For professional investors

ROBECO
The Investment Engineers

Robeco's Country SDG Framework

Identifying which countries should be prioritized in government bond portfolios to support sustainable development

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Introduction

Robeco has been at the forefront of integrating the UN Sustainable Development Goals (SDGs) into investment strategies since their launch in 2015. Already in 2017, we launched the Robeco Corporate SDG Framework which enables the systematic assessment of companies' positive and negative contributions to the SDGs. The corporate framework has been instrumental in growing Robeco's investment solutions targeting positive impact for clients. This growth reflects strong investor demand for aligning capital with the ambitions of the SDGs.

While corporate SDG investments have gained traction, it must not be forgotten that governments also play a pivotal role in achieving the SDGs. Public financing remains the backbone of SDG progress, especially in lower-income countries where the financing gap is most acute. For example, countries like Rwanda and Benin must invest an additional 15.4% of GDP annually to meet the goals by 2030, compared to less than 1% for high-income nations. Despite the availability of global capital, the high costs of financing hinders progress where it is needed most. Mobilizing private capital, particularly through sovereign investments, is essential to bridge the financing gaps that prevent many lower-income countries from making greater SDG progress.

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Traditional sovereign ESG ratings, such as Robeco's Country ESG Framework, help identify environmental, social, and governance risks and opportunities in sovereign investments. However, they are not designed to evaluate a country's policy alignment with the SDGs. For this, investors need a complementary approach that goes beyond ESG risk assessment and specifically targets SDG impact.

In 2021, Robeco launched the Country SDG Framework to address this need. The framework evaluates how well government policies support the SDGs and offers an 'impact-focused' lens for sovereign investing that complements ESG performance rankings. As a result, investors are able to align government bond portfolios with the SDGs from an impact perspective. This document describes the three-step methodology that underpins the Country SDG Framework. It also presents the distribution of country SDG scores derived from using the framework and demonstrates how scores can guide SDG-aligned sovereign investments.

Principles and methodology

Robeco's Country SDG Framework consists of a three-step process to gauge whether a country is positively progressing on the SDGs. First, government policies are analyzed to assess whether they advance or detract from the SDGs. Second, a country's capital needs and governance structures are assessed to determine whether there is robust investment potential that can drive SDG progress. Finally, countries are screened for instances of controversial behavior which could negatively influence the SDGs.

The combined results of these three steps yields a final SDG Country Score which reflects the likelihood that investments in its government bonds are supporting SDG progress. Scores range from highly negative (−3) to highly positive (+3) and are benchmarked relative to other countries. A positive score indicates several important attributes:

- The country's government has policies that promote the SDGs.
- It faces financing challenges that justify investment.
- It has limited controversies that could undermine progress.

Conversely, a negative score suggests that one or more of these factors are hindering a country's SDG progress.

Figure 1 | An overview of the three steps in Robeco's Country SDG Framework

POLICY	POTENTIAL	CONTROVERSIES
Do policies support the SDGs? Does a country implement policies that promote or limit each of the SDGs?	**Is there potential to improve financing?** Is there potential for an investor to improve a country's access to capital?	**Are controversies known?** Does the country comply with key principles for the SDGs?
Assessing policies for the SDGs • Progress on SDG targets over time • Average performance in recent years • Absolute performance in the last year	**Considerations** • Country income status • Corruption • Policy (step 1)	**Examples of controversies** • Poor governance • Hard-line autocracies • Violation of rights and civil liberties

Source: Robeco, 2025.

Step 1: Do policies support the SDGs?

Government policies have an outsized influence on advancing the SDGs, so it follows that investors can support the SDGs by investing in the bonds of governments that have good policies in place for advancing the goals. The first step in the framework is to rigorously define which types of policies to measure across the country universe. Excellent assessment models are available, including the Sustainable Development Solutions Network's (SDSN) SDG Index and the annual progress reviews of the UN. However, these plot historical data points related to SDG progress, but they speak very little about the quality of governmental policies that are essential for supporting future advances.

