



SOCIAL

an integrative framework
for better outcomes

ENVIRONMENTAL
& FINANCIAL

IN SYNCH

The Making Access Possible Programme

UNCDF's Making Access Possible (MAP) programme is a multi-country initiative to support financial inclusion through a process of evidence-based country diagnostic and stakeholder dialogue, leading to the development of national financial inclusion roadmaps that identify key drivers of financial inclusion and recommended action. Through its design, MAP seeks to strengthen and focus the domestic development dialogue on financial inclusion. Increasingly, the global project seeks to strengthen the case for financial inclusion in support of broader development goals and inclusive growth (which in turn tends to increase financial inclusion), by using the evidence gathered at country level to engage with other international platforms and entities impacting on financial inclusion and sustainable finance.

About UNCDF

The UN Capital Development Fund makes public and private finance work for the poor in the world's 47 least developed countries (LDCs). UNCDF offers 'last mile' finance models that unlock public and private resources, especially at the domestic level, to reduce poverty and support local economic development. UNCDF's financing models work through three channels: (1) inclusive digital economies, which connect individuals, households and small businesses with financial ecosystems that catalyse participation in the local economy and provide mechanisms for charting pathways out of poverty and managing financial lives; (2) local development finance, which capacitates localities through fiscal decentralisation, innovative municipal finance, and structured project finance to drive local economic expansion and sustainable development; and (3) investment finance, which provides catalytic financial structuring, derisking, and capital deployment to drive the achievement of SDG impact and domestic resource mobilisation.

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About the cover:

The design of this framework centres on the relationship between money, economy, and land, and the way in which we interact with these elements. The concept follows on from the previous documents but with more of an emphasis on how intertwined our financial gain is with the land. As a species, we have always manipulated the ground for our livelihood. When seen from above, our influence emerges in symmetrical and organic patterns amongst fields of crops, forests, and the sprawl of cities. With such apparent marks, we can see how sustainability is crucial to economic growth, and the calligraphy we etch across the earth tells the story of our interaction.



SUSTAINABLE FINANCE



An analytical framework for the integration of sustainable finance and financial inclusion:

SUMMARY OVERVIEW

UNCDF MAP in 2021 and 2022 conducted research to explore how the constructs of financial inclusion and sustainable finance might be mutually leveraged, particularly in least developed countries (LDCs), to contribute to inclusive economic growth and the achievement of the common goals that are the UN Sustainable Development Goals (SDGs). The research identified many potential overlaps and complementarities between the two constructs of *financial inclusion* and *sustainable finance*, including in the area of linkages to the SDGs relating to PEOPLE and PLANET. We critiqued both constructs as development tools in their own right, zeroing in particularly on the customary ESG (Environment, Social, Governance) focus within sustainable finance.

In multi-stakeholder consultations, an analytical framework for the integration of financial inclusion and sustainable finance was designed, with an enhanced focus on social objectives as encapsulated in the SDGs – towards better financing. The integrative analytical framework *acknowledges financial inclusion as a valuable support mechanism for use within sustainable finance* and promotes financial inclusion as an effective mechanism for the private sector – and, specifically, financial services providers (including commercial and retail banks) – to use in contributing to the achievement of the SDGs. The integrative framework provides inspiration, with the SDGs as a lens, for a new way of doing business that is truly sustainable because it is both socially inclusive and operates with respect for planetary health.

The framework's focus on *inclusiveness, sustainability and growth* suggests the need for new models of investment that have the potential to benefit financiers and bottom-of-the-pyramid households and small businesses alike, while strengthening countries' financial sectors and increasing countries' potential for self-determination.

We argue in this document for why the area of sustainable finance should be significantly improved, and how: through integrating financial inclusion objectives, models and approaches.



GOALS

The integrative analytical framework that we present highlights a transformation of the financial system to focus on the goals of *inclusiveness, sustainability and growth*, within the context of the value system of the SDGs. (See also the MAP Global Insights series, Volume 3, particularly Notes 1 and 5 – 2020; and Volume 2 – 2018.)

Figure 1 presents the integrative analytical framework in graphic form. Among other things, it suggests areas for *more active collaboration* between sustainable finance (with its prioritising of objectives related to the well-being of the PLANET) and financial inclusion (with its prioritising of objectives related to the well-being of PEOPLE) as a strategy for feeding into inclusive economic growth, reducing inequality and tackling poverty: through an improved focus on products and initiatives aimed ultimately at increasing consumer/household and entrepreneur PROSPERITY.

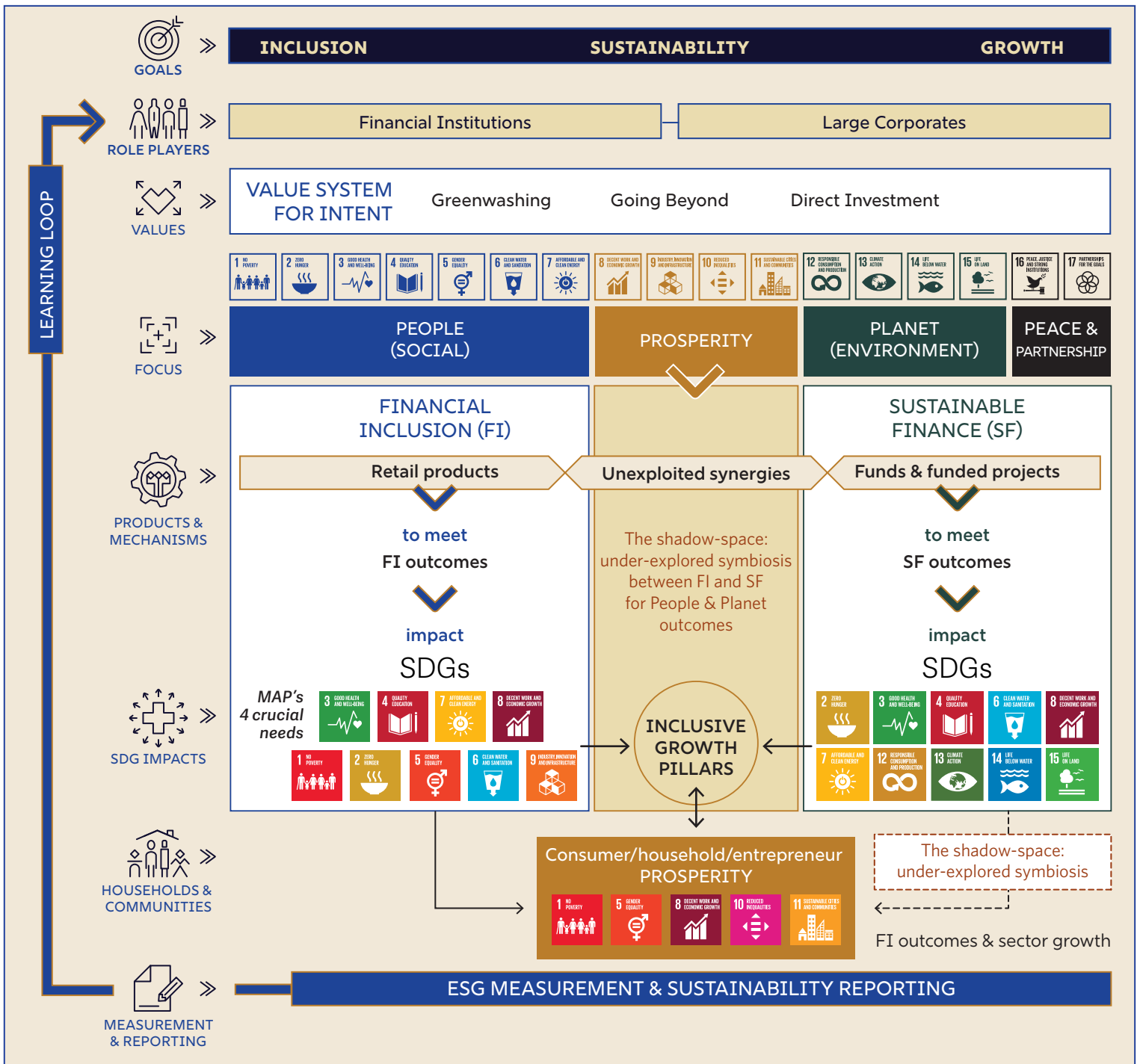


Figure 1: An analytical framework for the integration of sustainable finance and financial inclusion: two hitherto separate priority areas functioning in synergy



ROLE PLAYERS & VALUES

Bringing together different areas of complex technical operation, each with its deeply embedded social and financial constructs, requires real, collaborative conversations with multiple stakeholders; this is to ensure that the resulting new approaches are complementary and synergistic with regard to the changes that need to come and the context within such changes can be made. Thus, the integrative analytical framework has been developed with role players that will be crucial in implementing the change the UNCDF research advocates for:

- » Regulatory bodies such as central banks and/or stock exchanges at country level.
- » International financial institutions such as the International Finance Corporation (IFC) and the International Monetary Fund (IMF).
- » Development partners, and banking associations and networks – specifically, the Sustainable Banking and Finance Network (SBFN).
- » Commercial and retail banks.
- » Micro, small and medium enterprises (MSMEs) and their advocates and associations.
- » Large corporates and other private sector role players who are embedding financial inclusion into their sustainability strategies and reporting.

From the outset, the research process instilled a set of values supportive of multi-stakeholder consultation and action: collaborative; respectful of individual parties' expertise and difference; inclusive; and oriented towards positive and substantive action within stakeholders'/roleplayers' domains of expertise and spheres of control and influence.



VALUE SYSTEMS CURRENTLY INFORMING SUSTAINABLE FINANCE STRATEGIES

The three strategies currently commonly in use in the financial sector to demonstrate sustainability can be understood as a maturity progression:

- 1) The *greenwashing* approach is in effect a labelling exercise in sustainability and ESG reporting, where existing activities are shallowly linked to SDGs (most often by positioning SDG icons alongside text that in fact simply describes 'business as usual').
- 2) Contrasting with greenwashing is an approach we term '*going beyond*', which involves a more deliberate attempt to add to existing activities in a way that would contribute to sustainability, either because of a profit orientation or not; for example, a corporation could invest in contributing to the health of the community in which it operates, despite the fact that such investment is not strictly required under traditional business considerations.
- 3) Finally, *direct investment* is seen in firms that have begun integrating sustainability principles in their operations and seek to fulfil more of a role as a development partner in the context of growing their business; companies directly involved in producing or financing only clean energy equipment/infrastructure would be an example of this.

The hope of achieving the impact required to attain the SDGs lies largely in the *going beyond* and *direct investment* strategies, because business as usual will not result in the realisation of the SDGs. Furthermore, business cannot function in unstable social environments but rather requires reasonably coherent societies that work for the majority of their populations. In line with the UN Principles of Responsible Investment, the private sector needs to embrace its relationship with society, the environment and government.



FOCUS

Using the 5-P structure of the SDGs (people, prosperity, planet, peace and partnerships) assists in elucidating the primary focal points of the research: PEOPLE and PLANET.

We identify the linkage from financial inclusion to the PEOPLE-focused SDGs (the social agenda); and from sustainable finance (which has tended to prioritise environment-related financing) to the PLANET-focused SDGs. However, given the nature of our exercise, we also show the cross-linkages: the linkages to PEOPLE and PLANET for both financial inclusion and sustainable finance.

