Organisation for Economic Co-operation and Development

DCD/DAC(2021)6/FINAL

Unclassified **English - Or. English**

29 March 2021

DEVELOPMENT CO-OPERATION DIRECTORATE
DEVELOPMENT ASSISTANCE COMMITTEE

Proposed Impact Standards for Financing Sustainable Development - Part 1: Proposed Standards

The document [DCD/DAC(2021)6/REV1] was circulated to the DAC for APPROVAL via the written procedure.

No objection has been received by 26 March 2021, the document is now considered approved and issued as FINAL and UNCLASSIFIED.

Contacts: Paul Horrocks – E-mail: paul.horrocks@oecd.org
Priscilla Boiardi - E-mail : Priscilla.Boiardi@oecd.org

JT03473708

Proposed Impact Standards for Financing Sustainable Development - Part 1: Proposed Standards

1. International context and objectives

1. This document presents the **joint OECD UNDP proposed Impact Standards for Financing Sustainable Development (IS-FSD – hereafter "the Standards")**. This document is accompanied by a "Detailed implementation guidance" (part 2), a living document that provides detail about how to implement the standards, including through compliance with existing international norms (e.g. human right protection standards, OECD standards on responsible business conduct, existing industry principles) .

2. Below, readers will find the core Standards. Following multiple previous iterations, these Standards have been formulated through desk research, and refined through (both verbal and written) feedback received during a series of web-consultations conducted with expert groups and key stakeholders. This version also incorporates the findings of a clear and comprehensive gap analysis which followed extensive discussion with donors, DFIs and CSOs[1].

3. The arrival of the Covid-19 pandemic has further constrained the flexibility of public budgets. As a result, it is more critical than ever for the international development community to heed the call of both the 2030 Agenda and the Addis Ababa Action Agenda (AAAA), and leverage the private sector in pursuit of the Sustainable Development Goals (SDGs). While positive steps in this direction have already been made, a pressing need for better and more measurable evidence on the impact of SDG-related investments remains, in order to ensure that development commitments are delivered with integrity. As the Global Steering Group for Impact Management highlights, "maintaining integrity of purpose, and providing increasing clarity to integrate impact into practice" (Global Steering Group for Impact Investment, 2018[1]) is more important than ever in a landscape characterised by an increasing number of actors.

4. **These Standards are for donors, DFIs, and other private sector partners seeking to optimise their positive contribution to the SDGs, promote impact integrity and avoid impact washing.** The basis of this work is the recognition that sustainable development – not only financial returns – is at the core of long-term value creation. The Standards aim to improve both the articulation of development rationale and the overall performance of investments involving public resources[2], deployed either directly by donors or indirectly through DFIs

[1] The outcomes of the gap analysis were presented to the DAC in September 2020 (DCD/DAC(2020)43).

[2] All investments using debt, equity or mezzanine instruments, as well as guarantees and other unfunded contingent liabilities, by public and private entities with a public money component is considered, on all policy fields, domestic or cross-border, across all geographies. This includes direct donor investments, as well as those made through a DFI or a private sector partner.

and private fund managers (referred to, in the Standards, as ***partners***[3]) in the context of financing sustainable development.

5. The primary ambition is thus for the Impact Standards to act as a **reference point for public donors**, helping them to guarantee a high level of accountability on development impact when working through DFIs, as well as private funds managers and other private intermediaries. Nevertheless, the Standards were designed to be broadly applicable, and as such are also a relevant framework for private sector actors seeking to measure the development impact of their SDG-related investments.

6. By implementing the Standards, DAC Members can demonstrate accountability through the accurate reporting of the development impacts achieved by investments made using public resources. The need for accountability is especially acute when innovative financing approaches (such as blended finance and impact investing) are used with the involvement of private sector actors.

7. In the current climate characterised by sweeping disparity in approaches to impact measurement and management, the Standards constitute a **best practice guide** and **self-assessment tool**, and, following approval, will be made freely available for adoption on a voluntary basis. As a lever of impact integrity, the Standards will help to set expectations, drive consistency, and eventually, drive comparability across investments, a call made by public and private investors alike (Global Steering Group for Impact Investment, 2018[1]). They act as a framework for all organisations with a desire to demonstrate public accountability regarding their measurement and management of impact.

8. Historically, the OECD Development Assistance Committee (DAC) has played an important role in promoting the quality of the evaluation of development assistance. Through the work on impact standards, DAC Members now have the chance to make a tangible difference in a policy area that is likely to feature highly on the development agenda for years to come and where increasing amounts of development finance are being allocated: to mobilise private finance for sustainable development[4]. Against the backdrop of governments' increasing desire to present themselves as active owners of their respective DFIs – as opposed to donors – the proposed Standards represent a unique opportunity to help strengthen and reinforce the relationship between policymakers and DFIs.

