actions using a risk log. This includes monitoring measures and plans that may have been required as per UNDP's Social and Environmental Standards. Audits will be conducted in accordance with UNDP's audit policy to manage financial risk.	Quarterly	Risks are identified by project management and actions are taken to manage risk. The risk log is actively maintained to keep track of identified risks and actions taken.		
Learn	Knowledge, good practices and lessons will be captured regularly, as well as actively sourced from other projects and partners and integrated back into the project.	At least annually	Relevant lessons are captured by the project team and used to inform management decisions.		
Annual Project Quality Assurance	The quality of the project will be assessed against UNDP's quality standards to identify project strengths and weaknesses and to inform management decision making to improve the project.	Annually	Areas of strength and weakness will be reviewed by project management and used to inform decisions to improve project performance.		

Review and Make Course Corrections	Internal review of data and evidence from all monitoring actions to inform decision making.	At least annually	Performance data, risks, lessons and quality will be discussed by the project board and used to make course corrections.		
Project Report	A progress report will be presented to the Project Board and key stakeholders, consisting of progress data showing the results achieved against pre-defined annual targets at the output level, the annual project quality rating summary, an updated risk log with mitigation measures, and any evaluation or review reports prepared over the period.	Annually, and at the end of the project (final report)			
Project Review (Project Board)	The project's governance mechanism (i.e., project board) will hold regular project reviews to assess the performance of the project and review the Multi-Year Work Plan to ensure realistic budgeting over the life of the project. In the project's final year, the Project Board shall hold an end-of project review to capture lessons learned and discuss opportunities for scaling up and to socialize project results and lessons learned with relevant audiences.	Specify frequency (i.e., at least annually)	Any quality concerns or slower than expected progress should be discussed by the project board and management actions agreed to address the issues identified.		

Evaluation Plan³¹

Evaluation Title	Partners (if joint)	Related Strategic	UNDAF/CPD Outcome	Planned Completion	Key Evaluation Stakeholders	Cost and Source of Funding
------------------	---------------------	-------------------	-------------------	--------------------	-----------------------------	----------------------------

³¹ Optional, if needed

		Plan Output		Date		
Mid-Term Review	CICETE			2020		
Final Evaluation	CICETE			2021		

VII. MULTI-YEAR WORK PLAN ^{32,33}

All anticipated programmatic and operational costs to support the project, including development effectiveness and implementation support arrangements, need to be identified, estimated and fully costed in the project budget under the relevant output(s). This includes activities that directly support the project, such as communication, human resources, procurement, finance, audit, policy advisory, quality assurance, reporting, management, etc. All services which are directly related to the project need to be disclosed transparently in the project document.

EXPECTED OUTPUTS	PLANNED ACTIVITIES	Planned Budget by Project Year				RESPONSIBLE PARTY	PLANNED BUDGET		
		Y1	Y2	Y3	Y4		Funding Source	Budget Description	Amount
Output 1 <i>National SDF platform roundtable forum established</i>	1.1 Set up standing roundtable forum including key stakeholders	25,000	25,000 (Unfunded)			UNDP/CICETE	UNDP	Travel Consultants	25,000
							Unfunded	Travel Consultants	25,000
	1.2 Events for improving awareness building, and inclusive participation of various stakeholders within SDF ecosystem		500,000 (Unfunded)			UNDP/CICETE	Unfunded	Travel Consultants	50,000
	1.3 Set up business process including endorsement, verification, compliance, and dissemination for demand-supply matching		25,000 (Unfunded)			UNDP/CICETE	Unfunded	Travel Consultants	25,000
	1.4 Organization of dialogues and forum for knowledge and lessons sharing	25,000	50,000 (Unfunded)			UNDP/CICETE	UNDP	Travel Consultants	25,000
							Unfunded	Travel Consultants	25,000
	1.5 Evaluation		10,000 (Unfunded)			UNDP/CICETE	Unfunded		10,000
Sub-Total for Output 1							Funded		50,000
							Unfunded		160,000
							Subtotal		210,000