For example, existing data may tell us that in a particular country a relatively large share of the population lacks access to clean drinking water. Yet this data does not reveal whether future growth of such access is likely – information that is critical for assessing whether investor capital would contribute to SDG progress in these countries. Ideally, governmental policy documents could also be analyzed for insights; however, standardized, comparable country data is often unavailable.

Creating the policy data set

To overcome these obstacles, Robeco developed its own proprietary approach to identify data indicators and trends which can help approximate the effectiveness of policies on the SDGs. Each of the official 232 SDG indicators was evaluated for its relevance for assessing policies. Indicators were then classified as directly informative if they measure governmental actions (e.g., taxation, regulation, and investment) or indirectly informative if they track national sustainability outcomes that proxy policy impact. For example, multi-year spending averages help establish government priorities in areas such as health and education.

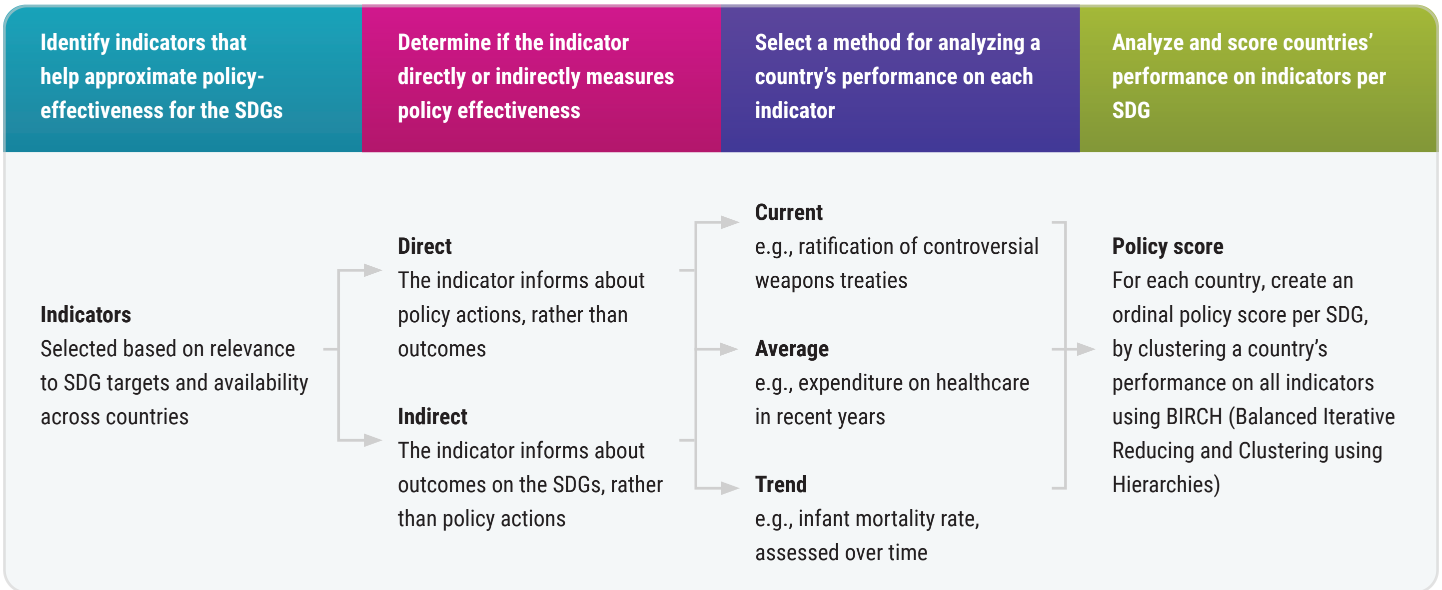
In addition, performance trends are also used as proxies to assess sustainability outcomes and hence the effectiveness of government policies. Based on this approach, 84 SDG indicators were ultimately selected to further assess country performance in the SDG Country Framework. The entire process is summarized in Figure 2.