[3] For the purpose of these Standards, ***"partner"*** refers to any organisation deploying public or public/private capital through debt, equity or mezzanine instruments, as well as guarantees and other unfunded contingent liabilities for investments contributing to the SDGs. For the purpose of this document, when a donor is investing directly, the "partner" is the donor itself.

[4] In 2014, net ODA to developing countries was USD 140 billion, while DFI commitments had reached USD 65 billion (EDFI, 2016[14]). European bilateral DFIs represent around a half of global DFI flows, exceeding USD 33 billion in 2015, having tripled in size over the previous ten years. If current trends continue, DFI funding will ultimately outstrip traditional ODA (Spratt, O'Flynn and Flynn, 2018[15]).

2. Consultation and drafting Process

9. The Standards have undergone a thorough consultation process that started on April 8th 2020 and lasted a total of 10 months. The consultation process was conducted through the OECD DAC Community of Practice on Private Finance for Sustainable Development (CoP-PFSD) and involved almost 300 participants overall.

10. After an initial desk research phase, the Standards have undergone six rounds of public consultations. The process of refinement was also informed by subsequent detailed written comments, as well as over 60 bilateral and small-group feedback sessions involving donors, DFIs, private investors, CSOs, academics and researchers. Stakeholders involved in the design and management of Operating Principles for impact management (OPIM) and the Impact Management Project (IMP) were consulted as part of the Standards development process, as well as the OPIM Secretariat (hosted by IFC) and a number of OPIM signatories. These rounds of consultations helped shape the current version of the Standards, and informed the draft detailed implementation guidance[5].

11. In addition, this work builds on the extensive expertise in the Secretariat on development co-operation evaluation (through the DAC Network on Development Evaluation - EvalNet), e.g. integrating the OECD Evaluation Criteria (OECD/DAC Network on Development Evaluation, 2019[2]) and on results-based management (including the recently approved "Guiding Principles on Managing for Sustainable Development Results (MfSDR)") (OECD, 2019[3]).

12. Before being brought to the DAC, the Standards were also presented to the Community of Practice on Private Finance for Sustainable Development (CoP-PFSD) on February 23rd, which attracted 80 participants from donors, DFIs, private asset managers, CSOs and experts.

13. The consolidation of the Standards and the development of supporting detailed implementation guidance were conducted in close collaboration with the UNDP, and in line with the structure proposed by the SDG Impact initiative at UNDP. Both organisations are members of the Impact Management Project (IMP) Structured Network, a collaboration among standard-setting organisations (including B Lab, GIIN, GRI, GSG, IFC, OECD, PRI, SASB, SVI, UNDP, UNEP Finance Initiative and World Benchmarking Alliance) aiming to co-create and coordinate standards for impact measurement and management. Going forward, the continuing collaboration between the OECD and the UNDP in the context of the IMP Structured network will help provide a key element of a harmonised suite of Standards for different actors across the capital and investment spectrum (UNDP, 2020[4]).

---

[5] The proposed Standards build on existing high-level principles, as well as on knowledge developed in the results and evaluation community. Following the launch of this work stream, the Secretariat conducted an initial online meeting with donors (DAC members and experts from capitals), three online consultations with donors, DFIs, private sector and CSOs, and over 35 bilateral/small group consultations. Updates of this workstream were also provided to the DAC in July and September 2020. In-between consultations, experts also had the opportunity to provide written comments. More information on the rationale for the development of these standards and the process can be found in the document *"Impact Standards for Financing Sustainable Development – Update and State of play"*, which was circulated in June 2020.

3. How the Standards fit with existing principles, frameworks and tools

14. The draft Impact Standards for Financing Sustainable Development build on, and are complementary to, existing work by other industry-led initiatives on impact management and measurement, as well as existing sets of Principles that provide a common approach to impact management. Such initiatives include, inter alia, the Impact Management Project (IMP, 2020[5]), the Operating Principles for Impact Management (hereafter referred to as OPIM) (IFC, 2019[6]), the EDFI Principles for Responsible Financing of Sustainable Development and Harmonisation initiative (EDFI, 2019[7]), the UN Principles for Responsible Investment (PRI, 2019[8]), the UNEP FI Principles for Positive Impact Finance (UN Environment Finance Initiative, 2017[9]), the EVPA and GECES Five-step process to impact measurement and management (EVPA, 2015[10]) and the Universal Standards for Social Performance Management (SPTF, 2013[11]) (for a complete mapping see (Boiardi, 2020[12]).

15. As well as existing initiatives, the newly formed Community of Practice for Private Finance for Sustainable Development (CoP-PF4SD)[6] provides a multi-stakeholder and open platform to discuss ongoing projects, including the learnings of Tri Hita Karana Roadmap on Blended Finance (THK) and the findings of other initiatives like the recent DFI Transparency initiative of Publish What You Fund (PWYF). The results of these discussions will further inform and benefit the Standards, ensuring alignment with the latest industry trends. A more detailed breakdown of how each standard builds upon and references existing work from industry, the results community and evaluation practice, is presented in the document "Part 2 – Detailed Implementation Guidance".