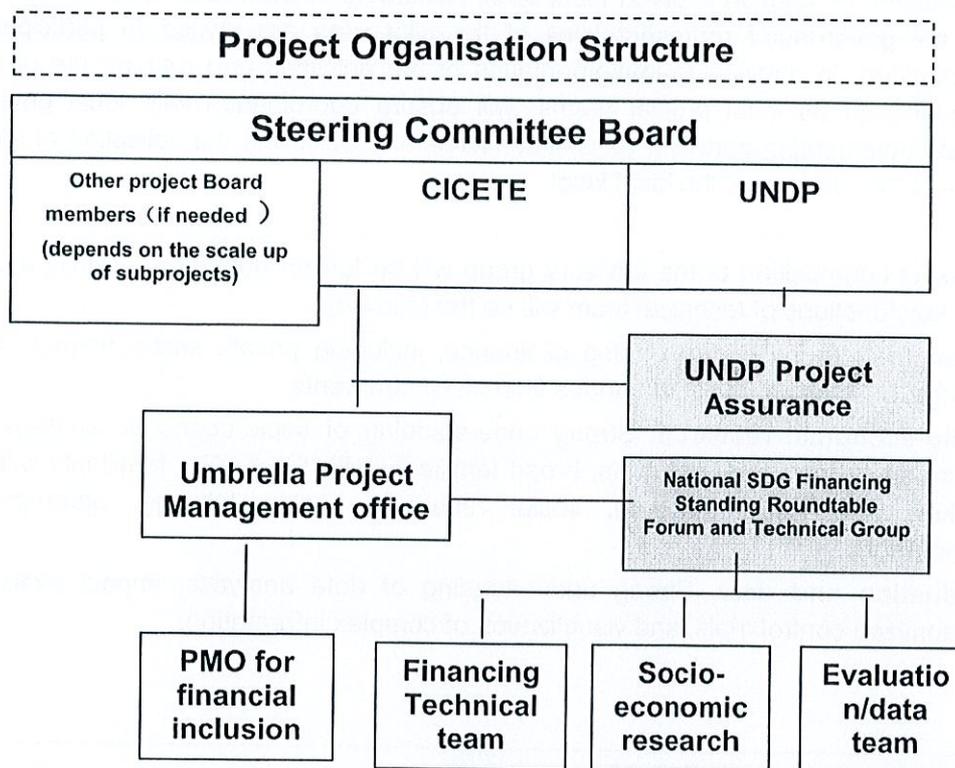
³² Cost definitions and classifications for programme and development effectiveness costs to be charged to the project are defined in the Executive Board decision DP/2010/32

³³ Changes to a project budget affecting the scope (outputs), completion date, or total estimated project costs require a formal budget revision that must be signed by the project board. In other cases, the UNDP programme manager alone may sign the revision provided the other signatories have no objection. This procedure may be applied for example when the purpose of the revision is only to re-phase activities among years.