Indicators were selected for their relevance and data availability across countries. Where data gaps exist, neutral scoring is used to ensure fairness. To turn complex data into actionable insights, countries are clustered based on their performance for each SDG and assigned a score that reflects how effectively their policies support progress. The clustering process applies advanced techniques that considers multiple dimensions of performance and ensures fair comparisons across diverse contexts.[1]

Each cluster is given a score on a scale o (−3) to (+3), where positive values indicate strong, balanced progress and negative values signal policies that hinder SDG advancement. Neutral scores represent limited positive or negative impact. Scores are then combined across all 17 SDGs to create an overall policy-effectiveness score for each country. Ultimately, this approach provides investors with a forward-looking view of how government policies support SDG progress.

[1] Here, BIRCH (Balanced Iterative Reducing and Clustering using Hierarchies) analysis is used. BIRCH is a data mining technique for extremely large datasets. It is based on algorithms designed to recognize and cluster data based on hierarchies.

Figure 2 | Process for selecting SDG focus indicators and assessing country policy effectiveness



Source: Robeco, 2025.

Step 2: Is there potential to improve financing?

Some countries have better access to capital markets than others, and the World Bank's country-income classifications are applied to make these determinations. Countries classified as low, lower-middle, or upper-middle income are generally more likely to require extra capital. Moreover, not all countries that need capital will use it effectively. Country performance on corruption criteria are used to reduce the risk of funds being misused and as a signal for whether government policies will further advance sustainable development (Step 1). On the other hand, countries which meet the following criteria are judged to have sufficient merit for additional capital as well as reasonable capacity to effectively use it.

- Rated as low, lower-middle, or upper-middle-income
- Low levels of corruption
- Achieved a positive score (≥1) in Step 1

These countries will receive an upgrade (+1) to the scores received in Step 1. Providing financing to countries that are vulnerable and responsible should help appreciably accelerate global SDG progress and sustainable economic development.

Step 3: Are controversies known?

Supportive policies, validated financial need, and the absence of corruption are all necessary features for assessing a country's current and future SDG performance. However, it is still possible for countries to score well on these criteria and yet still fail to uphold principles of good governance and respect for human rights. In fact, many politicians argue that autocratic-leaning regimes govern more efficiently as a result of streamlined decision-making. The third step of the framework is designed to root out these deceptively 'bad apples', countries which may have the right safeguards in place on paper but fail to uphold the true spirit of the SDGs.

This is evaluated in three ways:

- Countries with very poor governance, as identified by the Robeco Country ESG Framework, are assigned a (-1) score.
- Those classified as 'hard-line autocracies' under the BTI Transformation Index[1] are assigned a (-2) score.
- Countries on Robeco's exclusion list receive a (-3) score due to severe restrictions on civil liberties, high political instability, or the subject of international sanctions.

These checks ensure that financing is directed toward countries aligned with the principles of the SDGs.

Awarding the total country SDG scores

Countries are assigned a sub-score for each of the three steps. Country sub-scores are then subject to a few more layers of scrutiny before an overall SDG score is assigned.

- Countries with positive scores in Step 1 (and no negative score in Step 3) will be awarded their Step 1 score plus a potential score upgrade (+1) based on their degree of financial need as determined in Step 2.
- Countries that have neutral scores across all steps will receive a total score of 0.
- Importantly, countries with a negative score across any of the three steps will receive the lowest score.

The last point reflects the fact that countries with poor SDG policies (Step 1) or those displaying behavior that strongly conflicts with the SDGs (Step 3) cannot be considered to have a neutral or positive alignment with the SDGs. Table 1 provides several illustrative examples of the country scoring process.

1. The Bertelsmann Transformation Index (BTI) is a global ranking that measures how well countries are managing the transition toward democracy and a socially responsible market economy.