16. Altogether, in line with the UNDP work on SDG Impact Standards, the Standards are grounded in high-level principles of practice and provide a decision-making framework within which other tools can be integrated (see Figure 3.1).

[6] Approved on 23rd January 2020 by the DAC, the CoP-PF4SD shall serve as a platform for the DAC to engage with the private sector and other stakeholders on blended finance and impact.

Figure 3.1. How SDG Impact Standards fit with existing principles, frameworks and tools

Notes: **High Level Principles** include the Operating Principles for Impact Management, UNEP FI's Positive Impact Finance and Responsible Banking Principles, Principles for Responsible Investment, the CFO Principles on Integrated SDG Investments and Finance of the United Nations Global Compact (UNGC) Chief Financial Officer (CFO) Taskforce, Social Value International's Social Value Principles, and GIIN Core Characteristics of Impact Investors.
Decision-Making Framework includes integrating UN Guiding Principles for Business and Human Rights, Ten Principles of UN Global Compact and Impact Management Project shared norms, and contributing positively to sustainable development and achieving the SDGs.
Impact Management Tools. For instance, metrics, taxonomies, valuation models, benchmarking tools e.g. HIPSO metrics, IRIS+, GRI, UNCTAD metrics, OECD Guidelines for Multinational Enterprises, Natural Capital Protocol of the Natural Capital Coalition and Social and Human Capitals Protocols, SVI Standards, Blab SDG Action Manager and UNEPFI Radar Tool.
External Disclosure and Reporting. For instance, Integrated <IR> reporting and SDG Disclosure Recommendations.
Source: UNDP SDG Impact

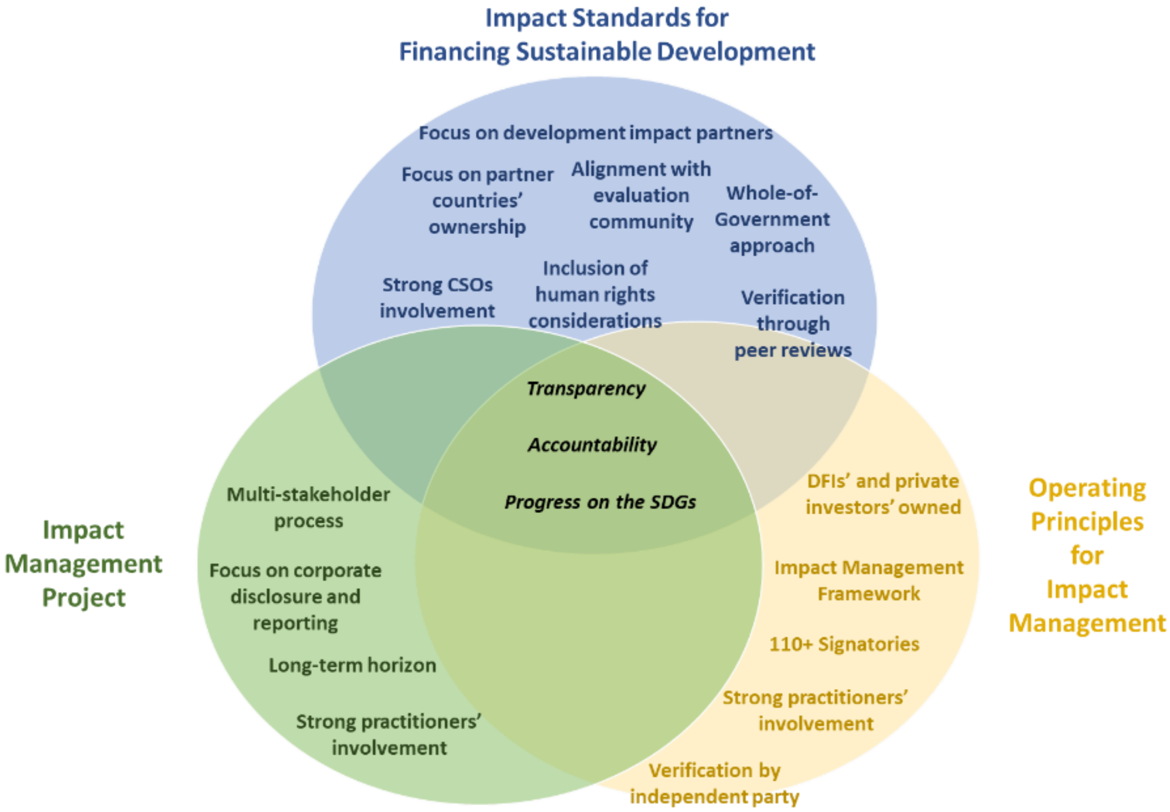
17. Standards are the bridge between high-level principles Principles (such as (IFC, 2019[6]) (UNEP-FI, 2017[13])) and the impact measurement and management frameworks and tools that each organisation independently choses to use for performance reporting and benchmarking[7]. By nature, principles are general and intended for broad use, and are thus useful to set a purpose and direction. Given this general and broad nature, principles leave room for interpretation. Although guidance can support the implementation of principles, it is only through standards that different actors can make better decisions.

