The Sustainable Development Goals

Reality & Prospects

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Global Context
Looking Back: The MDGs Era

MDG Progress, by number of countries

<table>
<thead>
<tr>
<th>MDG 1.1: Poverty</th>
<th>MDG 1.9: Malnourishment</th>
<th>MDG 2.2: Primary Completion</th>
<th>MDG 3.1: Gender Parity</th>
<th>MDG 4.1: Under-5 Mortality</th>
<th>MDG 4.2: Infant Mortality</th>
<th>MDG 5.1: Maternal Mortality</th>
<th>MDG 7.8: Water</th>
<th>MDG 7.9: Sanitation</th>
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- **Target Met**
- **Sufficient Progress (by 2015)**
- **Insufficient Progress (2015-2020)**
- **Moderately off target (2020-2030)**
- **Seriously Off Target (after 2030)**
- **Insufficient Data**
The global development agendas serve as a compass and guide for countries to determine their national development path.
Transitioning from the MDGs to the SDGs: Lessons Learned

Based on a report co-authored by the World Bank Group and the UN Development Programme on experience with MDG Acceleration exercise

Main lessons:

• Ensure the timeliness and effectiveness of policy instruments
• Increase efficient allocation of resources
• Recognize and identify interrelatedness of development goals at the onset
• Ensure strong government involvement
• Promote quality data
• Increase cross-institutional collaboration
• Prioritize engagement of communities and community mobilization
• Bridge the humanitarian and development agendas
The Sustainable Development Goals

The 2030 Agenda of Ending Poverty, Preserving the Planet, While Leaving No One Behind
Conflicts, Climate Change, Financing, Data
Most Frequently Identified Challenges

*Based on analysis of statements made on April 21, 2016 during the High-Level Thematic Debate (HLTD) event held at United Nations. Statements available online: [https://papersmart.unmeetings.org/ga/70th-session/high-level-thematic-debate-on-achieving-the-sustainable-development-goals/statements/](https://papersmart.unmeetings.org/ga/70th-session/high-level-thematic-debate-on-achieving-the-sustainable-development-goals/statements/)
WBG Areas For Action To Support The 2030 Agenda

**FINANCING**
- Domestic resource mobilization; leveraging private sector; addressing needs of regional and global public goods

**DATA**
- Ensure availability of household budget surveys in 78 poorest countries every three years; data revolution; statistical capacity building

**IMPLEMENTATION**
- Country engagement model; Draw on strength of entire WBG to provide integrated solutions

WBG action on the SDGs has been articulated along these three focus areas
Financing
# Critical Components Of Financing For Development

<table>
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<tr>
<th>1. National public resources:</th>
<th>Improving domestic resource mobilization (DRM)</th>
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<td>2. Global public resources:</td>
<td>Better and smarter aid</td>
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<tr>
<td>3. National and global private resources:</td>
<td>Unlocking private investment for development, Attracting FDI, Remittances, Philanthropic finance</td>
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- The World Economic Forum estimated that annual demand for infrastructure finance alone is **$3.7 trillion**. With annual investment currently around **$2.7 trillion**, this leaves a gap of **$1 trillion** per year.

- According to the Global Commission on the Economy and Climate, incorporating climate considerations raises the financing gap even further, to **$2-3 trillion** per year.
1. Domestic Resources

- A country’s ability to mobilize domestic resources (DRM) and spend them effectively – at the national, sub-national and municipal levels – lies at the crux of financing for development.

- Strengthening the capacity of local governments, including to raise their own revenues, to manage expenditures and service delivery, and to borrow and manage debt prudently is critical;

- Developing inter-government fiscal transfer arrangements that consider the needs of sub-national governments and equalize fiscal capacity and expenditure is also critical.

Source: IMF data
2. Official Development Assistance

As development challenges at the global and national levels increase, so too should the resource envelope available to meet these needs….ODA flows are simply not enough.

Developing countries' total resource receipts

ODA: Official Development Assistance. ODA in the chart includes bilateral ODA and multilateral concessional flows. Non-ODA flows include: other official developmental flows, officially-supported export credits, FDI, other private flows at market terms and private grants. Adjusted gross disbursements, three-year moving average, USD million, 2012 constant prices.