Figure 3 | Examples of how overall SDG scores are awareded to countries

Country	Step 1	Sub-score	Step 2	Sub-score	Step 3	Sub-score	Overall score
Australia	Polices are unlikely to substantially impact SDG progress	0	No positive score in Step 1 and not a low, lower-middle, or upper-middle-income country	0	No controversies	0	0
Iran	Policies have negative impact on the SDGs	-3	No positive score in Step 1	0	Involved in controversies	-3	-3
Ireland	Policies have negative impact on the SDGs	-1	No positive score in Step 1 and not a low, lower-middle, or upper-middle-income country	0	No controversies	0	-1
Bhutan	Policies advance SDG progress	+2	Low-income country, sufficient corruption control, and positive score in Step 1	+1	No controversies	0	+3

Source: Robeco, 2025.

Results

Score overview

The distribution of total country SDG scores for all 170 countries assessed reveals a diverse landscape. About one-third of countries (36%) achieve a positive score, 14% are neutral, and half (50%) are negative.

Figure 4 | Distribution of scores 2025 (n=170)

+3	8 countries	5%	Positive	36%
+2	29 countries	17%		
+1	24 countries	14%		
0	24 countries	14%	Neutral	14%
-1	18 countries	11%	Negative	50%
-2	45 countries	26%		
-3	22 countries	13%		

Source: Robeco, 2025.

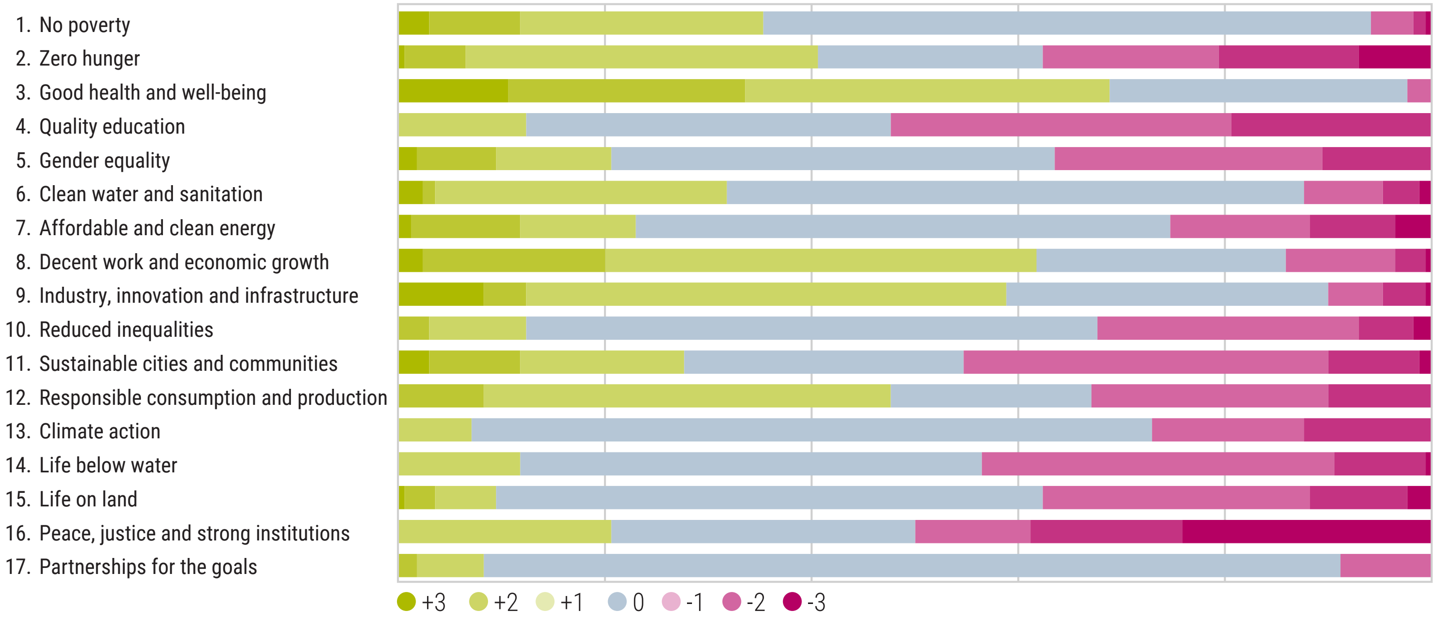
Within the positive group, 8 countries (5%) reach the maximum score of (+3), indicating strong SDG policies and significant financing needs. Another 29 countries (17%) score (+2), and 24 countries (14%) score (+1).