Output 2 <i>Research and Advocacy to design financial instrument for SDG and policy recommendation</i>	2.1 Conduct research presenting a comprehensive needs assessment for the SDGs Financing, solution to incentivize SDG based investment	20,000	50,000(Unfunded)			UNDP	UNDP	Consultant Publication	20,000
							Unfunded	Consultant Publication	50,000
	2.2 Develop standards of rating, issuance, compliance, and impact measurement of financial instrument for SDGs (by conducting case of SDG bonds)	50,000	25,000(Unfunded)			UNDP	UNDP	Consultant Publication	50,000
							Unfunded	Consultant Publication	25,000
	2.3 Provide options for impact verification and policy advocacy for establishing regulatory frameworks of SDF	30,000	50,000(Unfunded)			UNDP	UNDP	Consultant Publication	30,000
							Unfunded	Consultant Publication	50,000
	2.4 Provide options for financial instrument to be piloted such as impact investment, Fintech, blended finance, rural cooperatives finance		25,000(Unfunded)			UNDP	Unfunded	Consultant Publication	25,000
2.5 Evaluation		10,000(Unfunded)			UNDP/CICETE	Unfunded		10,000	
Sub-Total for Output 2								Funded	100,000
								Unfunded	160,000
								Subtotal	260,000
Output 3 <i>Pilots to define proof of concept and gather evidence on effectiveness</i>	3.1 Pilot financial instruments in one of national SDG innovation zone to facilitate poverty reduction, equity, and last mile issues		40,000(Unfunded)			UNDP/CICETE	Unfunded	Travel Consultants	40,000
	3.2 Collect data and evidence for the improvement/redesign or scaling of solutions		40,000(Unfunded)			UNDP/CICETE	Unfunded	Travel Consultants	40,000
	3.3 Explore opportunities to expand pilots in more innovation zones		30,000(Unfunded)			UNDP/CICETE	Unfunded	Travel Consultants	30,000
	3.4 Design modality and business model of resources mobilization		40,000(Unfunded)			UNDP/CICETE	Unfunded	Travel Consultants	40,000
	3.5 Evaluation		10,000(Unfunded)			UNDP/CICETE	Unfunded		10,000
	Sub-Total for Output 3								Funded
								Unfunded	160,000
								Subtotal	160,000

Output 4 <i>Develop pipeline of projects and scalable solution</i>	4.1 Conduct and delivery pilot report on MFIs development	50,000	40,000			CICETE	CICETE	Travel Consultants	90,000
	4.2 Upgrade training packages for microfinance institutions	40,000	10,000			CICETE	CICETE	Consultants	50,000
	4.3 Develop online training program and organize on-site training for MFIs	20,000	50,000	30,000		CICETE	CICETE	Training Travel	100,000
	4.4 Develop executable investment program for upgrading NGO MFIs	50,000	50,000			CICETE	CICETE	Conference Consultants	100,000
	4.5 Explore opportunities to expand innovations in the areas of rural cooperatives finance etc.	50,000	50,000			CICETE	CICETE	Conference Travel	100,000
	4.6 Sub-project management and monitoring			10,000		UNDP/CICETE	CICETE		10,000
	Sub-Total for Output 4								Funded
								Unfunded	0
								Subtotal	450,000
Evaluation (as relevant)	EVALUATION				20,000(Unfunded)	UNDP/CICETE	Unfunded		20,000
Direct Project Cost of PMO	Cost of Staff, Consultants travel, equipment, etc.	150,000	150,000(Unfunded)			UNDP/CICETE	UNDP	Cost of Staff, Consultants travel, equipment, etc.	100,000
							CICETE		50,000
		Unfunded	150,000						
Sub-Total								Funded	150,000
								Unfunded	150,000
								Subtotal	300,000
General Management Support (6%)						UNDP/CICETE			0
TOTAL									1,400,000

VIII. GOVERNANCE AND MANAGEMENT ARRANGEMENTS



CICETE will appoint the director of the national umbrella project management office, and UNDP assign co-director to support the project office director. UNDP and CICETE will be jointly responsible for overseeing substantive functions of the project office as follow:

1. Overall implementation and quality management of the umbrella project in accordance with the requirements of the project management and the Steering Committee
2. Lead the development and intellectual property management of reports, standards, and evaluation systems; disseminate generated evidence and promote the advocacy and visibility of innovative financing, and South-South cooperation on this topic.
3. Strategic coordination with government agencies, investors, financial institutions, civil society, academia/foundations, especially to maintain multilateral coordination, achieve consensus, recognition and/or strengthening of partnerships
4. Manage project resource and improve sustainability of financing
5. Explore partnership and cooperation with other stakeholders to contribute to scale-up and sustainability of ecosystem
6. Participate in and guide the development of possible sub-projects and additional activities and supervise the implementation of sub-projects.
7. Contact and set up an expert group of the project and manage the coordination of the expert group.
8. Organize project evaluation work.

UNDP directly supports some national execution project activities, and UNDP will share responsibility for overall coordination, planning, implementation and project management with CICETE.