We argue that these linkages (and cross-linkages) should be better leveraged by the multi-stakeholder partners (focusing on *areas of common cause for stakeholders*) as a means to achieve truly sustainable value for all: country governments, their citizenry and financial sectors. Through more intentionally exploiting these linkages and cross-linkages to PEOPLE and PLANET, we argue, financial inclusion and sustainable finance can achieve mutually complementary impact, including increasing consumer, household and entrepreneur PROSPERITY – which the UN ties to ‘fulfilling lives and economic, social and technological progress occurring in harmony with nature’.¹



SDG IMPACTS OF FINANCIAL INCLUSION

MAP has previously proposed nine pillars that can be used to assess the extent to which countries have the key elements and structural underpinnings in place for enabling inclusive growth, and has identified that financial inclusion plays a role in seven of those nine pillars:

1. Macroeconomic context.

2. Education and skills.

3. Basic services and infrastructure.

4. Health and human development.

5. Asset building and entrepreneurship.

THE 4 CRUCIAL NEEDS



6. (Challenging) corruption and rents.

7. Fiscal transfers and social protection.

8. Financial sector development.

9. (Challenging) unemployment and income inequality.

This adds credence to our recommendation in this document that financial inclusion be adopted and integrated within sustainable finance frameworks as a support mechanism for achievement of the SDGs. Pillars 2 through to 5 are crucial real-economy needs at a household/micro level and therefore represent additional areas of *direct* impact for the MAP version of financial inclusion (which goes beyond some other, more limited models of financial inclusion and links directly to the PEOPLE goals of the SDGs). Furthermore, pillar 7 (in the form of redistribution/social grants), pillar 8 (financial sector development) and pillar 9 (challenging unemployment and income inequality) are areas that financial inclusion supports *indirectly*, through specific products (e.g. digital payments for social grants), through the fact that increased participation in a country's formal financial sector has the benefit of deepening and stabilising that sector, and through the impact of the traditional benefits of financial inclusion (e.g. increased disposable income means reduced poverty).



PRODUCTS AND MECHANISMS

Financial institutions and corporations are the primary custodians of retail product introduction as well as the point at which major funding and projects begin; they are therefore well positioned to have a direct impact at the household and community levels.

PEOPLE

The PEOPLE focus of financial inclusion

Micro-level financing: retail financing

Retail products – including savings, credit, insurance, transactions/payments and remittances – offer consumers benefits such as lowering transaction costs, increasing opportunity to invest in future earning potential, saving time, increasing levels of privacy and security with regard to managing finances, and increasing resilience through offering the ability to mitigate against risks faced at a household level. In these ways, retail products help reduce poverty, increase participation in the local economy (including in the formal economy), strengthen and deepen the financial sector, support government delivery of economic services, and support worthwhile and rewarding livelihoods opportunities.

PLANET

The PLANET focus of sustainable finance

Macro-level financing: funds and funded projects

Sustainable finance mechanisms – such as impact investing, social bonds, ‘green finance’, and sustainability-linked bonds, to name a few – which are typically facilitated through funds and capital projects, seek to meet the following long-term goals: carbon footprint reduction, clean energy, pollution reduction and waste reduction.

While financial inclusion is focused on (micro-level) retail financing, sustainable finance is focused on higher-level (macro) financing. Together these two mechanisms attempt to grapple with the same problem – sustainability – from different angles.



HOUSEHOLDS & COMMUNITIES

Crucially, the integrative analytical framework highlights how the linkages and overlaps between financial inclusion and sustainable finance present as a gap in the current financial system and how the PROSPERITY goals, which embody the triple goals of inclusiveness, sustainability and growth, are neither sufficiently focused on nor activated in the financing mechanisms provisioned to individuals and households at the bottom of the income pyramid in LDCs. Ironically, the three goals – inclusiveness, sustainability and growth – are critical for societal stability, which is necessary for financial sector stability; and financial inclusion is a critical enabler of such stability.

Retail products in the financial inclusion realm have a direct link to consumers and households – whereas the financial mechanisms of sustainable finance (which primarily take the form of ESG-linked funds and capital/infrastructure funding projects) do not. Addressing this vacuum in the public-private sector nexus is key to achieving the SDGs:

- » We believe that financial institutions and corporates alike should focus on designing and offering products (e.g. financing of renewable energy sources for households) that would enable households and communities, as the vehicles for achievement of the social-focused SDGs, to also contribute towards the achievement of the environment-focused SDGs.
- » How we then ensure that both the retail products and financial mechanisms of sustainable finance are localised and contextualised is a key question for subsequent phases of this work.



MEASUREMENT & REPORTING

Finally, the integrative analytical framework highlights the importance of both measurement and reporting. We make the case that financial inclusion and sustainable finance are mutually complementary (to achieve social and environmental goals) and that, in fact, financial inclusion can be a lever of sustainable finance that helps mitigate social risks and strengthen social outcomes:

- » Financial services providers will need to integrate financial inclusion into their sustainable finance frameworks; then, the ESG framing will start to function effectively for measuring and tracking the private sector's SDG contribution.

Given the research's emphasis on the household as the focal point for understanding how financial inclusion and sustainable finance are linked:

- » Sustainable finance data frameworks will need to more effectively encompass household metrics for truer reflection of society's achievements; i.e. new methodologies and measurement metrics will need to be considered and implemented.

Applied intentionally, the new indicators could present a learning feedback loop whereby key role players who adopt the argument we put forward and integrate it into their approaches can tailor and adjust their financial inclusion and sustainable finance activities accordingly, for better impact.

In the process, we will gain an enriched version of ESG that balances PLANET and PEOPLE objectives towards increased PROSPERITY.

PROSPERITY



INTEGRATED

Context and purpose of this research

Since the turn of the millennium, meeting the needs of the world's poorest has been on the global agenda, actioned in the UN Sustainable Development Goals (SDGs), which were designed as a shared blueprint for peace and prosperity for people and the planet, now and into the future. Commitment to the SDGs has resulted in unprecedented efforts to 'leave no one behind' in a globalising world.

Inclusive, sustainable financial services are emphasised as critical to many aspects of human development, with financial inclusion positioned prominently as an enabler of many of the SDGs. For the past few decades, too, financial inclusion has been strongly promoted as a policy measure for achieving equitable social development as well as financial and economic growth. And globally, financial inclusion levels have indeed increased, owing in large part to efforts by financial inclusion and sustainable finance initiatives, within the enabling context of new digital technologies that have given rise to new financial services providers, offering new products, via new delivery channels and new business models.

The wider context of the emphasis on financial inclusion, however, has been the stark income and wealth inequalities evident in many countries; and, during the same period, a series of global financial, climatic and health shocks that have highlighted the fragility of our global financial system and how it serves (or underserves) people at the bottom of the income pyramid.

While environmental issues have received increasing attention from governments and the private sector over the past two decades, more recent is growing recognition of the equal importance of *social issues* for the survival of economies and financial sectors alike. Forrester Research indicated in 2021 that when it came to economies and to doing business, social considerations were gaining in prominence – particularly given how the pandemic had exposed many of the vulnerabilities and precarities in our economies, healthcare systems and society in general.²

The 17 SDGs represent a values-based framework for a well-functioning society to address the world's most pressing needs; it is also an *integrated* framework that, in its insistence on sustainability, takes a holistic and inclusive approach to achieving social, ecological/environmental and economic outcomes (alongside governance objectives). Furthermore, in their emphasis on sustainability, the SDGs are a global call and commitment to collaborate more actively and effectively, and to go above and beyond current actions in a bid to ensure lasting peace and prosperity for PEOPLE and PLANET.

For development tools/objectives like sustainable finance and financial inclusion, in other words, the SDGs map out a particular set of values and approaches. Furthermore, inclusive, sustainable financial services will be fundamental to fulfilling at least 13 of the 17 SDGs. And yet, for both sustainable finance and financial inclusion, the reality has been a tendency to skew strongly towards a particular focus area: 'sustainability' interpreted as pertaining to achieving *environmental* objectives (PLANET) in the case of sustainable finance; and 'inclusiveness' and 'inclusion' as pertaining to achieving social objectives (PEOPLE) in the case of financial inclusion. What is more, in terms of both conceptualisation and implementation, the two approaches have tended to lack mutual recognition, integration and collaboration.

How money is allocated, and for what and whom, is instrumental in shaping a society's functioning; in this way, globally and within countries, the financial sector is a powerful enabler of or obstacle to inclusive economic growth. So, how can financial services providers promote inclusion, sustainability and economic growth while reducing inequality and preserving our environment? And, as a related consideration: how might governments fund investment using their local financial systems by tapping into the potential represented by 'people's money' – the existing individual and household expenditure that currently occurs in the informal sector? In other words, how can stakeholders co-shape domestic financial markets, based on a sound grasp of consumers' real economic needs at ground level? (See also the MAP Global Insights series, especially Volume 1, Note 1 – 2016; Volume 2, Notes 3 and 4 – 2018; and Volume 3, Notes 1, 2 and 4 – 2020.)

Sustainable finance and financial inclusion are two mechanisms that are increasingly valued and in use towards these ends – though hitherto their contributions have been uncoordinated with each other, and thus not deliberately complementary. The purpose of the UNCDF research was to evolve the emerging relationship between financial inclusion and sustainable finance within the context of ESG (Environment, Social, Governance) principles as they relate to the SDGs: what if sustainable finance and financial inclusion could be combined and integrated, to be complementary within a single, coherent framework? This would surely allow for better impact overall. This will, however, require global financial leaders to work together with multi-stakeholder mindsets.



Financial inclusion and sustainable finance: A HIGH-LEVEL CRITIQUE

FINANCIAL INCLUSION: A STRONG EMPHASIS ON PEOPLE

Research from countries in which the MAP programme works finds that a financial inclusion focus supports equitable and inclusive economic growth. As indicated in the Summary Overview in this document, MAP research has previously ascertained that financial inclusion plays an enabling role with regard to seven of nine pillars of inclusive growth, linked closely to the needs of people's daily lived realities and their related usage of financial services to meet these needs. (See also the MAP Global Insight series, Volume 3 – 2020.)



Successful financial inclusion initiatives increase access for low-income individuals, households and small enterprises to appropriate financial services, in the process bringing more of the population into a country's formal financial system. The resulting increased income levels and improved access to basic services and infrastructure, healthcare, education, and income-earning opportunities increase levels of household and community resilience and well-being; at the same time, these benefits of financial inclusion address the political and economic tensions that can result from a history of significantly reduced access to such economic services.

Financial inclusion, via its strong linkage to households and small firms at the micro level, also plays a key role in deepening and stabilising domestic financial systems by its ability to systematically include more and more of a country's low-income population in the formal economy. This then increases the availability of financial resources in a way that leads to a virtuous cycle of accumulation, investment, growth and poverty reduction. From the perspective of LDC governments, financial inclusion boosts a country's human capital formation, and contributes to the achievement of broader economic objectives and inclusive growth aspirations.

However, policy-making processes do not identify the types of financing required to serve low-income market segments nor the necessary financing instruments that could work, as each of these is unique in its own right. Therefore, taking a different perspective on financing, to more intentionally include the low-income via a financial inclusion policy construct, allows for the private sector to engage with the low-income market and deliberate with government and development actors around potential mechanisms that could work, beyond the singular, blunt instrument of products. Incorporating the low-income more intentionally ensures that financing is more inclusive; and this creates a mechanism that can allow money to reticulate at the local level, while simultaneously addressing impact and outcomes (including environmental) where this matters most.