[7] A recent report published by Tideline on the level of alignment of investors with the OPIM, reinforces this finding, stating that "*the impact investing field still needs **additional standards and guidelines to ensure that actual impact results are validated** and that investors can provide supporting evidence when they claim to be contributing to outcomes like the SDGs.*"

18. **Standards systematise requirements and levels of quality or attainment, based on best practice.** Hence, Principles should be complemented by Standards, which facilitate decision-making. Standards allow the translation of principles into practice, and guide the choice of which frameworks, methodologies and tools to use to measure and manage impact.

19. The proposed Impact Standards for Financing Sustainable Development (IS-FSD) do not exist in a vacuum, but rather build on and align with other principles and initiatives in the market with a view to addressing the previously overlooked concerns of donors. Depicted in Figure 3.2 below, these concerns centre on the current inability to guarantee the same amount of commitment accountability, transparency that ODA is subject to, as well as to uphold human rights and engagement with local stakeholders.

Figure 3.2. IS-FSD, OPIM and IMP work towards greater transparency on development impact



Source: Authors

4. Implementation of the Standards

20. **The adoption of the Standards will not entail immediate compliance.** This is both in recognition of the existing disparity in impact management processes, and to facilitate broad uptake amongst both new players and the private sector.

21. In addition, **the Standards do not represent a reporting framework, and as such will not entail burdensome reporting requirements towards the OECD**. In particular, it is important to note that the standards do not intend to add reporting burden on investee companies, which are not the target of this work. This is especially important when investing in young/small companies in fragile contexts and in LDCs. Nevertheless, we will include any references to reporting standards that emerge from industry initiatives as reference for guidance.

22. **The ultimate decision making privileges regarding implementation reside with the DAC Members themselves.** A variety of possible implementation methods exist, some of which have been discussed during the meeting of the Community of Practice on Private Finance for Sustainable Development (CoP-PFSD) held on February 23rd. These include leveraging the **OECD's Peer Review Process** and **developing pilot studies**. The formal inclusion of the Standards in the DAC Peer Review process will be considered in the future upon approval by the DAC.

23. The initial idea of **pilot studies** was presented during the CoP-PFSD meeting on February 23rd. Subsequent to the DAC endorsement of the Standards, pilot studies could be conducted to test the standards in real life settings

24. Pilot studies could be selected on the basis of the following criteria:

    - 1st tier criteria: (i) country (LDCs or fragile countries, as they are the most challenging but also the ones where there is more potential for additionality, and a less complex country, for comparison purposes), (ii) sector (privileging sectors with high potential for development impact) and (iii) access to information.
    - 2nd tier criteria: (iv) diversity of financial instruments involved; (v) variety of actors involved)

25. In order to support the uptake of the Standards, the Secretariat will also continue to work on the development of the Detailed Implementation Guidance (see the document DCD/DAC(2021)9, presented "for information"). In particular, additional work will focus on providing guidance on themes like how to assess and monitor additionality, examples of meaningful stakeholders' engagements and of best practices in impact monitoring systems.

26. As mentioned above, the discussion and decision on the implementation of the Standards rests with the DAC. The Secretariat would therefore welcome any feedback and comments on the initial ideas on the pilot studies, for the preparation of Terms of Reference (ToRs) for the pilot studies, and on what elements of the detailed implementation guidance would be useful to focus on.

5. The foundational elements of the Standards

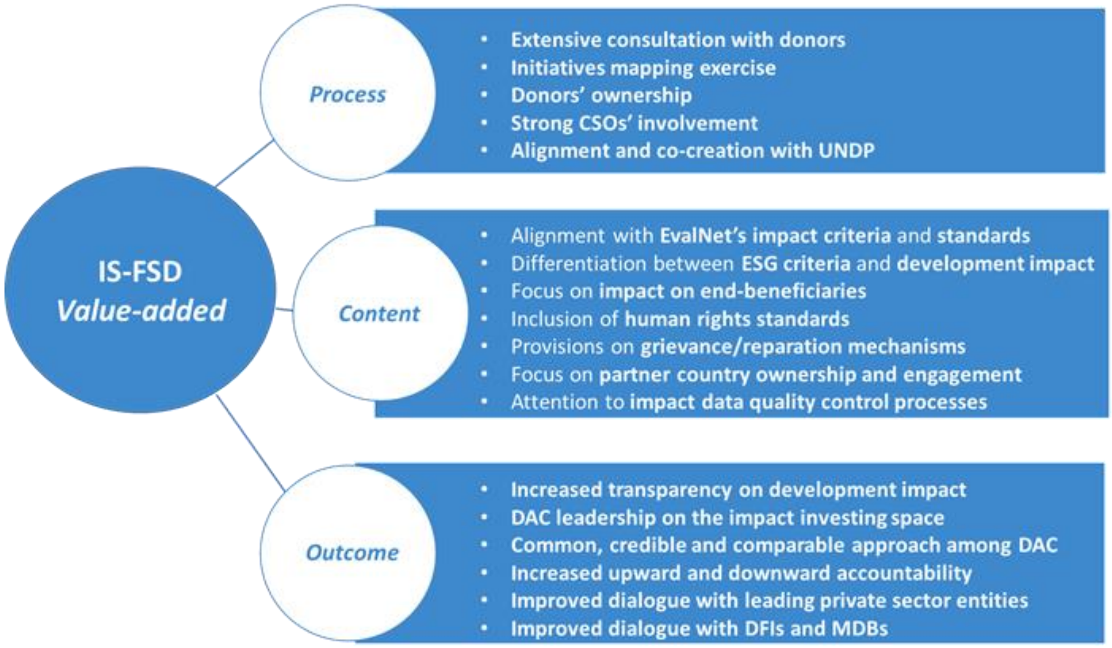
27. The Standards are designed to support donors in the deployment of public resources through DFIs and private asset managers, in a way that maximises the positive contribution towards the SDGs.