Sources. Remittances, World Bank. Other resource flows, DAC statistics. NB: Data on flows to MADCTs are only available up to 2010.
3. Mobilizing Private Resources

As development challenges at the global and national levels increase, so too should the resource envelope available to meet these needs.

- Aggregate assets held by ten largest MDBs: $1.3 trillion

- Making the “Billions to Trillions” pledge a reality requires expanding the pool of development capital beyond the multilateral development banks (MDBs) and official agencies.

- Private funds:
  - $2 trillion of assets held by the world’s ten largest pension funds
  - $4.5 trillion of assets held by the world’s ten largest insurance companies
  - $5 trillion in assets held by the world’s ten largest sovereign wealth funds
  - $100 trillion global bond market

- The global community looks to the World Bank Group to lead on the “Billions to Trillions” initiative - a call to greatly increase the financial capacity that can be deployed to meet the Sustainable Development Goals.
Official development assistance must catalyze and leverage new development resources.

To unlock these resources, countries must improve the business climate, develop local capital markets, and mitigate investment risk.

To unlock these resources, countries must build effective tax regimes and government institutions and improve public spending.
Data
Good Data Informs Implementation

Improving data availability

Statistical Capacity Score (scale: 0-100)
Good Data Informs Implementation

Improving data availability

Number of Poverty Data since 1976
Implementation
Global Economy

GDP Growth (Percent)

Contributions to Growth

GDP Growth (Percent)

Percentage points

EMDEs
Advanced economies

Key Areas for Countries to Unlock their Implementation Potential

Growth for poverty reduction – five common characteristics

Accumulation
- Future orientation
- High investment
- High saving

Inclusion
- Leadership and governance
- Credible commitment to growth
- Credible commitment to inclusion
  - Capable administration

Allocation
- Market Allocation
- Prices guide resources
- Resources follow prices

Stabilization
- Macroeconomic stability
- Modest inflation
- Sustainable public finances

Innovation
- Openness
- Import knowledge
- Exploit global demand

Key Areas for Countries to Unlock their Implementation Potential

Managing Urbanization: 96% of increase in developing country population between now and 2030 will be in urban areas

Share of Urban Population (% of total)
Key Areas for Countries to Unlock their Implementation Potential

Managing urbanization

Proportion of urban population living in slums, 1990-2010

- Developing regions
- North Africa
- Sub-Saharan Africa
- Latin America and the Caribbean
- Eastern Asia
- Southern Asia
- South-Eastern Asia
- Western Asia
- Oceania

% of slum population

- 1990
- 2000
- 2010
Key Areas for Countries to Unlock their Implementation Potential

Managing urbanization

(a) More urbanized countries have lower poverty rates

(b) Urbanization goes hand in hand with more prosperity
Key Areas for Countries to Unlock their Implementation Potential

Managing urbanization

**Plan:**
- Value land use through transparent assessment
- Coordinate land use with infrastructure, natural resources, and hazard risk
- Leverage competitive markets alongside regulation to expand basic services

**Connect:**
- Value the city’s external and internal connections
- Coordinate among transport options and with land use
- Leverage investments that will generate the largest returns—individually and collectively

**Finance:**
- Value and develop the city’s creditworthiness
- Coordinate public-private finance using clear, consistent rules
- Leverage existing assets to develop new ones, and link both to land use planning

Better SDG outcomes

Slums emerge; 0.8 billion people live in slums
Key Areas for Countries to Unlock their Implementation Potential

Addressing the impact of climate change

• **Strengthening resilience**: boosting natural capital, physical capital, and human and social capital, including social protection for the more vulnerable
  • *Examples*: climate-smart agriculture, integrated watershed management

• **Powering resilience**: increasing low-carbon energy sources
  • *Examples*: Leveraging potential of solar and hydro power

• **Enabling resilience**: providing essential data, information, and decision-making tools for promoting climate resilient-development across sectors at the regional and country level
  • *Examples*: early warning systems, hydro-met program, climate resilient investment facility
World Bank Group
IDA: WBG Fund for the Poorest

• IDA is one of the largest sources of assistance for 77 countries, 39 of which are in Africa.
• IDA lends money on concessional terms.
  • This means that IDA credits have a zero or very low interest charge and repayments are stretched over 25 to 40 years, including a 5- to 10-year grace period.
  • IDA also provides grants to countries at risk of debt distress.
• The 18th replenishment, just concluded this year, mobilized a record $75B Commitment.
IDA’s New Private Sector Window

Objective: Unlock significant opportunities to mobilize private capital, and help scale up the growth of a sustainable and responsible private sector in IDA countries.