At its most 'basic', the key objective of financial inclusion is to ensure the accessibility and reachability of formal financial products and services for every individual, across the income spectrum; these financial products and services include payments/transactions, insurance, savings, remittances, credit schemes and loans. This form of financial inclusion is valuable and can be measured with relatively straightforward metrics such as 'access to a bank account' or 'access to an ATM' or even 'bank account ownership'. By expanding access to appropriate formal financial services, financial inclusion plays a much-needed intermediating role in the economy between microeconomic and macroeconomic actors.

More nuanced forms of financial inclusion, including the version practised by MAP, emphasise understanding consumers' financing needs based on their actual current usage of financial services (whether formal or informal) to support their activities in the real economy. They also emphasise understanding (in fine detail) how and where people – especially low-income people (who are in the majority in LDCs) – spend their money, which is most often in the informal economy and, therefore, how such expenditure might be brought into the formal economy for the benefit of all: the citizenry, the government and the private sector.³ (See also the MAP Global Insights series, Volume 3, Note 2 – 2020.)

The reality is that many barriers remain to the provision of retail financial services to low-income households and enterprises. Financial services providers have suggested that because of high operating and transaction costs, high margins or huge volumes are required for provision to be financially sustainable. As a result, in many developing countries banks have been hesitant to build rural access points or provide services to those at the bottom of the income pyramid. These supply-side constraints are reinforced by demand-side constraints such as income volatility and low earnings, geographical barriers, high levels of informality (in terms of both real-economy participation and consumer preference for unregulated financial services), and illiteracy.⁴

Nevertheless, governments, development actors and the private sector have done much to systematically tackle barriers to financial (and thus economic and social) inclusion. On the part of governments, a big step in the right direction has been the development of evidenced-based national policies for financial inclusion (usually termed 'national financial inclusion strategies' or NFISs), which allow for coherent and holistic coordination of implementation and monitoring, and for transparency and accountability on a national scale.

Financial inclusion is therefore a mechanism that the financial sector uses – albeit in a limited fashion currently, for the most part – to engage, interact and transact with low-income households and small enterprises in a bid to include them in the financial system:

- » In financial inclusion's simplest and most limited form, the emphasis is on increasing access to financial services.
- » More nuanced models of financial inclusion emphasise increasing accessibility, affordability and availability of appropriate financial services: the focus is on identifying opportunities for financial services providers and products to meet consumers closer to where they are, rather than requiring them to conform to existing offerings.
- » More nuanced models also join the dots between economic and social exclusion and financial exclusion: e.g. in the MAP research on clean energy investment opportunities in low-income markets, we have highlighted the connections between poverty, environmental degradation, energy exclusion and financial exclusion. This kind of wider conceptualisation of financial inclusion thus adds a 'sustainability' dimension (including, in the case of energy exclusion, environmental sustainability).

For the most part, financial inclusion has kept a strong emphasis on PEOPLE; and to a large extent this has been a strength.

SUSTAINABLE FINANCE: A STRONG EMPHASIS ON PLANET

Contrasting with financial inclusion's prioritising of PEOPLE-related objectives, the prevailing approach within sustainable finance has been broad and all-encompassing, aiming to make an impact in terms of social and environmental objectives alike; in reality, though, environmental initiatives continue to dominate the agenda, with sustainable finance approaches (especially when it comes to implementation) being focused predominantly on the SDGs related to the PLANET.



By strict definition, 'sustainability' includes concern for social equity and economic development (along with concern for the environment). And thus, sustainable finance that is practised in a nuanced/evolved manner will by default include social improvements: e.g. financing clean energy initiatives aimed at addressing environmental degradation within low-income communities; and investing in healthcare and education infrastructure to address needs across a greater proportion of a population's income segments.

Sustainable finance has also been shaped both by how firms are reacting to geopolitical events⁵ and by growing consumer expectations that business prioritise market development that offers social equity improvements: benefitting the many, including the low-income, and not just the few. And, while the traditional focus of corporate leadership has been on reducing risk or expanding opportunities for growth (or a combination of both) while maximising profit and shareholder returns (or at least protecting shareholder value), we are now seeing a value shift that is bringing more sustainability intent into the considerations at play for senior leadership; there seems to be greater appreciation for the development role of business – especially in implementation settings that have environmental and social risks entwined.

Nevertheless, for the most part, within their emphasis on sustainable finance, financial institutions have prioritised an environmental/ecological/climate focus – on PLANET – at the expense of tackling the wider social challenges of our time.

Importantly, for our argument, within sustainable finance approaches, ESG has emerged as a galvanising construct for how private sector players are measuring and reporting on their sustainability intent and efforts. We argue, though, that as a simple categorisation framework, ESG is impoverished, inadequate for capturing the depth and breadth of metrics that should, in fact, be considered and reported on if one is to fulfil the intent of sustainable finance. The fact that ESG has its origins in minimising business's exposure to risk and emphasises doing minimal harm is a significant clue to its tendency to be underwhelming as a metric for successful business and investment contribution to PEOPLE and PLANET, let alone to peace and prosperity.

We argue that financial institutions have missed the opportunity to prioritise addressing pressing social issues on a broad scale and systemically: issues such as poverty and economic precarity, inequality, access to economic services and access to income-earning and livelihoods opportunities. Rather, how ESG's S-related principle is currently commonly conceptualised tends to constrain the private sector to focusing primarily at the level of the individual company's workforce, rather than considering the role and responsibilities of business in the broader society. So, the social emphasis in sustainable finance has tended to be on questions of how companies treat their employees (including whether wage levels provide enough income for employees to afford their monthly food, transport and accommodation expenses), and investing in employee skills, training and development to equip employees to climb the career and economic ladders. This kind of narrow focus represents a 'blind spot' in terms of social considerations; and in turn tends to create new blind spots for private sector players in terms of both the opportunities for impact and the broader social risks associated with the households and communities that constitute businesses' operating environments – broader social risks, what is more, that have the potential to escalate to national-level instability, affecting the general business environment and business prospects.

Furthermore, while ESG has emerged fairly recently as a common theme within the sustainability arena, we argue that, in fact, it is not new; practitioners who have been working within sustainable finance and financial inclusion alike assert that the basic tenets of the ESG focus have been central to their work for the better part of the past two decades – albeit in their own areas of separate focus.

As the once-separate technical areas of sustainable finance and financial inclusion more and more start to overlap within their shared commitment to inclusive growth objectives, there has been increasing dissent in the discussions around ESG, with many⁶ arguing it is at a crisis point for relevance and usefulness; this is especially the case, some critics insist, when it comes to institutional capability and memory, where ESG is proving inadequate to help new entrants into the sustainable finance sphere get acquainted with the work done to date and the conceptual framework needed for designing and measuring future initiatives.

A further criticism directed at ESG is that it decouples environmental, social and governance imperatives from the financial and economic imperatives of business. Certainly, it is the productive activities in generating profit that have negative impacts on the environment, for example – and so clearly it is important to be precise in terms of causation. But ultimately improvement in terms of ESG metrics is dependent on investment. And, thus, more constructive metrics are needed, which integrate environmental, social and governance accountability within revised conceptions of good investment and financing and which recognise that higher, long-term returns will be generated by strong environmental and social performance.

A common tendency in the current identification of the sustainable finance construct with ESG is privileging one of the core constructs – e.g. environmental or social – over the other; for example, in some geographic regions, environmental risks are focused on as being more prominent than social risks, whereas in others the opposite is the case. The MAP research, however, demonstrates that the environmental and social objectives are in fact coupled when it comes to risks; more significantly, this means they are also intertwined when it comes to opportunities to move the needle on financial inclusion and sustainable finance.

As things stand, environmental themes and outcomes are the primary consideration in relation to capital flows through ESG-linked funds and infrastructure capital projects within the sustainable finance realm, whereas social outcomes are secondary. The inverse relationship is evident in how financial inclusion, with its focus on a suite of retail products for consumers, puts emphasis on social outcomes, with environmental outcomes being indirectly impacted, or secondary in focus. The mutually supportive role the two imperatives – environmental and social – play points to opportunities for the financial sector and policymakers to leverage both of the imperatives in a more complementary manner, suggesting a new way forward for society to accelerate progress on the SDGs.



OUR ARGUMENT

What if the two constructs – financial inclusion and sustainable finance – were intertwined and symbiotic, sharing large areas of commonality, with environmental and social outcomes showing up as sometimes overlapping, sometimes interlocking and sometimes nested within each other?

We argue here that financial inclusion and sustainable finance are complementary, especially with regard to achieving the SDGs. Nevertheless, our research indicates, actions to promote financial inclusion within sustainable finance have thus far been implemented in seeming isolation. Recognising the value of financial inclusion and integrating it into sustainable finance frameworks becomes not only logical but imperative if financial institutions hope to address the needs of underserved populations; and doing so can go a long way towards tackling a range of pressing social issues in LDCs.

For financial sector development that enables inclusive growth on a scale sufficient to challenge poverty and inequality, we thus argue for the continued – in fact, *increasing* – relevance of financial inclusion. This is because financial inclusion, with its strong emphasis on households and the real economy, acts at the micro level (despite national-level coordination and policies) as an enabler of economic and social inclusion, while sustainable finance acts at the macro level – through directing

targeted investment flows into the overall economy. Financial inclusion in this way is the link between the financial sector (macro) and genuine, real-economy activity (micro) on the ground.

The outcome of this research can be understood as an evolution in the emerging relationship between financial inclusion and sustainable finance within the context of ESG principles as they relate to the SDGs. The integrative analytical framework investigates the current focus on ESG, with specific reference to *measuring impact*, and we put forward for consideration an expanded set of measurement indicators that financial services providers could use to track and rate their impact on society. We also argue that when financial institutions adopt financial inclusion as part of their sustainable finance frameworks, this will open the way for them to contribute to achieving the SDGs and to measure that contribution through *meaningful* ESG metrics.

To refocus sustainable finance, and indeed the entire financial system, to address more directly the twin needs for environmental protection and social development, practical guidance is required. That is currently in short supply. Our hope, though, is that the integrative analytical framework that we share here, which includes suggestions for new ways of monitoring and measuring and new indicators for increased sustainable impact, will prove galvanising to multi-stakeholder engagement and action on ways to achieve better financing in LDCs.

INTEGRATING IMPACT - MORE NEEDS TO BE DONE

Embracing the relationship with society, the environment and government creates a new strategic lens through which to view and judge business success.⁷ We argue that ESG, as currently practised within sustainable finance, is inadequate for achieving impact – that is, for financially including low-income consumers at the kind of scale needed for more inclusive growth. To get the private sector on board to fulfil its role and responsibility in supporting the achievement of the SDGs, more needs to be done.

Bringing together public sector delivery goals and development objectives with the private sector investment focus is key in linking the twin objectives of PEOPLE and PLANET. We see a need to better balance the delivery of the public good with private interest: while the mobility of capital is largely driven by shareholder interest, the allocation of that capital as a public good must remain an issue for the public sector, assuming it is motivated by the need to overcome social and gender exclusion.

Financial inclusion policies and the resulting measurement frameworks have done a good job of enabling public sector tools for development, while sustainable finance policies have created a policy focus on the climate and environmental agenda. However, *markets need both policy and financing* to grow responsibly and sustainably. For this reason, we argue that multi-stakeholder collaboration is imperative for developing new ways of doing business:

- » Private sector investment will need to better complement public money.⁸
- » Capital flows will need to be reshaped towards achieving the SDGs.
- » Market risk for the financial sector will need to be reduced, and opportunities leveraged.
- » Commercial/retail banks and investment firms will need to learn from development finance institutions (DFIs), which have successfully embedded social and environmental considerations into their investment decisions.
- » Beyond ESG's existing risk-reduction emphasis: when it comes to business's need to realise sustainable market opportunities a more mobilising commitment will be required.
- » Private sector metrics for measurement and accountability will need to be developed: measurable indicators that are bolder and more aspirational, and yet realistic in terms of return on investment and potential to bring about significant improvement in and for the wider society.
- » Sustainable finance frameworks will need to be rethought, to integrate measurable financial inclusion indicators.
- » New products, financing mechanisms and stakeholder engagements will need to be collaboratively developed.