On the opposite end, 18 countries (11%) receive a score of (-1), 45 countries (26%) score (-2), and 22 countries (13%) score (-3). Negative scores reflect policies or controversies that substantially hinder SDG progress.

The distribution of the scores in Step 1 across individual SDGs also varies. No Poverty (SDG 1), Good Health and Well-being (SDG 3), and Decent Work and Economic Growth (SDG 8) present a positive picture, with many countries earning favorable scores. Goals such as Gender Equality (SDG 5), Quality Education (SDG 4), and Zero Hunger (SDG 2) show a balanced mix of positive and negative scores.

In contrast, Quality Education (SDG 4) Peace, Justice and Strong Institutions (SDG 16), Sustainable Cities and Communities (SDG 11), and Life on Land (SDG 15), are dominated by negative scores, pointing to substantial governance, economic and environmental challenges.

Figure 5 | Distibution of SDG indicator scores – Step 1 (n=170)



Source: Robeco, 2025.

How countries score around the world

In contrast to conventional intuition, some of the high-scoring countries – those with (+3) scores – are from emerging market countries, whereas many wealthy and advanced economies of Western Europe and North America have neutral SDG performance (indicated by scores of (0), (see Figure 6). This reflects the methodology and purpose of the SDG scoring system. It is not designed merely to assess a country's current SDG performance but rather to incentivize and finance those making meaningful and sustainable progress.