28. The overall value added of the Standards is depicted visually below (see Figure 5.1). Here we highlight specific foundational benefits, including that the Standards:

- Require demonstrable commitment to development impact that the development co-operation community as a whole, including new donors, can be held accountable to;
- Are grounded in the DAC aquis and help align industry practices[8] with the high levels of accountability and scrutiny ODA is subject to, by integrating best practices and knowledge developed by the evaluation and results communities over the years;
- **Allow donors to increase transparency in the use of public resources that are deployed through DFIs and privately managed funds and facilities.** More transparency and more data can foster the development of blended finance and private sector engagement programmes;
- Stress the importance of **aligning financing decisions to local, democratically-owned development priorities**, also through "effective community engagement";
- Guarantee that scarce public resources are deployed to areas with the greatest need in order to **meet the SDGs, in line with crosscutting development objectives and DAC priorities, with a specific focus on "leaving no-one behind"**, thus avoiding outcomes that are detrimental for the people and the planet. By recognising the interconnectedness of the SDGs, the Standards reduce SDG cherry picking and push investors to consider the unintended negative consequences of their actions;
- Integrate and explicitly mention **high-quality standards and safeguards on human rights protection**. The Standards allow pushing commitments towards: (i) compliance with human rights standards (for instance regarding the quality of jobs created and their alignment with ILO Decent Work Agenda) and alignment with local and international legal systems; and (ii) improvement of the investee's ESG performance;
- Incorporate incentives for public-private co-creation of solutions to societal issues and add an explicit focus on the ownership role and responsibilities of donors.

[8] In particular, the Standards align with IMP's Five Dimensions of Impact and ABC Impact Classifications, which provide a shared language of impact and promote standardization.

Figure 5.1. The value added of the OECD UNDP Impact Standards for Financing Sustainable Development (IS-FSD)