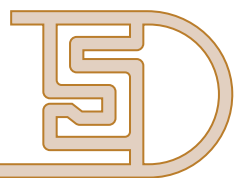
We have argued that sustainable finance has tended to *prioritise* achieving environmental objectives, while financial inclusion has *prioritised* progress on social objectives. Derived from the Latin *prioritas*, the word 'priority' means 'first in rank, order or dignity'; in other words, there can only be one first thing: one priority. Figure 1's analytical framework, and Figure 4's domain model, in their improved coverage, suggest that the fairly strict/siloed prioritisation that each construct – sustainable finance and financial inclusion – has hitherto cleaved to can prove to be an asset if the two areas of prioritisation and expertise can successfully be brought together.

Figure 1: An analytical framework for the integration of sustainable finance and financial inclusion: two hitherto separate priority areas functioning in synergy – The integrative analytical framework linking sustainable finance and financial inclusion within the context of strong social and environmental objectives *identifies* the way in which PEOPLE and PLANET outcomes are currently served by financial inclusion and sustainable finance, respectively; and, importantly, also *identifies gaps for further exploration* in the currently unexploited synergies between the two approaches. While both financial inclusion and sustainable finance have a significant role to play in increasing PROSPERITY for consumers, households and small entrepreneurs, we argue that the linkage from *sustainable finance*, in particular, to the social objectives encapsulated in SDGs 1 (No poverty), 8 (Decent work), 10 (Reduced inequality) and 11 (Sustainable cities and communities) has up to now remained mostly under-explored. Terming this the 'shadow space' between financial inclusion and sustainable finance, we argue that it points to the need for products and financing mechanisms to be collaboratively developed: for deepening inclusion and widening sustainability in support of better financing.

Figure 2: Sustainable finance linkages and Figure 3: Financial inclusion linkages – We set out how the typical sustainable finance and financial inclusion mechanisms and focus areas can/should link to environmental and social objectives and the SDGs.

Figure 4: Domain model of more integrated domestic financial system collectively better serving real-world needs of PEOPLE and PLANET – We also present a domain model for consideration, indicating the kind of expanded, more comprehensive brand of sustainable finance that can be achieved by intentionally bringing sustainable finance and financial inclusion closer together; the expanded domain makes it possible for financial services providers to better serve the real-world needs of PEOPLE and PLANET.





Sustainable finance and financial inclusion: LINKAGES

In terms of formal financial sector functioning, a stable financial system is capable of allocating resources efficiently, assessing and managing financial risk, maintaining employment levels close to the natural rate of the economy, and eliminating relative price movements of real or financial assets that would affect monetary stability or employment levels (World Bank 2016). Financial stability is critical for inclusive economic growth, since the financial system facilitates transactions in the real economy. The relationship between financial inclusion and financial sector stability tends to be mutually reinforcing: increased population participation in the financial system deepens that system and increases financial stability; increased financial sector stability, in turn, encourages consumer trust, stabilises inflation and interest rates, and makes financial services more affordable to the poor, in the process increasing financial inclusion.

The social risks of our time pose a direct threat to financial sector stability and, by extension, financial sector growth. If a country's households and communities are unable to satisfy their most basic needs, they cannot participate actively, and constructively, in the financial sector; and without the participation of the majority of the population, the financial sector does not have enough demand-side economic activity to remain sustainable. Furthermore, given that from a sustainability point of view the social and environmental are always connected, if the low-income remain excluded from the benefits of financial sector participation, they will not be able to contribute to the mitigation, and reversal, of environmental degradation; for instance, if a household cannot afford to buy electricity or invest in its own renewable energy sources, it will likely revert to burning biomass and/or fossil fuels.



SUSTAINABLE FINANCE, IN THE CONTEXT OF THE SDGS

The European Commission (2021) defines *sustainable finance* as the process of taking environmental, social and governance (i.e. ESG) considerations into account when making investment decisions in the financial sector, leading to more long-term investments in sustainable economic activities and projects. This should, in turn, directly contribute to achieving the social objective of improved livelihoods for individuals. LDCs face many environmental, social and governance challenges. Establishing a robust and sustainable financial sector not only aids in the management of risks related to the environment/climate and society but also derisks markets, allowing for bigger investment flows and deeper financial market development.

Sustainable finance as an investment approach has existed for a long time. However, it has historically been confined to the operations of development finance institutions (DFIs), also termed 'development banks'. As a result, DFIs have embedded social and environmental considerations into their investment decisions. The construction of their investment portfolios has always looked beyond simply the likely financial return on investment and instead considered, holistically, also the likely

long-term social and/or environmental impacts of a project. In other words, DFIs have built up considerable experience of and expertise in successfully conceptualising and implementing sustainable finance projects – which is why we believe commercial/retail banks and investment firms should be learning from DFIs.

It is promising that the increasing adoption of the SDGs by many commercial/retail banks and investment firms provides a relatively simple way to link DFIs' portfolios with the sustainable finance products that those banks and investment firms are now developing. However, because of the global impacts of climate change, much of this product development has been focused on reducing negative environmental impacts. This has meant much of the financial investment needed to address the SDGs as a whole has focused on the environmental goals, with an overwhelming number of those investments being directed towards projects that have a positive impact on Goal 13: Climate action.⁹ And because fossil fuels have been the single largest contributor to global warming, the funding of clean energy sources (SDG 7: Affordable and clean energy) has taken centre stage in addressing the Paris Agreement (aka the Paris Climate Accords).

Other sustainable finance themes that have received significant attention, in terms of their ability to reverse humanity's negative impact on the environment, have been those focusing on reducing pollution and improving water and waste efficiencies. These themes are captured within SDG 12 (Responsible consumption and production), SDG 14 (Life below water) and SDG 15 (Life on land), with secondary impacts on SDG 6 (Clean water and sanitation).

However, within sustainable finance, recognition of the importance of the social challenges facing humanity has lagged. Even among DFIs, where the creation and preservation of jobs has taken centre stage, only in more recent years has there been an acknowledgement that gender, age and other demographics need to be considered more actively in those investment decisions. Agriculture, in particular, has been identified by many developing countries as an investment focus that is likely to lift those at the bottom of the socioeconomic ladder out of poverty; this is because of its potential to boost progress on the social objectives of improving food security (SDG 2: Zero hunger) and providing income for the most disadvantaged and socioeconomically vulnerable members of society (women, youth, and people who live in rural areas). To that end, banks and investors have started developing social bonds, some of which aim specifically to fund projects that promote high levels of job creation (i.e. also supporting attainment of SDG 8: Decent work and economic growth).



Generally, though, the commercial/retail banking product offerings under the banner of sustainable finance have been underwhelming in terms of their potential to address pressing social issues; the ones most often mentioned in relation to the imperative of addressing social issues are student loans provided at 'attractive' interest rates and with flexible repayment terms (which addresses SDG 4: Quality education); and home loans provided with 'innovative funding models' for low-income customers (which starts to address SDG 11: Make cities and human settlements inclusive, safe, resilient and sustainable). These products, though developed with good intentions, have fallen short of addressing the significant deficit in the funding required for the majority of the population to access decent living conditions and fund their educational needs. Importantly, too, these products treat the symptoms of poverty rather than materially and systemically addressing its causes, which include low/lack of income and high levels of inequality and exclusion (economic, social and financial).

Appendix 1 summarises the broad product and thematic areas that fall under sustainable finance and are employed in the remainder of this document: impact investment; green finance; SDG bonds; and social bonds.

The linkages between typical sustainable finance mechanisms and focus areas, environmental and social objectives, and the SDGs are summarised at a high level in Figure 2.

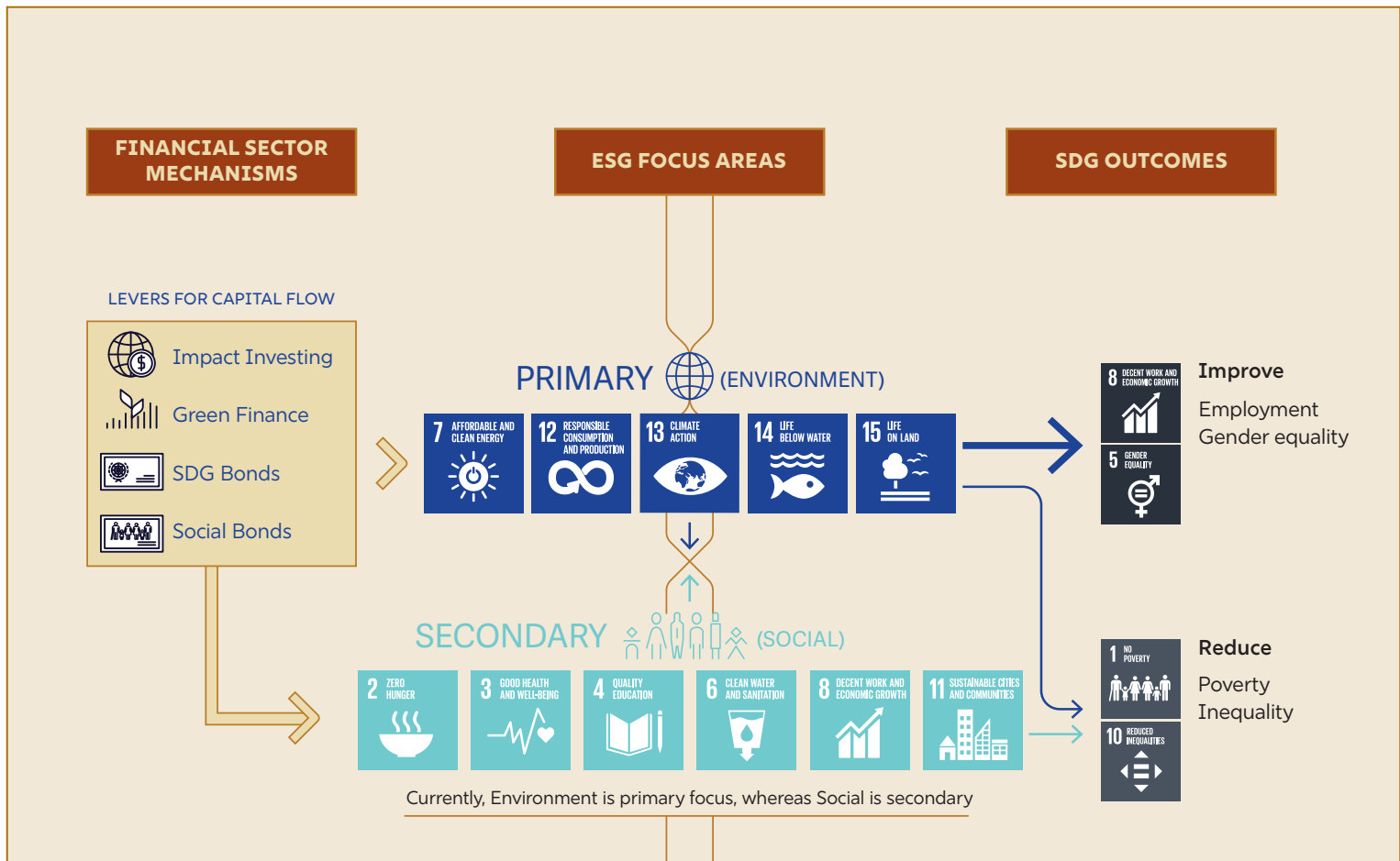


Figure 2: Sustainable finance linkages

FINANCIAL INCLUSION IN THE CONTEXT OF THE SDGS

Financial inclusion entails the provision and use of affordable and appropriate financial services in those segments of society where financial services are needed but not provided/are inadequately delivered.¹⁰ Financial inclusion means that individuals and businesses have access to useful and affordable financial products and services that meet their needs – transactions, payments, savings, credit and insurance – and are delivered in a responsible and sustainable way.¹¹ Thus, financial inclusion is about *accessibility*, *affordability* and *availability* of *appropriate* financial products and services to (particularly low-income) consumers. It is also about current and potential users' awareness of the existence and functions of such products and services.