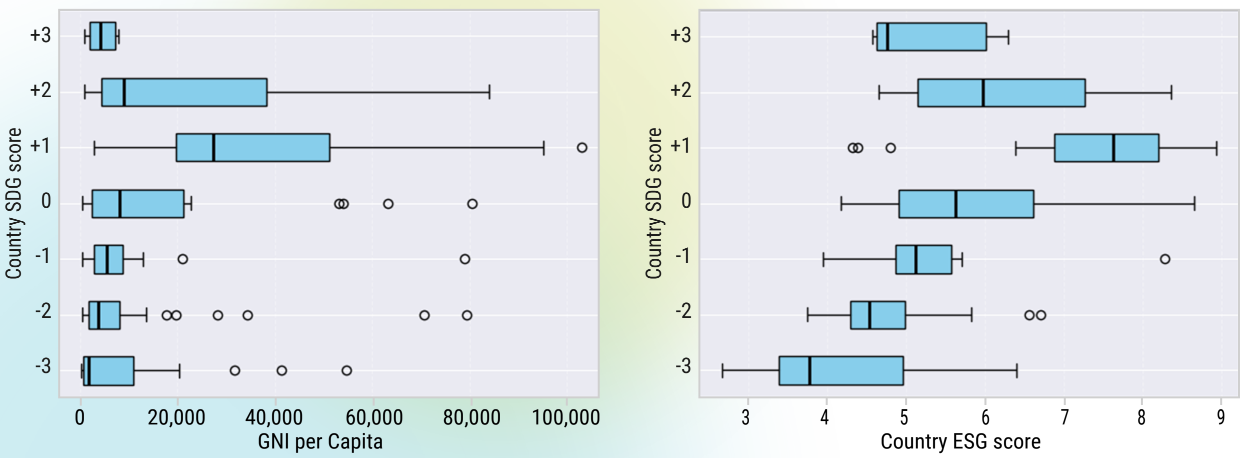
Figure 6 | Sample Country SDG scores

Country	Total SDG score	Scores per step of the framework			Scores per SDG in Step 1 – Policies																
		Step 1 Policies	Step 2 Potential	Step 3 Controversy	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Georgia	+3	+3	+1	0	+3	+1	+1	-2	-1	+1	-1	+3	+1	+2	+1	+1	+1	-2	0	-1	0
Lesotho	+2	+1	+1	0	+1	-1	+3	-1	0	0	+1	0	+1	0	+2	-2	0	0	0	-1	0
France	+2	+2	0	0	0	+2	0	-1	+1	0	0	+1	+1	0	0	+1	0	+1	0	+1	+1
Poland	+1	+1	0	0	0	+1	+1	-1	0	0	0	+2	+1	0	0	+1	-2	+1	0	0	0
Canada	0	0	0	0	0	+1	+1	-1	0	0	0	+1	+1	0	-1	-2	0	-1	0	+1	+1
Australia	0	0	0	0	0	-2	+1	0	+2	0	0	+1	+1	0	-1	-2	0	+1	0	+1	0
Peru	-1	-1	0	0	+1	-3	+1	+1	0	-1	+2	0	0	-1	0	-1	0	-1	0	-1	0
Mozambique	-1	0	0	-1	0	0	+2	0	0	+1	0	+1	0	-2	+2	+1	0	0	-1	-2	0
Liberia	-2	-2	0	0	+1	-3	+3	-2	-2	0	+2	0	0	0	0	0	-1	-1	-1	0	-1
Lebanon	-3	-3	0	-3	-3	-2	0	-1	-1	-1	-2	+1	-1	0	-1	-1	0	-1	-1	-2	0

Source: Robeco, 2025.

Typically, country sustainability rankings are often correlated with income levels. This is because wealthier countries have more opportunities to allocate capital to areas such as education, health care, or social security. However, country SDG scores do not follow this pattern. As shown in (Figure 7), low-income countries appear at both ends of the spectrum, and high or low SDG scores can be found across all country income levels.

Figure 7 | Distribution of SDG score per GNI per capita (a) and Country ESG score (b) (n=170)



Source: Robeco, 2025.

Similarly, the SDG score is not correlated with ESG ratings. Countries with high ESG ratings can still receive neutral or even negative SDG scores. Conversely, several countries with strong SDG scores rank in the lower half of ESG ratings.

This lack of correlation is to be expected and reflects the different philosophies behind the SDG and ESG frameworks. Together, they are complementary – SDG scores help align investments with the goals of sustainable development, while ESG ratings guide the investment process to identify opportunities and manage risks. It is noteworthy to mention that while in many respects, the frameworks are distinctively different, they both apply strict standards on governance and controversies, meaning that countries with poor governance or major controversies will receive low SDG and ESG scores.

Research insights – the non-linear relationship of default risk

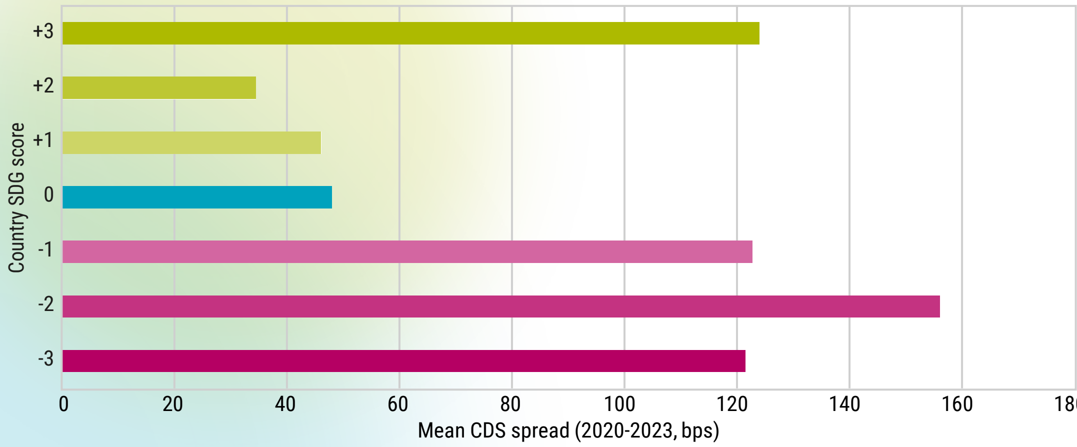
Interestingly, results show a non-linear relationship between SDG scores and CDS spreads (see Figure 8). It is no surprise that countries with negative SDG scores generally have higher default risks than those with neutral or moderately positive scores (+1 or +2). However, results also show that countries with very high SDG scores (+3) show default risks similar to those with negative scores.