Source: Authors

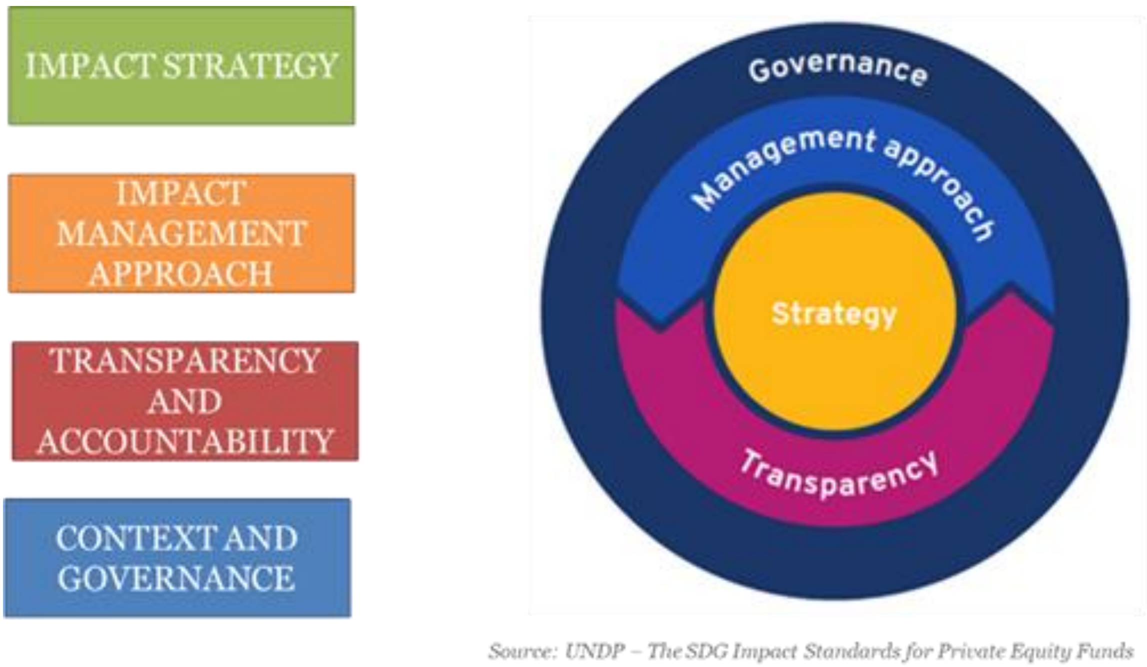
6. Structure of the Standards

29. The OECD UNDP Impact Standards for Financing Sustainable Development (IS-FSD) follow the same structure as all the SDG Impact Standards proposed by the UNDP for other constituencies[9] (Figure 4 shows the alignment with the standards for private equity funds, as an example). The Standards are framed around four interconnected and interdependent themes: impact strategy, impact management approach, transparency and accountability, and governance (see Figure 6.1).

[9] This includes the recently-launched SDG Impact Standards for Private Equity Funds (available here: https://sdgimpact.undp.org/private-equity.html), SDG Impact Standards for Enterprises (currently open for feedback here: https://sdgimpact.undp.org/enterprise.html) and the SDG Impact Standards for SDG Bonds (https://sdgimpact.undp.org/sdg-bonds.html).

Figure 6.1. The structure of the OECD UNDP Impact Standards for Financing Sustainable Development (IS-FSD)

Alignment with the UNDP SDG Impact Standards for Private Equity Funds, Enterprises and SDG Bonds Issuers



Source: Authors based on (UNDP, 2020[4])

30. The Standards comprise:

- Four Standards, one for each of the four themes – strategy, management approach, transparency and accountability, and governance
- At least three components (or sub-standards) for each standard (15 in total)

31. The Standards are accompanied by a (draft) **detailed implementation guidance**, which outlines best practice for implementation. The purpose of the detailed implementation guidance is to assist donors and partners in the implementation of the Standards**.** In the detailed implementation guidance, **each component is supported by "success signals"** to demonstrate what best practice looks like, taking into account constraints such as individual deal structure and availability of resources. Each component and its attendant success signals are followed by (i) anchor principles from other players in the impact ecosystem, (ii) reference frameworks and (iii) other useful resources.

32. The detailed implementation guidance is presented as a draft and "for information" (see document DCD/DAC(2021)9). Further work planned to strengthen the detailed implementation guidance is presented in section 4 of this document.

7. Who can use the Standards and how

33. The Standards are a self-assessment tool that aims to help donors and private sector partners improve their development impact focus. By implementing the Standards using the supporting Guidance Note all partners can **assess and compare with peers** the quality of their impact management process. In particular, they will be able to identify areas in which they are excelling alongside outstanding areas of improvement. This would lead, in the end, to better integration of impact into decision-making, increased impact integrity and better evidence of impact.

34. While the Standards provide a fixed overview of the areas of focus to assess a good impact management system, the Guidance note is being developed as a living document, designed to guide organisations in a process of continuous improvement.

35. To reiterate, the primary audience for this work is **donor governments**. While some donors are more advanced in their impact management and measurement practices, others need better, more targeted support. This is particularly true in the case of new donors.

36. The Standards have also been developed with the **broad spectrum of partners** DAC Members work with in mind. These include – but are not limited to – development finance institutions, private sector investors and enterprises, private foundations and CSOs[10].

37. It bears remembering each partner has certain fiduciary duties, which will have an influence on the impact-focus and thereby influence the application of the impact standards. In addition, these standards have to be seen in the broader context of the UNDP SDG Impact Standards. Thus, where applicable, partners can also consult other existing standards, such as the SDG Impact Standards for Private Equity Funds, Enterprises and SDG Bond issuers (UNDP, 2020[4]).

38. With the points above in mind, it is important to reiterate that the adoption of the Standards and accompanying Guidance Note will not entail immediate applicability. Rather, the Standards will be piloted as part of a trial phase. This will allow for greater learning, and, if necessary, further adaption to specific investment circumstances as necessary.

[10] More information can be found in the DAC's *Enabling Effective Development Report* https://www.oecd.org/dac/peer-reviews/1-Holistic-Toolbox-for-Private-Sector-Engagement-in-Development-Co-operation.pdf

7.1. Donors

39. The work aims at supporting donor governments to work closely with their private sector arms, DFIs, and other private sector stakeholders, to embed these standards in their systems. As part of this, it is important that donors also understand the operating models that development actors engaging with the private sector face, and the effect this has on impact evidence. This work can help donors with, amongst other elements, the following:

- Guarantee/support the adoption of high level of quality when deploying public resources for development objectives (both when investing directly and when investing through DFIs and private sector partners);
- Check what others do and benchmark practices;
- Explore different levels of compliance;
- Set up a new investment programme (both direct investment and through DFIs and other private sector partners);
- Push for greater standardisation of impact management practices.