Financial inclusion's reason for being is to increase levels of economic and social inclusion in society. By improving access to appropriate financial services, financial inclusion increases people's ability to access economic services (e.g. basic services and infrastructure; education; and healthcare), which are also key to obtaining and sustaining income-earning opportunities. Financial inclusion is thus a critical enabler in enhancing the quality of life of individuals, households and communities through improved livelihoods, including through increasing the productive capacity of MSMEs.

Poverty, unemployment and gender inequality, as well as a lack of service delivery, crime, and social unrest, are among the socioeconomic challenges the SDGs strive to address in order to leave no one behind; and the more nuanced models of financial inclusion (as described earlier) are able to tackle the interdependent relationships between economic exclusion/poverty, environmental degradation, socioeconomic vulnerability, gender inequality, and social exclusion, through proceeding in the first instance from a deep understanding of consumers' real financial needs as reflected in their real-economy activities.



In terms of its primary focus areas, financial inclusion can thus enable 9 of the 17 SDGs: No poverty (#1), Zero hunger (#2), Good health and well-being (#3), Quality education (#4), Gender equality (#5), Clean water and sanitation (#6), Affordable and clean energy (#7), Decent work and economic growth (#8), and Industry, innovation and infrastructure (#9). Furthermore, financial inclusion, by virtue of its emphasis on tackling exclusion, can also strongly enable the achievement of SDG 10: Reduced inequality (#10).

In addition, financial inclusion contributes to inclusive economic growth. As already discussed, MAP has identified that financial inclusion, implemented in a nuanced fashion, plays a supporting role in relation to seven of nine pillars of inclusive growth in countries: it directly supports 'the four crucial needs', while indirectly supporting redistribution/social grants, financial sector development, and challenging unemployment and income inequality.

Financially inclusive products – for payments/transactions, savings, credit and insurance – have the ability to produce positive social outcomes by reducing poverty and financial inequality. Such products, however, remain focused at the *retail* level; and, historically, the underlying intent for increasing access to retail financial products spoke to social (PEOPLE) objectives. More recently, there has been increasing activity to leverage retail financial services to facilitate access to clean energy products for households, and to help them mitigate the impact of climate change.¹² This highlights an increasing focus on environmental (PLANET) objectives within the financial inclusion space, and has also demonstrated intricate linkages between poverty and environmental issues, with energy usage and household livelihoods and expenditure intrinsically woven into both. In particular, income levels have significant impact on the use of biomass for cooking, regardless of whether or not a household has access to electricity, but households also use alternative sources of energy – often less clean than electricity – where they do not have access to the grid. Financial inclusion can facilitate access to cleaner energy sources and products for households at their level of affordability.

Importantly, financially inclusive products target social outcomes by reducing poverty (SDG 1: No poverty) and financial inequality (SDG 10: Reduced inequality), in the process promoting economic growth and indirectly reducing gender inequality.

The linkages between typical financially inclusive products and focus areas, social and environmental objectives, and the SDGs are summarised at a high level in Figure 3.

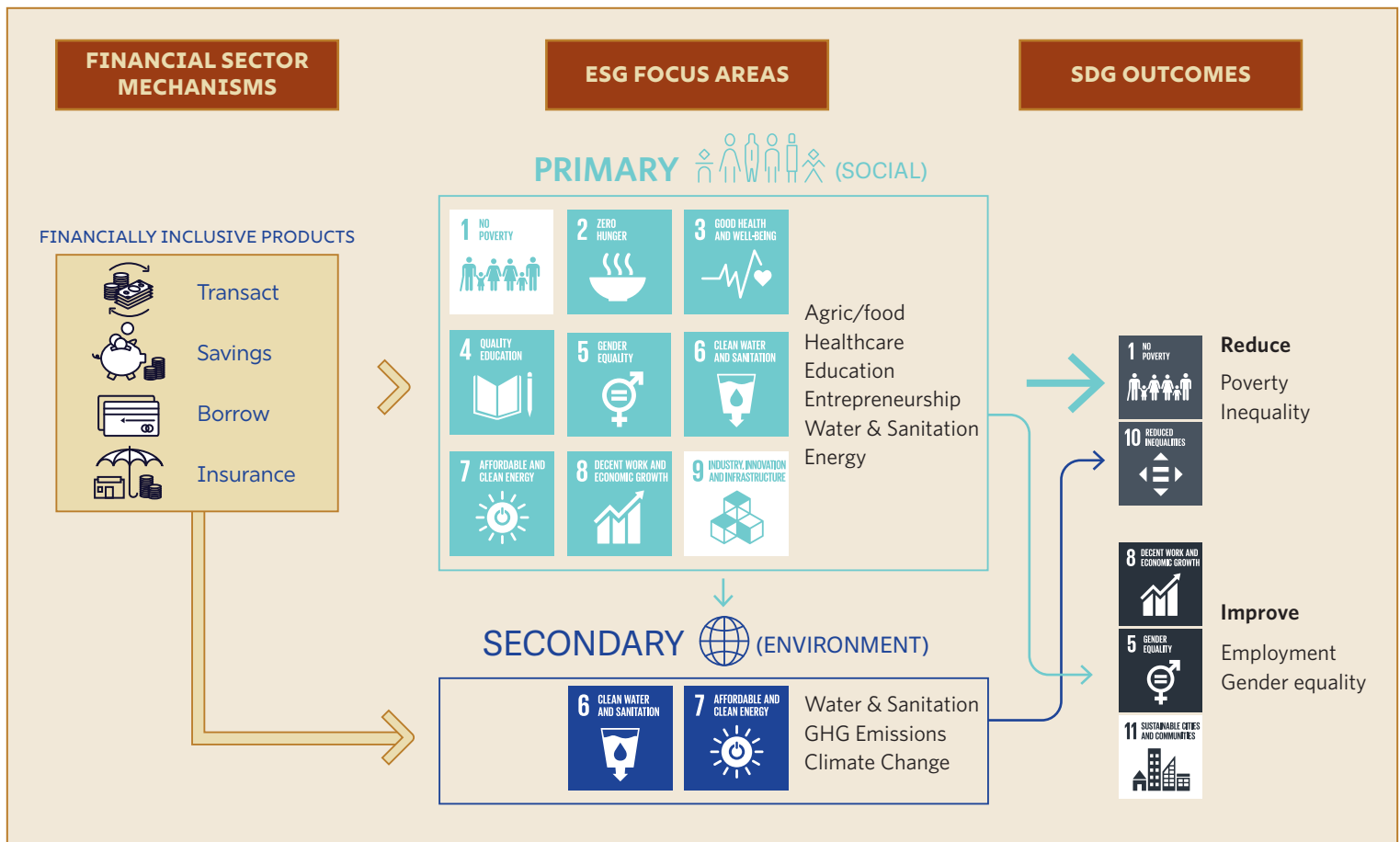


Figure 3: Financial inclusion linkages

COMPARING AREAS OF ACTUAL IMPACT

Sustainable finance and financial inclusion both seek to impact positively on the broader environmental and social challenges of our time. However, each prioritises and has achieved traction in different areas. Considering their respective products, portfolios and focus areas, in relation to environmental and social goals, highlights where the track record of each has been stronger.

SUSTAINABLE FINANCE and *environmental* goals. Sustainable finance has achieved traction in relation to environmental goals; areas like impact investing (specifically transition finance), sustainability-linked loans, green bonds and ESG investing itself all have an explicit environmental focus, and have increased in popularity and take-up over the past decade. These products/portfolios either aim to funnel capital to companies whose business models or products align with environmental goals, or provide finance with specific requirements in terms of energy efficiency, water efficiency and greenhouse gas emission targets. These products impact directly on the achievement of SDGs 7, 12 and 13, in particular.

SUSTAINABLE FINANCE and *social* goals. Sustainable finance has made some progress on social goals, although we argue that its impact has been insufficient. Commercial/retail banks have developed and offer a variety of products on favourable terms to people at the bottom of the income pyramid, with the intention of promoting access to basic services and alleviating poverty. These products include housing and student loans, offered at flexible and attractive interest rates. To a lesser degree, commercial/retail banks and conventional investment houses also issue a variety of social bonds towards investments that aim to promote job creation. In some cases, sustainable finance environmental products/portfolios also include a social component such as providing household/community access to basic services like energy or water, or invest directly in clean energy production (either at scale or not).

DFIs, by comparison, have embedded social objectives into their investment strategies and, as a result, have entire portfolios dedicated to achieving specific social outcomes. The most commonly identified objectives are investments aimed at creating jobs for socioeconomically vulnerable members of society; and, towards this end, investments in agriculture and agro-processing have been identified as having the potential to address these outcomes at the scale required to achieve the SDGs. These products impact on the achievement of SDGs 2, 4, 5, 6, 8, 10 and 11, in particular.

FINANCIAL INCLUSION and *social* goals. Financial inclusion has been identified as critical to addressing a range of social challenges. Through targeted MSME and farm credit, financial inclusion increases the future earning potential of small entrepreneurs and employees by facilitating participation in the formal economy. Financial inclusion is also an effective tool for reducing poverty and improving access to economic services (e.g. basic services and infrastructure; education; and healthcare) by reducing the costs of credit and savings, enhancing risk mitigation activities, and facilitating low-cost remittances. Financial inclusion has strong and direct impacts on the achievement of SDGs 1, 2, 3, 4 and 8, as well as SDG 10 (by virtue of the emphasis on combatting exclusion).

In terms of financial inclusion's ability to achieve impact, technology is making it possible to evolve better business models for serving the low-income market by enabling cheaper and more efficient ways for financing and financial products to reach hitherto underserved parts of the population. Nevertheless, while the benefits of financial inclusion are far-reaching, addressing the social focus areas within each country needs to be scaled up to achieve the PEOPLE-related SDGs.

FINANCIAL INCLUSION and *environmental* goals. While financial inclusion facilitates households' access to basic services and infrastructure (i.e. utilities), financial services providers have paid insufficient attention to advancing progress on the environmental goals. For instance, improved financial inclusion in the form of financing of renewable energy sources for households could greatly reduce dependence on fossil fuel energy and enable long-term reduction in monthly energy costs (in the process advancing SDG 7). And financing household/community construction of boreholes (which promotes SDG 6) could eliminate the need for municipality-provided water (thereby contributing to the building of resilient communities with sustainable and resilient infrastructure – as per SDGs 9 and 11). But, in general, financial institutions have not developed the products that would help communities prepare for the environmental risks they face, and this market is still underserved. Moreover, where such financial inclusion products do exist, as in the case of insurers that offer protection against loss of property caused by severe climate events, the products are usually not affordable and/or not tailored to MSMEs.