- Set aside **US$2.5 billion** ($2bn for IFC and $500mn for MIGA)
- Designed to target significant barriers to private sector development.
World Bank/IBRD Treasury Issues Equity-index Linked Bonds

- Bonds that for the first time directly link returns to the performance of companies advancing global development priorities set out in the 2030 Agenda

- The equity-index linked bonds raised a total of EUR163 million from institutional investors in France and Italy

- World Bank Group Treasury anticipates coming to market with similar issuances that would attract a range of investors across the world

Sources: World Bank Group Treasury, Press Release from 03/09/2017
Index Methodology

The index composition follows a 3-step methodology to select companies from the overall investment universe (developed country companies assessed by VigeoEiris):

Step 1 – ESG Control
- Exclusion of companies
  - with a VigeoEiris ESG score below the regional average
  - involved in alcohol, armament, gambling, nuclear, pornography or tobacco, or in critical controversies about the environment, human and labour rights
  - that are part of the most intensive carbon emitters unless they have a robust energy transition strategy

Step 2 - SDGs Methodology
- Selection of companies contributing to the SDGs
  - a significant part of their activity dedicated to sustainable products
  - or a leading sustainable behaviour in their sector

Step 3 – Financial Filters
- Final selection based on suitability for equity index investing
  - liquidity filter (Average Daily Volume for 1 and 6 months above 10 million USD or EUR)
  - low volatility filter (The 50 stocks with lowest volatility meeting diversification constraints)
  - geographical and sectorial diversification (max. 25% stocks from the same sector; min. 10% and max. 50% stocks from the same region - Europe, America, Asia)
  - equally-weighted
  - volatility control (10% volatility cap for USD; 8% for EUR)
  - adjustment factor (3% p.a.)

Sources: World Bank Group Treasury
• IFC was founded on the idea that the private sector is essential to development.
• IFC can help address critical constraints in areas such as finance, infrastructure, employee skills, and the regulatory environment.
Creating Markets is a WBG Agenda:
EACH STEPPING UP, ALL CREATING IMPACT TOGETHER

- “IFC 3.0”: A change in business model: from leveraging markets to creating markets
  - Going upstream and working to create bankable projects
  - Clear asks of Bank: specific areas where de-risking needed
  - New mobilization mechanisms, broader institutional and other investor networks

- Institutional enablers
  - Aligned incentives: To focus on enabling private solutions to public issues
  - Budget allocation: To support Bank de-risking activities
  - Engagement mechanisms: To process sourcing, analytics, ex ante development impact assessment, implementation
  - New capabilities: Financial and technical
Sustainable Finance

The Cascade

1. Commercial Financing
   - Can commercial financing be cost-effectively mobilized for sustainable investment? If not…

2. Upstream Reforms & Market Failures
   - Can upstream reforms be put in place to address market failures? If not…
   - • Country and Sector Policies
   - • Regulations and Pricing
   - • Institutions and Capacity

3. Public and Concessional Resources for Risk Instruments & Credit Enhancements
   - Can risk instruments & credit enhancements cost-effectively cover remaining risks? If not…
   - • Guarantees
   - • First Loss

4. Public & Concessional Financing, Including Sub-sovereign
   - Can development objectives be resolved with scarce public financing?
   - • Public finance (incl. national development banks and domestic SWF)
   - • MDBs and DFIs
Ideas for Action

- Launched in 2015
- Seeks innovative ideas from youth on how to finance the Sustainable Development Goals
- Partnership between the World Bank Group and the Wharton School, amongst others, which provides participants with access to invaluable resources.
- Winners present their ideas at the World Bank Group-IMF Annual Meetings to a high-level audience.
Thank You

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