7.2. DFIs and private sector partners (investors and enterprises)

- Apply the Standards as a self-assessment tool, to see how much they are aligned with international principles, standards and norms;
- Design impact management systems aligned with the Standards;
- Help donors identify high-quality impact management systems;
- Use the detailed implementation guidance to identify areas of improvement and thus upgrade their current practices.

7.3. CSOs

- Use the Standards as a reference point to assess the quality of the impact management systems of DFIs and private sector partners.

8. The OECD UNDP Impact Standards for Financing Sustainable Development (IS-FSD)

40. This section presents the OECD UNDP Impact Standards for Financing Sustainable Development (IS-FSD). This sections is organised as follows:

- Figure 8.1 presents the overview of the 4 impact standards
- Paragraphs 41 to 43 present each of the four Standards with its components (or sub-standards), as follows:

  - Para. 41: Standard 1 (Strategy) provides guidance on embedding impact consideration into an organisation’s purpose and strategy
  - Para 42: Standard 2 (Management Approach) deals with the integration of impact considerations into operations and management approach

- Para 43: Standard 3 (Transparency) puts the accent on the importance of disclosing how impact is integrated into purpose, strategy, management approach and governance, and reporting on performance
- Para 44: Standard 4 (Governance) focuses on how an organisation can reinforce its commitment to impact through governance practices

Figure 8.1. Overview of the Impact Standards for Financing Sustainable Development (IS-FSD)

<table>
<tr>
<td>Standard 1

IMPACT STRATEGY

The partner sets development impact objectives, framed in terms of the SDGs, with particular attention to the overarching commitment to “leave no one behind”. Objectives are aligned with donor and partner country priorities and are embedded in the impact-centred investment strategy.</td>
<td>Standard 2

IMPACT MANAGEMENT APPROACH

The partner adopts an impact management approach that integrates development impact, human rights safeguards, the SDGs and ESG into the design and management of its operations.</td>
<td>Standard 3

TRANSPARENCY AND ACCOUNTABILITY

The partner discloses towards donors and beneficiaries how it manages and measures the development impact and contribution to the SDGs of the private sector operations deploying public resources, as well as how development impact is integrated in its management approach and governance practices.</td>
</tr>
<tr>
<td colspan="3">Standard 4

GOVERNANCE

The partner’s commitment to contributing positively to the SDGs is reflected in its governance practices and arrangements</td>
</tr>
</table>

Note: For the purpose of these Standards, ***“partner”*** refers to any organisation deploying public or public/private capital through debt, equity or mezzanine instruments, as well as guarantees and other unfunded contingent liabilities for investments contributing to the SDGs. For the purpose of this document, when a donor is investing directly, the “partner” is the donor itself.

41. **STANDARD #1 – Impact Strategy –** The partner sets development impact objectives, framed in terms of the SDGs, with particular attention to the overarching commitment to “leave no one behind”. Objectives are aligned with donor and partner country priorities and are embedded in the impact-centred investment strategy.

- 1.1 The partner articulates both quantitative and qualitative development impact objectives that positively contribute to the SDGs, and cross-sectoral donor priorities. The goals are realistic but ambitious, and are aligned with the partner size and resource availability.
- 1.2 The partner defines investment objectives that are coherent with local democratically-owned development priorities and grounded in local development needs. With a focus on creating decent work, investment objectives respect human rights, as well as other social and environmental safeguards.

- 1.3 The partner develops and implements a policy for assessing financial and development additionality, aligned with its size and resources availability.
- 1.4 The partner optimises the integration of Environmental, Social and Governance (ESG) factors in the investment strategy and throughout the investment process.

42. **STANDARD #2 – Impact Management Approach** – The partner adopts an impact management approach that integrates development impact, human rights safeguards, the SDGs and ESG into the design and management of its operations.

- 2.1 The partner assesses the investment's compliance with local and international legal frameworks, including international human rights frameworks, when conducting both the due-diligence and ex-post impact assessment of investments. The partner also establishes criteria for investees' integration of ESG factors and compliance with responsible business conduct (RBC) standards. The partner ensures that an independent functioning grievance and reparation mechanism is in place.
- 2.2 The partner has effective processes to identify stakeholders affected (or likely to be affected) by its operations and implements a plan to conduct Meaningful Stakeholder Engagement ex ante, throughout the investment cycle (when circumstances change or when needed) and ex post.
- 2.3 The partner has a monitoring and evaluation system is place that is used to assess progress against impact targets and portfolio level impact goals, identify the partner's contribution, and to identify areas for improvement. Adequate resources are provided for monitoring and evaluation, proportionate to the size of the investment.
- 2.4 The partner manages its exits from investments in a manner that optimizes sustained effects on development impact and contribution towards the SDGs post-exit.
- 2.5 The partner periodically reviews and refines its impact-centred investment strategy and impact goals based on the learnings and evidence collected through monitoring and evaluation to guarantee that the impact strategy and goals remain fit-for-purpose in the changing development context.