In future, Potential cluster stations for cooperation and pilot will be established by government with financial institutions in China to support the day-to-day delivery of the SDG localization work and the implementation of solution pilots at local level. According to the implementation of the district subproject, the government representatives of the pilot area are invited to participate in the steering committee. In addition to implementation of the activities and running the pilots, these clusters, considered as local project teams, will ensure coordination with local governments, strategic and implementing partners, as well as NGOs and SEs, and the collection of data on the performance of the platform at the local level.

While the exact composition of the advisory group will be further defined as details are clarified, meanwhile, key functions of technical team will be the following:

- **Financing.** Strong understanding of finance, including private sector finance, innovative finance, business models for various financial instruments.
- **Socio-economic research.** Strong understanding of socio-economic analysis including macro-analysis of financial gaps, broad familiarity with the SDGs, familiarity with systems thinking and issue mapping, social research, design thinking, anthropology and ethnography.
- **Evaluation and data.** Strong understanding of data analytics, impact evaluation and randomized control trials, and visualization of complex information.

IX. LEGAL CONTEXT AND RISK MANAGEMENT

LEGAL CONTEXT STANDARD CLAUSES

China has signed the Standard Basic Assistance Agreement (SBAA)

This project document shall be the instrument referred to as such in Article 1 of the Standard Basic Assistance Agreement between the Government of (country) and UNDP, signed on June 29th, 1979. All references in the SBAA to "Executing Agency" shall be deemed to refer to "Implementing Partner."

This project will be implemented by the agency (CICETE) ("Implementing Partner") in accordance with its financial regulations, rules, practices and procedures only to the extent that they do not contravene the principles of the Financial Regulations and Rules of UNDP. Where the financial governance of an Implementing Partner does not provide the required guidance to ensure best value for money, fairness, integrity, transparency, and effective international competition, the financial governance of UNDP shall apply.

According to the Standard Basic Assistance Agreement (SBAA) between UNDP and the Government of China, "Patent rights, copyright rights, and other similar rights to any discoveries or work resulting from UNDP assistance under this Agreement shall belong to UNDP. Unless otherwise agreed by the Parties in each case, the Government shall have the right to use any such discoveries or work within the country free of royalty or any charge of similar nature." Therefore, any copyrights derived from the implementation process of this project shall be vested in UNDP, and CICETE. And other governments or partners involved can use such copyrights or outputs within the country free of royalty or any charge of similar under the accreditation of the umbrella project PMO established by UNDP and CICETE.