The four areas discussed here are illustrated in Figure 4. It maps out current product portfolios and focus areas in both constructs, to demonstrate how intentionally bringing sustainable finance and financial inclusion together could contribute to sustainable finance serving a bigger segment of the market, including the low-income, via multi-stakeholder provision: corporate and retail banks, microfinance institutions, insurers, mobile network operators, payment providers, DFIs and fund managers, stock exchanges and investors.

SOCIAL & ENVIRONMENTAL

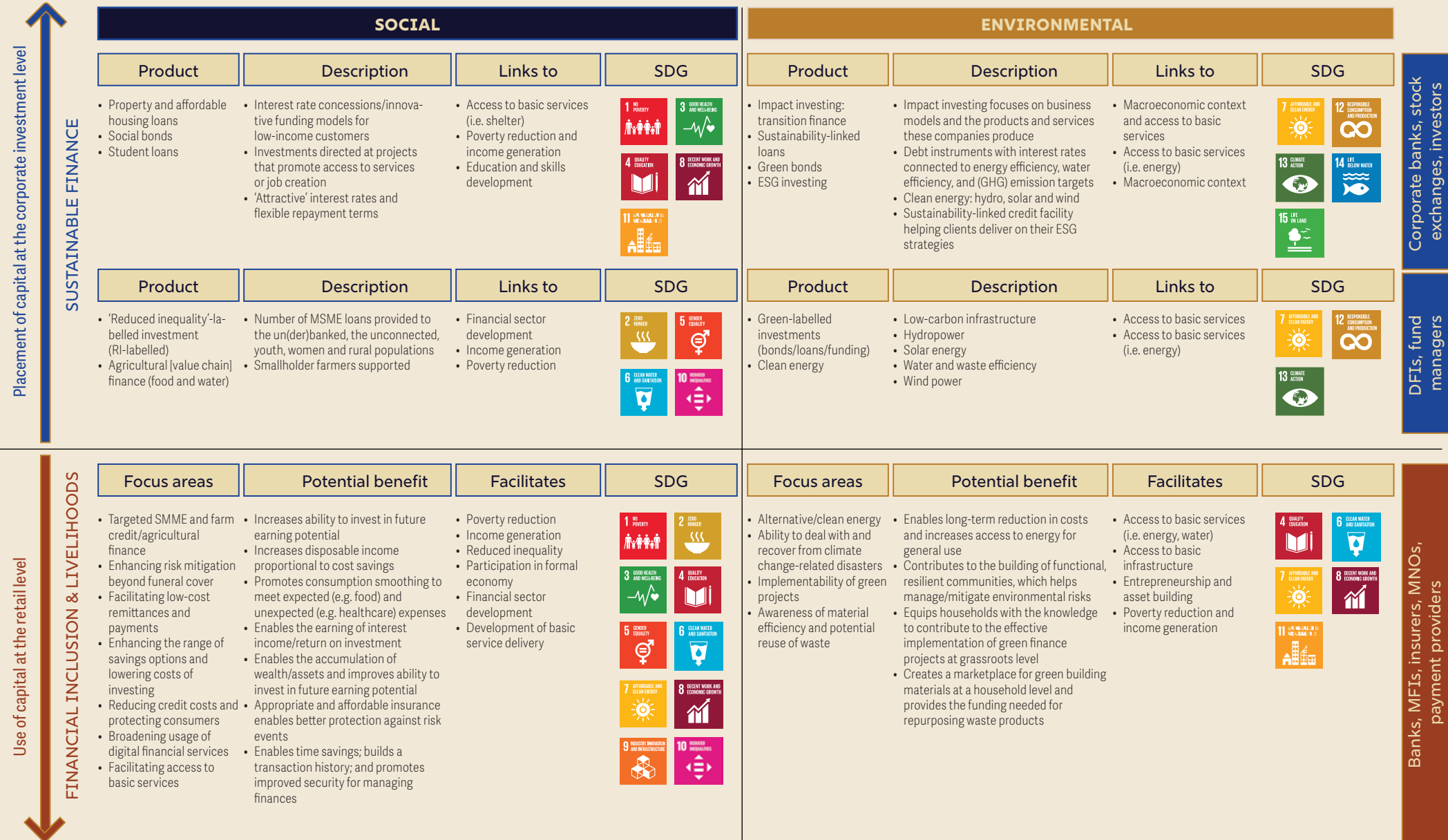


Figure 4: Domain model of more integrated domestic financial system collectively better serving real-world needs of PEOPLE and PLANET

SEPARATE CONSTRUCTS – AND THE PRESSING NEED FOR INTEGRATION

The MAP research clearly shows that sustainable finance and financial inclusion, while separate constructs, are related and, now more so than ever, necessarily compatible. Both enjoy substantial support among governments, development institutions and the private sector. Both, pursuing social and environmental improvements to varying degrees, also contribute to the achievement of a set of development objectives (the SDGs). And both relate to interventions in the financial sector to ensure better outcomes in these areas. While, historically, the two constructs have operated independently of each other, it is evident (intuitively and from the research presented here) that their goals, focus and activities for achieving impact are mutually complementary – which suggests a logical and readily available course of action for addressing significant gaps and blind spots in the way the private sector has implemented the ESG framework.

We argue it is imperative that sustainable finance frameworks be opened up to include and integrate financial inclusion; combined and complementary, sustainable finance and financial inclusion can effectively expand the domain of financial system sustainability, thereby positioning the private sector more strongly to respond to the pressing real-world imperatives captured in the SDGs.

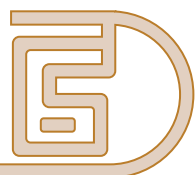
From an ESG framework perspective, and in terms of the focus by the private sector on ESG indicators, the emphasis on S – the social dimension – needs to be broader than the typical current focus on issues such as compliance/risk avoidance and company-level talent management-based diversity, equity and inclusion. Rather, the social dimension requires the private sector to grapple with its role in society in a bolder and more just manner and to intervene more systemically. And, within financial inclusion implementation efforts too, the conventional metrics and interventions – e.g. access to bank accounts and proximity to ATMs – have fallen short of financial inclusion’s potential and goals in terms of improving household resilience, reducing poverty and creating long-term growth for all. We argue that the growing sustainable finance movement is well placed to *provide the quantum of capital needed* to increase financial inclusion in LDCs, and that doing so will contribute to more stable markets, in the process deepening and stabilising the financial sector while significantly improving the well-being and livelihoods of the poorest in society. Adopting and integrating financial inclusion into their sustainable finance frameworks will increase financial institutions’ relevance and robustness through enabling them to start meeting the needs of underserved populations. Once providers have integrated financial inclusion into their sustainable finance frameworks, the ESG framing will come into its own as a comprehensive mechanism for measuring and tracking the private sector’s SDG contribution.



The demand for embracing financial inclusion within sustainable finance frameworks began to gain traction between 2020 and 2021. Members of the Sustainable Banking and Finance Network (SBFN)¹³ International Development Association (IDA), which is facilitated by the IFC, have chosen to integrate financial inclusion into sustainable finance frameworks for a variety of reasons, including the urgency of reducing poverty and boosting prosperity, addressing financial exclusion, and building climate resilience and adaptation.¹⁴ Nevertheless, initiatives to integrate financial inclusion have been done on an ad hoc, country-by-country basis, and financial inclusion has not up to now been integrated holistically within the SBFN measurement framework; while much work has been done by SBFN members in creating green finance taxonomies under their sustainable finance frameworks, less has been done up to now to establish equivalent social taxonomies. An SBFN IDA diagnostic survey identified financial inclusion as a critical area of concern in relation to financial sector development. According to that survey report, the benefits of financial inclusion are widely documented and are already incorporated in the SDGs, which serves to underscore the logic of widening sustainable finance frameworks to include financial inclusion. It is thus good news that from 2022 onwards work has been under way to add financial inclusion indicators to the SBFN measurement framework.



There is a structural, organisational development dimension to the practicalities of integrating sustainable finance and financial inclusion. Where both sustainable finance and financial inclusion are stated organisational objectives, the two are often constituted as separate functions or departments, sometimes living alongside each other in the organogram (due to the socioeconomic linkages) but very seldom integrated in terms of objectives, processes and synergies of work. This is true both at a policy/regulatory institutional level and within private sector organisational focus and structures. However, in organisations where the organogram is not siloed, and the respective sustainable finance and financial inclusion teams find meaningful ways of working together, data then tends to flow better and alignment to increase further. The analytical framework proposed and discussed seeks to bring these two agendas together.



ESG measurement and reporting: CONSTRUCTIVE CRITICISM

While the ESG framework continues to be a popular private sector tool in use, with its metrics and measurement frameworks helping businesses better align with the values and goals of stakeholders and customers, we reiterate our argument that it fails to operationalise its inherent linkages to broader societal goals.

The IFC's SBFN has already played a leading role in terms of establishing a measurement framework for policymakers to measure ESG integration, climate risk management, and financing sustainability at both policy and industry levels (see SBFN 2021), with the measurement framework also being updated to include financial inclusion indicators specifically. This promises to provide an *explicit* focus on social risks and objectives and the measurement thereof.

ESG is undoubtedly the most widely adopted private sector measurement/reporting framework currently in use and – *suitably modified*, as described in this document – would be the ideal conduit to enable financial sector actors to make progress on achieving significant environmental and social improvement. Furthermore, ESG is progressively informing a growing array of investments that contribute to both environmental and social development. (See Appendix 2 for more about ESG investment approaches using the ESG framework.)

Companies are under increasing pressure to improve their performance and disclosure on ESG risks. This is in part due to increasing investor interest in ESG, which is used by rating agencies and to track the growth in sustainable finance instruments. Concurrently, there has been an increase in the availability of different methodologies, standards, frameworks and indicators for ESG assessment and reporting.

The goal of ESG reporting is to provide a *public-facing document* that communicates a company's ESG strategic objectives.¹⁵ As a result, many view ESG disclosure as a critical component of building organisational value and sustaining a competitive advantage. In the digital age and a globalised world, information can no longer be easily hidden from stakeholders and external audiences; consumers expect transparency with regard to the effects of the items and services they buy. ESG reporting allows companies to take credit for building a safer, cleaner, more just world.¹⁶ Businesses are increasingly depending on ESG reporting to deliver – to key stakeholders as well as bigger external audiences such as consumers – accurate and thorough data on the environmental and social consequences of their business activities (and thus management practices).

Interestingly, the increased focus on and adoption of the ESG principles and reporting is now being tempered by a naturally occurring convergence of initiatives focused on sustainability reporting standards, which should result in greater harmonisation and smoother application. However, for the most part, such initiatives are still not addressing the need to integrate reporting on the social objectives as encapsulated in the SDGs. Most of these initiatives also fail to acknowledge *financial inclusion* as a support mechanism for the private sector in its role and responsibility with regard to the SDGs.