43. **STANDARD #3 – Transparency and accountability** – The partner discloses towards donors and beneficiaries how it manages and measures the development impact and contribution to the SDGs of the private sector operations deploying public resources, as well as how development impact is integrated in its management approach and governance practices.

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

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

44. **STANDARD #4 – Governance** – The partner's commitment to contributing positively to the SDGs is reflected in its governance practices and arrangements.

    - 4.1 The partner engages actively its shareholders, based on its governance structure.
    - 4.2 The partner ensures the presence of impact management competences in its governing bodies, promoting a culture of learning and development.
    - 4.3 The partner incentives its staff to embed impact considerations at all investment stages and decision-making levels, to facilitate the adoption of the impact-centred strategy and approach.
    - 4.4 The partner allocates adequate (financial and non-financial) resources to the development and implementation of a sound impact management process.

9. Questions for the DAC

45. Is the DAC ready to approve the OECD UNDP Impact Standards for Financing Sustainable Development, as presented in Section 8 of this document (para 40 to 44)?
46. Do DAC members have any comments or feedback on the pilot studies that could help prepare the Terms of Reference (ToRs) for such studies? Would any DAC member wish to be part of such pilot studies?
47. What would DAC members like to see featured in the detailed implementation guidance? Which elements of the detailed implementation guidance would be useful for the DAC? Which areas should the guidance focus on?
48. What support do DAC members need to practically take up the standards and continue to embed best practices?

10. Bibliography

Boiardi, P. (2020), "Managing and measuring the impact of sustainable investments: A two-axes mapping", *OECD Development Co-operation Working Papers*, No. 74, OECD Publishing, Paris, https://dx.doi.org/10.1787/2ff2b2f4-en. [12]

EDFI (2019), *EDFI Principles for Responsible Financing of Sustainable Development*, https://www.edfi.eu/wp/wp-content/uploads/2017/09/EDFI-Responsible-Financing-SDG_Principles_final_190515.pdf (accessed on 30 March 2020). [7]

EDFI (2016), *Investing to create jobs, boost growth and fight poverty*, https://www.edfi.eu/wp/wp-content/uploads/2017/10/EDFI-Flagship-Report-2016.pdf. [14]

EVPA (2015), *A practical guide to measuring and managing impact*, European Venture Philanthropy Association (EVPA), https://evpa.eu.com/knowledge-centre/publications/measuring-and-managing-impact-a-practical-guide#report (accessed on 30 March 2020). [10]

GIIN (2018), *Roadmap for the Future of Impact Investing*, https://thegiin.org/research/publication/giin-roadmap. [16]

Global Steering Group for Impact Investment (2018), *The Impact Principle, Widening participation and deepening practice for impact investment at scale*, http://gsgii.org/wp-content/uploads/2018/10/GSG-Paper-2018-Widening-Deepening-the-Market.pdf. [1]

IFC (2019), *Investing for Impact: Operating Principles for Impact Management*, International Finance Corporation, World Bank Group, https://www.impactprinciples.org/principles (accessed on 30 March 2020). [6]

IMP (2020), *Impact Management Project*, https://impactmanagementproject.com/ (accessed on 30 March 2020). [5]

OECD (2019), *Guiding Principles on Managing for Sustainable Development Results*, http://www.oecd.org/dac/results-development/docs/mfsdr-guiding-principles.pdf (accessed on 30 March 2020). [3]

OECD/DAC Network on Development Evaluation (2019), *Better Criteria for Better Evaluation Revised Evaluation Criteria Definitions and Principles for Use*, https://www.oecd.org/dac/evaluation/revised-evaluation-criteria-dec-2019.pdf (accessed on 31 March 2020). [2]

PRI (2019), *Principles for Responsible Investment*, https://www.unpri.org/download?ac=6303 (accessed on 30 March 2020). [8]

Spratt, S., P. O'Flynn and J. Flynn (2018), *DFIs and Development Impact: an evaluation of Swedfund*, https://eba.se/wp-content/uploads/2018/05/2018-01-Swedfund-webb.pdf. [15]

SPTF (2013), *Universal Standards for Social Performance Manageement*, https://sptf.info/universal-standards-for-spm/start-here. [11]

UN Environment Finance Initiative (2017), *The Principles for Positive Impact Finance*, https://www.unepfi.org/publications/banking-publications/principles-for-positive-impact-finance/ (accessed on 30 March 2020). [9]

UNDP (2020), *The SDG Impact Practice Standards for Private Equity Funds*, https://sdgimpact.undp.org/assets/UNDP_SDG-Impact-Practice-Standards-for-PE-Funds-SEP-2019-CONSULTATION-DRAFT-FINAL.pdf (accessed on 19 February 2020). [4]

UNEP-FI (2017), *The Principles for Positive Impact Finance*, United Nations Environment Programme - Finance Initiative (UNEP-FI), https://www.unepfi.org/publications/banking-publications/principles-for-positive-impact-finance/ (accessed on 30 March 2020). [13]