To explore this curious feature further, CDS spreads for countries with deeply negative scores (-2 and -3) and those with high positive scores (+2 and +3) were compared against intermediate countries (-1, 0, +1). The analysis shows that countries with poor SDG progress tend to have much higher CDS spreads compared to intermediate countries, reflecting significantly elevated perceptions of risks (likely the result of inadequate institutional structures and poor governance).

In contrast, countries with high positive SDG scores have CDS spreads comparable to intermediate countries. So while default risks may be present, investors' perceived degree of risk is far less than those with negative SDG scores.

These findings highlight the nuanced relationship between SDG alignment and credit risk, allowing investors to build SDG-aligned government bond portfolios across diverse risk profiles.

Figure 8 | Non-linearity between CDS spreads (bps) and country SDG scores (n=170)



Source: Robeco, 2025.

Application in sovereign debt strategies

The Country SDG Framework is applied to sovereign debt strategies designed to advance the SDGs. At the start of the investment process, Country SDG scores are used to define the eligible investment universe. Only bonds issued by countries with neutral or positive SDG scores qualify for inclusion. Typically, debt from government-related entities, such as local authorities or development banks, is also considered and subject to similar eligibility criteria.

Experience shows that Country SDG scores can be effectively used to construct SDG-aligned strategies in both developed and emerging markets. For example, Robeco manages an SDG-aligned mandate focused on EMU (European Monetary Union) countries with neutral or higher scores. In this particular portfolio, Ireland, for instance, is excluded due to its negative SDG score (-1) which is driven partly by high fossil fuel subsidies (SDG 12).

Similarly, Country SDG scores are also used for a 'sleeve' of emerging market sovereign issuers that forms part of a broader SDG-aligned Credits strategy. This sleeve excludes countries such as Türkiye given its negative score but may include others like Indonesia or Ghana.

While using SDG scores to define investment universes introduces the risk of forced sales following a downgrade, score volatility has historically been modest. As a result, such situations have been rare, and the Country SDG Framework has proven practical and effective.

Once the SDG-aligned investment universe is established, the influence of SDG scores typically ends. From that point onward, an investment process consistent with other sovereign debt strategies is followed.

Summary

Our Country SDG Framework is presented as a tool for aligning government bond portfolios with the SDGs. This approach was developed in response to the World Bank's call for a new sovereign sustainability framework that provides clarity on investment objectives, incorporates forward-looking scenarios, and corrects for the income bias that is engrained in established sovereign ESG ratings.

Scores generated through the Framework contribute towards this objective by integrating a forward-looking perspective on SDG-related policies. The framework also accounts for the current development status of a country, leading to an inverse relationship between a country's SDG score and its income status. As a result, Robeco's SDG Framework provides an additional lens for evaluating a country's progress and complements existing ESG ratings.

The Framework is a novel sustainable investing approach to sovereign debt, one of the world's largest asset classes. Though specific 'ring-fenced' financial instruments such as green, social and sustainability-linked bonds are available, a broader approach that systematically integrates forward-looking SDG performance has been largely absent in sovereign investing. Developing such investment strategies was central to the design of the Framework and it is hoped that the methodology will improve access to financing for countries with legitimate ambitions and need, close the SDG financing gap, and ultimately promote positive sustainable development outcomes globally.

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