Historically, the nature of ESG development, categorisation and reporting standards has been fluid, in that there has been much flexibility and discretion for organisations to develop their own frameworks and adapt them to fit their respective preferences and business focus, with a fairly limited focus on the broader market in which they operate. This contrasts with a recent significant movement towards ESG-aligned reporting by large business in recognition of their need to contribute more fully to the societies in which they function – a space that is evolving at an immense rate. For instance, the newly established International Sustainability Standards Board (ISSB)¹⁷ could promote standardisation in sustainability reporting in the same way that IFRS has done for financial reporting. In addition, the Value Reporting Foundation (which was intimately involved with the establishment of the ISSB)¹⁷ was formed from the merger of the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB) and at the end of 2021 was consolidated into the IFRS Foundation to support the new ISSB.¹⁸

These are just some of the developments to be closely watched for the guidance and influence they might bring to the way ESG measurement and reporting requirements unfold and their subsequent alignment with the way that we are arguing financial inclusion and sustainable finance should take hold.

However, a historic lack of standardisation is not the only shortcoming of ESG measurement and reporting. There are also no uniform disclosure criteria for ESG performance assessment and industry benchmarking.¹⁹ And the lack of ESG accounting guidelines and data assurance procedures is a concern in terms of the accuracy and verifiability of ESG data.

Despite the numerous valid criticisms that can be levelled at ESG, it has undeniably served as a mechanism to start to crowd in and catalyse investments that support sustainable economic development in specific areas.

There should theoretically be good alignment between ESG and the SDGs, given that both focus on PEOPLE and PLANET. However, the SDGs are aspirational in nature, while ESG has historically been about risk aversion. The integrative analytical framework proposes linking ESG to a strong policy framework that entwines financial inclusion and sustainable finance. This should create a space in which government and the private sector, especially financial services providers (along with development partners) can come together more effectively – while retaining their institutional DNA – to grow markets through aligning with the values and serving the needs of the citizenry in an inclusive and responsible manner:

- » **Setting financial inclusion targets within sustainable finance frameworks:** Policymakers will thus need to set financial inclusion targets within sustainable finance frameworks and include measurable indicators. Developing social taxonomies at a policy level will allow sustainable finance and financial inclusion to come together, to complement ESG metrics and measurement frameworks in the interests of increased *accountability*.
- » **Reshaping capital flows:** Crucially, success in achieving the SDGs will require the private sector (particularly the financial sector) to mobilise and participate more actively in *reshaping capital flows* towards addressing the environmental and social objectives. Integrating financial inclusion in existing private sector sustainable finance frameworks will greatly support companies' participation and decision making in this regard.



IMPROVING MEASUREMENT OF PEOPLE AND PLANET IN SDG CONTRIBUTIONS

At a *policy level*, some countries are already recognising the need to incorporate financial inclusion in their sustainable finance frameworks and activities. For instance, SBFN members have consistently agreed that financial inclusion is an essential component of sustainable finance and a critical enabler for achieving several of the SDGs. And, in some countries, financial inclusion has been acknowledged within supporting frameworks for sustainable finance.

However, at a *measurement level*, financial inclusion has not been included explicitly as a consideration when looking at progress on sustainable finance policymaking and implementation. It is promising that the SBFN has started to update its measurement framework with financial inclusion indicators. Given the extensive activity and coordination that already exist in the financial inclusion space, both at a policy and private sector level, it should be easy to incorporate financial inclusion within national sustainable finance frameworks, if the necessary linkages at country level are created to ensure coordination between the two areas. This can be done by leveraging existing national financial inclusion policies and coordinating with existing financial inclusion implementation structures.

In order for policymakers to consider and acknowledge financial inclusion within a country's national sustainable finance framework (or roadmap, vision, strategy), we recommend that such a framework/supporting documentation should:

- » Make reference to financial inclusion and acknowledge a specific role for financial inclusion within sustainable finance.
- » Make reference to the national financial inclusion policy in addition to specific national development objectives, plans, policies, goals and/or targets.
- » Outline cooperation between agencies or between the regulator and industry association with respect to policy design and/or implementation related to the national financial inclusion policy.
- » Acknowledge financial inclusion as an additional mechanism to increase domestic finance/capital (under the Integrated National Financing Framework) to enable the achievement of stated national objectives in line with national sustainable development priorities, strategies, targets, and the size of sustainable investment needs.

Relating to financial inclusion's potential to specifically support the achievement of the PEOPLE-related SDGs, we also recommend the following:

- » The regulator or industry association should undertake a market assessment to identify systemic social risks/pressing social issues, through analysis of the portfolios of supervised entities/members, and publish the results.
- » Such a market assessment should consider the role of financial inclusion, along with sustainable finance, in addressing these social risks and/or issues.
- » The national sustainable finance framework should require/ask/encourage financial services providers to emphasise addressing social risks and leveraging financial inclusion to do so.
- » The national sustainable finance framework should provide technical guidance or tools to support implementation in addressing social risks and/or issues through the use of sustainable finance and financial inclusion.
- » The national sustainable finance framework should list specific retail-level financial products (not limited to credit) and specific recipient target groups of those products that are considered to support the social objectives of sustainable finance/sustainable development.
- » Key stakeholders in the financing landscape (including the World Bank, the IFC, investment funds and DFIs) should be considered, so that there is a collaborative multi-stakeholder effort to coherently and cohesively address the low-income – and, by extension, risky – markets.



Embedding financial inclusion in ESG for financial institutions:

RECOMMENDATIONS AND SAMPLE INDICATORS

Table 1 presents sample indicators that banks and other financial services providers could consider incorporating in their ESG reporting with the aim of increasing their social impact.

Context is crucial. Very importantly, such reporting should aim to position a particular provider's impact in relation to the wider societal and social context. For instance, it is good to report on the number of affordable housing loans an institution provides, but it is far more pertinent to report on the proportion of these loans in relation to the total number of households in that country.

A track record of improvement is also crucial. Companies should ideally demonstrate their own performance over time on these indicators, to show whether they are doing more (or less) over time, with the intention of going beyond their historical track record in addressing social or environmental issues through financial inclusion.

ESG components	Category	Indicators for financial inclusion
Social	Affordable accounts	Total number of no-cost or low-cost transactional or savings accounts, including mobile money (e.g. no monthly fee is charged)
		Number of new no-cost or low-cost transactional or savings accounts, including mobile money (e.g. no monthly fee is charged)
		Market share of no-cost or low-cost transactional, savings or mobile money accounts, by product
	Digital access	Number of bank customers that have active mobile money or similar accounts
		Transactional volume (number and value of transactions) through mobile money or similar accounts
		Average monthly fees per customer, as % of average transactional volume per customer, through mobile money or similar accounts
		Number of bank customers that use internet or mobile banking platforms
		Number of ATMs provided by the institution
		Number of ATMs provided by the institution, per 100,000 adults in the country
		Institution's share of all ATMs in the country
		Average number of transactions conducted through the institution's ATMs per month
	Average value of transactions conducted through the institution's ATMs per month	
	Education	Number of student loans provided by the institution (total active)
		Total value of active student loans provided by the institution
		% of student loans provided by the institution that are to female students
		Market share (percentage) of student loans (number) provided by the institution
	Healthcare	Number of entry-level or affordable health insurance or medical scheme policy holders
		Number of entry-level or affordable health insurance or medical scheme policy holders, as % of all adults in the country

Social	Affordable energy	Number of loans provided by the institution for access to energy for households (total active) (e.g. for a generator, solar panels, improved cookstoves etc.)
		Value of loans provided by the institution for access to energy for households (total active) (e.g. for a generator, solar panels, improved cookstoves etc.)
	Affordable housing	Number of affordable housing loans provided by the institution (cumulative historic, including total active)
		Number of affordable housing loans provided by the institution, as % of total number of households in the country
		Market share (percentage of total number of loans) of the affordable housing sector
		Number of affordable housing loans provided by the institution, as % of total number of housing loans provided by the institution
		Total value of active affordable housing loans provided by the institution
		Number of new affordable home loans registered
		Value of new affordable home loans registered
	Financial education	Loan default rate for affordable housing loans provided by the institution
		Number of people reached by/beneficiaries of financial education or financial literacy campaigns provided by the institution
	Number of training or awareness events held by the institution	
	Financial well-being	Number and/or percentage of customers always making the minimum repayments for credit cards
		Number and percentage of customers using overdraft regularly (per year, and disaggregated data per socioeconomically vulnerable group)
		Number and percentage of customers experiencing arrears for > 6 months (can be rent, mortgages, loans etc.)
		Number of customers or percentage of customers with investments for long-term saving plans (and volume of these savings)
		Number of customers or percentage of customers that saved money in the past year (all investment products)
		Number and/or percentage of customers using their credit overdraft facilities for food purchases (e.g. from a food retailer)
	MSMEs	Number of active loans provided by the institution for MSMEs
		Number of active loans provided by the institution for MSMEs, as % of total number of MSMEs in the country
		Total value of active loans provided by the institution for MSMEs
		Average value of active loans provided by the institution for MSMEs
		Number of new loans provided by the institution for MSMEs in the previous 12 months
		Total value of new loans provided by the institution for MSMEs in the previous 12 months
	Agriculture	Number of active loans provided by the institution for smallholder farmers
		Number of active loans provided by the institution for smallholder farmers, as % of total number of smallholder farmers in the country
Total value of active loans provided by the institution for smallholder farmers		
Number of policy holders of index insurance or affordable agricultural insurance for smallholder farmers (provided by the institution)		
Environment	Clean energy	Number of loans provided by the institution for access to clean energy for households (total active) (e.g. solar panels, wind turbines)
		Value of loans provided by the institution for access to energy for households (total active) (e.g. for solar panels, wind turbines)
		Number of loans provided by the institution for access to clean energy for MSMEs (total active) (e.g. solar panels, wind turbines)
		Value of loans provided by the institution for access to energy for MSMEs (total active) (e.g. for solar panels, wind turbines)

Table 1: Sample financial inclusion indicators to be included in ESG reporting for better SDG impact

BROADENING MEASUREMENT IN ESG FOR BETTER IMPACT

Beyond incorporating financial inclusion in sustainable finance frameworks and in ESG reporting (which by implication would strengthen the private sector’s social impact), there is a broader issue that needs to be addressed: the inherent shortfall of ESG when it comes to its potential to *drive aspirational changes* in investment and access to finance towards reaching the SDGs. Currently, existing ESG frameworks and indicators that are widely adopted by the private sector focus on minimising the negative impact of their operations on PEOPLE and PLANET. This can be seen from the IFC’s summary of widely adopted ESG frameworks²⁰ (see Table 2). But we can surely do better than ESG as a corporate risk-mitigation tool that helps the private sector minimise negative impact. Rather, we argue that ESG has the *potential* for great positive impact, particularly with regard to social objectives.

Impact area	Current intention	Current relevant ESG factors	
Environmental	Businesses rely on natural resources and physical assets to perform their operations. Products and services may directly or indirectly impact the environment.	Energy consumption	
		Climate change	
		Innovations or products or services that reduce environmental impact	
		Water consumption	
		Waste management	
Social: Workforce	To conduct their operations, companies harness the talent and skills of their employees. Products and services, and operating activities involved in production may benefit society or cause harm.	Job creation and working conditions	
		Equal opportunity	
		Diversity	
		Training	
Social: Social and Community		Health and safety	Child and forced labour across supply chains
			Grievance mechanisms
			Human rights
			Social impact of products, services or company operations
Governance	When making decisions and allocating their natural, human and financial resources, companies should consider how they will create long-term value that will benefit all stakeholders.	Impacts on local communities	
		Purpose, values, ethics and culture	
		Board diversity, structure and oversight	
		Governance of stakeholder engagement	

Table 2: ESG factors as set out by the IFC (2021)

Beyond the urgency of private sector participation in revising ESG measurement frameworks towards delivering better impact, there is also the reality that failure to address the social risk and to take responsibility for business and financing’s role in shaping the wider society is itself becoming a great risk to doing business seamlessly – and is definitely an impediment to large-scale, mass market growth. Business cannot flourish in an unstable social environment, which is another reason why we propose the broadening of the ESG framework with the addition of new indicators under the banner of realising market opportunities (with a separation between the new indicators and the risk-reduction indicators).