RISK MANAGEMENT STANDARD CLAUSES

1. Consistent with the Article III of the SBAA *[for the Supplemental Provisions to the Project Document]*, the responsibility for the safety and security of the Implementing Partner and its personnel and property, and of UNDP's property in the Implementing Partner's custody, rests with the Implementing Partner. To this end, the Implementing Partner shall:
 - a) put in place an appropriate security plan and maintain the security plan, taking into account the security situation in the country where the project is being carried;
 - b) assume all risks and liabilities related to the Implementing Partner's security, and the full implementation of the security plan.
2. UNDP reserves the right to verify whether such a plan is in place, and to suggest modifications to the plan when necessary. Failure to maintain and implement an appropriate security plan as required hereunder shall be deemed a breach of the Implementing Partner's obligations under this Project Document.
3. The Implementing Partner agrees to undertake all reasonable efforts to ensure that no UNDP funds received pursuant to the Project Document are used to provide support to individuals or entities associated with terrorism and that the recipients of any amounts provided by UNDP hereunder do not appear on the list maintained by the Security Council Committee established pursuant to resolution 1267 (1999). The list can be accessed via http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml.
4. Social and environmental sustainability will be enhanced through application of the UNDP Social and Environmental Standards (<http://www.undp.org/ses>) and related Accountability Mechanism (<http://www.undp.org/secu-srm>).
5. The Implementing Partner shall: (a) conduct project and programme-related activities in a manner consistent with the UNDP Social and Environmental Standards, (b) implement any management or mitigation plan prepared for the project or programme to comply with such standards, and (c) engage in a constructive and timely manner to address any concerns and complaints raised through the Accountability Mechanism. UNDP will seek to ensure that communities and other project stakeholders are informed of and have access to the Accountability Mechanism.
6. All signatories to the Project Document shall cooperate in good faith with any exercise to evaluate any programme or project-related commitments or compliance with the UNDP Social and Environmental Standards. This includes providing access to project sites, relevant personnel, information, and documentation.
7. The Implementing Partner will take appropriate steps to prevent misuse of funds, fraud or corruption, by its officials, consultants, responsible parties, subcontractors and sub-recipients in implementing the project or using UNDP funds. The Implementing Partner will ensure that its financial management, anti-corruption and anti-fraud policies are in place and enforced for all funding received from or through UNDP.
8. The requirements of the following documents, then in force at the time of signature of the Project Document, apply to the Implementing Partner: (a) UNDP Policy on Fraud and other Corrupt Practices and (b) UNDP Office of Audit and Investigations Investigation Guidelines. The Implementing Partner agrees to the requirements of the above documents, which are an integral part of this Project Document and are available online at www.undp.org.
9. In the event that an investigation is required, UNDP has the obligation to conduct investigations relating to any aspect of UNDP projects and programmes. The Implementing Partner shall provide its full cooperation, including making available personnel, relevant documentation, and granting access to the Implementing Partner's (and its consultants', responsible parties', subcontractors' and sub-recipients') premises, for such purposes at reasonable times and on reasonable conditions as may be required for the purpose of an investigation. Should there be a limitation in meeting this obligation, UNDP shall consult with the Implementing Partner to find a solution.

10. The signatories to this Project Document will promptly inform one another in case of any incidence of inappropriate use of funds, or credible allegation of fraud or corruption with due confidentiality.

Where the Implementing Partner becomes aware that a UNDP project or activity, in whole or in part, is the focus of investigation for alleged fraud/corruption, the Implementing Partner will inform the UNDP Resident Representative/Head of Office, who will promptly inform UNDP's Office of Audit and Investigations (OAI). The Implementing Partner shall provide regular updates to the head of UNDP in the country and OAI of the status of, and actions relating to, such investigation.

11. UNDP shall be entitled to a refund from the Implementing Partner of any funds provided that have been used inappropriately, including through fraud or corruption, or otherwise paid other than in accordance with the terms and conditions of the Project Document. Such amount may be deducted by UNDP from any payment due to the Implementing Partner under this or any other agreement.

Where such funds have not been refunded to UNDP, the Implementing Partner agrees that donors to UNDP (including the Government) whose funding is the source, in whole or in part, of the funds for the activities under this Project Document, may seek recourse to the Implementing Partner for the recovery of any funds determined by UNDP to have been used inappropriately, including through fraud or corruption, or otherwise paid other than in accordance with the terms and conditions of the Project Document.

Note: The term "Project Document" as used in this clause shall be deemed to include any relevant subsidiary agreement further to the Project Document, including those with responsible parties, subcontractors and sub-recipients.

12. Each contract issued by the Implementing Partner in connection with this Project Document shall include a provision representing that no fees, gratuities, rebates, gifts, commissions or other payments, other than those shown in the proposal, have been given, received, or promised in connection with the selection process or in contract execution, and that the recipient of funds from the Implementing Partner shall cooperate with any and all investigations and post-payment audits.
13. Should UNDP refer to the relevant national authorities for appropriate legal action any alleged wrongdoing relating to the project, the Government will ensure that the relevant national authorities shall actively investigate the same and take appropriate legal action against all individuals found to have participated in the wrongdoing, recover and return any recovered funds to UNDP.
14. The Implementing Partner shall ensure that all of its obligations set forth under this section entitled "Risk Management" are passed on to each responsible party, subcontractor and sub-recipient and that all the clauses under this section entitled "Risk Management Standard Clauses" are included, *mutatis mutandis*, in all sub-contracts or sub-agreements entered into further to this Project Document.