To address the broader social risks that threaten market stability, companies need to consider and contribute more proactively towards positive change in the communities in which they operate: with ‘communities’ here meaning not just those in geographic proximity to a company’s physical operations but also consumer segments that, by virtue of their size and needs for financing, would help to bolster the robustness of the formal financial system were they to be included.

This widening of a company's conception of community requires considering the social challenges of not only their employees but also the broader society. Potential measurement indicators include corporate social investment linked to prevalent social issues in the country, investment in community development (beyond minimising the negative impact of operations) and investment in sustainable employment creation (beyond operations of the institution or the lifespan of operations in the area). For this reason, we recommend that institutions try to collect and publish information on the following in relation to the communities in immediate proximity to their physical operations and those who are likely new target segments for financing, and demonstrate that their social interventions and corporate social investment are focused on addressing any issues that can be identified from this information:

- » Income distributions.
- » Access to education.
- » Access to healthcare.
- » Access to affordable housing.
- » Access to energy.
- » Access to clean water and sanitation.

Table 3 proposes a non-exhaustive list of additional topics, factors and indicators that could be used to broaden ESG measurement and reporting in line with the findings of this research. (For the Social dimension, we recommend retaining the 'Community' aspect of the social indicators that are already in place on Table 2.)

In setting their organisational strategy and establishing their governance policies, companies need to consider the inputs of both their internal and external stakeholders – including consumers and communities – more deeply in the decision-making process. For the Governance dimension, in particular, we recommend that an organisation align its sustainable finance strategy (and its financial inclusion strategy if it is a retail financial services provider) with the SDGs. We also recommend that the institution apply good practice associated with the implementation, monitoring and disclosure of these strategies in its sustainable finance and/or financial inclusion strategy, meaning that the institution should:

- » Define strategic impact objective/s.
- » Set ambitious goals to implement its strategy/ies.
- » Establish effective processes and other mechanisms for delivering on its strategy/ies.
- » Manage its impacts and returns at the portfolio level.
- » Assess the expected impact of each investment, product and project, using a systematic approach.
- » Assess, address, monitor and manage the potential negative effects of each product, project or investment.
- » Monitor the progress of each product, project or investment in achieving its strategy expectations.
- » Assess and compare the material positive and negative impacts associated with its products, services and operations.
- » Make decisions based on positive and negative identified impacts, to optimise contribution to sustainable development and the SDGs.
- » Review, document and improve decisions and processes based on the achievement of its impact and lessons learned.
- » Disclose its contribution to sustainable development and the SDGs and report on performance (at least annually).



Dimension	Intention: Realising market opportunities	Suggestions for additional topics/factors/indicators
Environmental	To go beyond the current limited approach that delinks PLANET and PEOPLE, companies need to directly invest in new business models and products that significantly increase human and environmental health and well-being towards increased PROSPERITY.	Total income generated from circular economy projects
		Value of circular economy projects funded, and number of jobs created
		Number of circular economy MSMEs funded
		Investment in clean energy production
		Value and number of projects funded that measure environmental impact
		For insurance companies: Net premiums written related to energy efficiency and low-carbon technology
		For retail financial services providers: Number and value of loans provided to households and MSMEs for access to clean energy
Social	To address the broader social risks that threaten market stability more generally, companies need to consider and contribute proactively towards positive change in the communities in which they operate. This will require adopting a systemic perspective, considering the social challenges of not only company employees but also the broader society and the private sector and financing's role and responsibilities therein.	Corporate social investment linked to prevalent country-specific social issues
		Value of total procurement allocated to local MSMEs (and proportion of total procurement)
		Investment in community development (beyond minimising negative impact of operations)
		Investment in sustainable employment creation (beyond operations of institution or lifespan of operations in geographic proximity)
		Include existing Social- and Community-related topic: Social impact of products, services or company operations
		Include existing Social- and Community-related topic: Impacts on local communities
		For retail financial services providers: Also include financial inclusion indicators for customers of the institution
Governance	In setting their organisational strategy and establishing their governance policies, companies need to consider the inputs of their internal and external stakeholders alike more deeply in the decision-making process.	Community leader consultation in investment strategy design and implementation
		Union consultation in investment strategy design and implementation
		Impact evaluation or R&D expenditure on the ESG impacts of sustainable finance products, services and projects
		Existence of a sustainable finance strategy aligned with how the institution will contribute to the SDGs
		For retail financial services providers: Existence of a financial inclusion strategy aligned with sustainable development and the SDGs
		Application of good practice associated with the implementation, monitoring and disclosure of the institution's financial inclusion or sustainable finance strategy

Table 3: Sample recommended topics, factors and indicators for improved ESG measurement and reporting

For financing to be sustainable, it must be a collaborative effort with multiple players at the table. Given UNCDF's long history of collaborating with multi-stakeholder groups to improve financial services provision to people underserved by the private sector and government, the integrative analytical framework presented allows for new stakeholders to engage in debate and discussion. The result, we believe, will be that regulatory and policy issues, financing connections, and development context/s are all considered from multiple perspectives, which will increase the chances of achieving positive impact on the societies we serve.



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APPENDIX 1:

SUMMARY OF BROAD PRODUCT AND THEMATIC AREAS FALLING UNDER SUSTAINABLE FINANCE

Impact investment: According to the UN Principles for Responsible Investment (UN PRI), impact investing evolved from what was initially a disruptive investment concept to what is now a complex investment ecosystem in its own right. While definitions vary slightly, the underlying principles remain constant: 'investing with the aim of positively impacting society beyond ESG-related compliance'.

Green finance: This is investment comprising 'all forms of investment or lending that consider environmental effects and enhance environmental sustainability'. Green investment and lending decisions are based on environmentally focused screening and risk assessments. Insurers that cover environmental and climatic risk are an important component of green finance. Green investment focuses on companies that enhance resilience to environmental change and on mitigation action such as renewable energy, low-carbon infrastructure, and energy efficiency.

SDG bonds: These are a broad category of financial instruments intended to leverage capital markets for the SDGs, and include use-of-proceeds and general-purpose bonds either issued by companies, governments, and municipalities, or for assets and projects. SDG bonds allow companies to access funds for innovation projects aligned with making a positive contribution to achieving the SDGs and creating long-term value for their business and its stakeholders. Although in their infancy, these bonds are considered a viable tool for channelling private finance into SDG projects.

Social bonds: These are another set of thematic bonds that aid in the attainment of the SDGs. They directly aim to solve or ameliorate a specific social problem or strive to produce beneficial social impact, such as job development, provision of low-cost housing, increased access to education and training opportunities, and increased financial inclusion.

APPENDIX 2:

ESG INVESTMENT APPROACHES USING THE ESG FRAMEWORK

There are at least six ESG investment approaches through which asset managers seek to make use of the ESG framework (Boffo & Patalano 2020). Different bodies provide a categorisation of the sustainable investment strategies, among which are the Organisation for Economic Co-operation and Development (OECD), the Global Sustainable Investment Alliance, and the CFA Institute. The approaches are not mutually exclusive, and portfolios may use more than one at the same time.

Inclusionary screening and portfolio realignment: The first step here concerns pursuing the inclusion of issuers that are compliant with international norms such as those of the UN and OECD. This can involve 'best in class' investing; i.e. the inclusion of firms that score above specified ESG thresholds. The realignment of the remaining assets by ESG scores normally follows this inclusion screening. This is where funds can choose to align with an ESG-tilted index for passive investing or engage in active investment through a selected approach relative to an index. This is particularly the case where the asset manager has a proprietary ESG research approach.

Ethical and negative exclusions: In modern investment management, portfolio managers exclude companies engaged in activities deemed unethical or that are contrary to international conventions or agreements. Exclusions can be based on any ethical consideration or on global or regional agreements (e.g. the UN Global Compact).²¹ Exclusions vary greatly by investment management institutions but alcohol, tobacco, pornography, weapons, nuclear power, and gross violations of human rights are most frequently excluded products and practices.

Positive inclusionary/impact investing: Impact investing adopts a very specific strategy and requires investment teams to have a clear vision for what kind of changes they intend to effect in society. Each investment must go through a due diligence procedure to assess the specific project or company in terms of potential to deliver on the defined impact/s. Another critical component of impact investing is a rigorous procedure for measuring and monitoring the impact of investments to determine if they are on track to meet their environmental and social objectives.

ESG thematic focuses: An ESG thematic fund focuses on at least one of the following areas: the environment, social issues or governance. Thematic strategy might be primarily financial or could be strongly values-driven. These funds might or might not exclude or rebalance portfolios solely on ESG scores but might instead concentrate on certain pillar scores and underlying metrics, such as the E (environment) score and carbon footprint or intensity, in which case they might also emphasise alignment with specific social standards.

ESG integration: ESG integration means a systematic and explicit inclusion of ESG risks and opportunities in all key aspects of an institutional investors' investment process. It does not necessarily require peer group benchmarking or overweighting the leaders because ESG factors are assessed during the asset selection, portfolio balancing and risk management processes. However, signs of an ESG integration might typically include dedicated governance to oversee ESG integration; quantitative research and tools to assess performance; explicit policies to avoid companies with very low scores; and policies that are engaged with improving impact for those companies that have relatively low scores but show potential to develop.

NOTES

1. UN (2015).
2. Berdak (2021).
3. In such cases, financial inclusion metrics are based on rich, granular data on people's uptake and usage of a range of (formal and informal) financial services, per livelihoods segments, which can be further disaggregated by demographic indicators such as geographic location (urban/rural), age, and gender, to provide insights into investment opportunities for financially including larger sections of the population.
4. Volz et al. (2020).
5. Hunt (2022).
6. Bhagat (2022); Boffo & Patalano (2020); Gerard (2019); and Kauffman & Robinson (2022).
7. UN PRI (2017).
8. Naidoo, Githiari & Maposa (2018); see the MAP Global Insights series, Note 4, Volume 2.
9. According to a Forrester Research report (Berdak 2021), environmental issues dominate financial firms' activities, and reports are driven by regulatory requirements such as climate change stress tests for banks and insurers.
10. National Treasury (2020).
11. World Bank (2018).
12. Naidoo & Loots (2020).
13. Established in 2012, the SBFN is a unique, voluntary community of financial sector regulatory agencies and industry associations from emerging markets committed to advancing sustainable finance in line with international best practice. The SBFN is facilitated by the IFC as secretariat, and supported by the World Bank Group. <https://sbfnetwork.org>
14. SBN (2020).
15. Inogen Alliance (2021).
16. Inogen Alliance (2021).
17. Its formation was announced in November 2021 at the UN Climate Change Conference COP26 in Glasgow.
18. <https://www.valuereportingfoundation.org/>
19. Boffo & Patalano (2020).
20. IFC (2021: 14).
21. Launched in 2000 by former UN Secretary-General Kofi Annan, the UN Global Compact was initiated as a voluntary initiative to bring business and the UN together in order to give a human face to the global market. Participating companies are required to sign up for 10 principles, 6 of which are related to Social objectives (2 to human rights and 4 to labour protection), 3 to Environmental objectives, and 1 to Governance objectives (anti-corruption).

