Prospects for achieving the sustainable development goals and the role of Islamic finance
1. Megatrends and the SDGs
   2. Data
   3. Implementation
   4. Financing the SDGs
   5. Business and Society
Megatrends

Demographic Transitions

Urbanization

Climate Change

Shifts in the global economy

Market volatility and commodity cycles

Fragility and violence

Technological changes

Renewed debate about globalization

Opportunities and Challenges

Source: Forward Look 2016
The global development agenda: The MDGs to the SDGs

<table>
<thead>
<tr>
<th>Goals</th>
<th>8</th>
<th>17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Targets</td>
<td>21</td>
<td>169</td>
</tr>
<tr>
<td>Indicators</td>
<td>60</td>
<td>~230</td>
</tr>
<tr>
<td>Priority Areas</td>
<td>Human Development</td>
<td>Holistic: Economic, Social, Environmental</td>
</tr>
<tr>
<td>Scope</td>
<td>Developing Countries</td>
<td>Universal</td>
</tr>
</tbody>
</table>
The SDGs address 21st century challenges

ECONOMIC DIMENSION

1. Economic effects of lack of access to essential services
2. High levels of debt, especially in lower income countries
3. Prioritizing lower income countries
4. Partnerships are key

ENVIRONMENTAL DIMENSION

01. The Paris Agreement
02. Carbon Pricing
03. Funding requirements for adaptation and mitigation

SOCIAL DIMENSION

INCOME EQUITY

GENDER EQUITY

GOVERNANCE DIMENSION

The SDGs call for "effective, accountable and inclusive institutions at all levels."
Successful anti-corruption initiatives are built on institutional reforms.
The challenges of tax avoidance and tax evasion

Achieving the SDGs contributes to addressing the challenges of the 21st century

Source: International Monetary Fund 2018
Key Means to Implement the SDGs

Data

Financing

Implementation: Digitalization & Localization
Seventy-eight of 169 SDG targets describe potentially assessable outcomes for Canada.

- Not able to assess
- Proxy target
- Canadian national target
- Quantified SDG target

Source: Brookings, 2017
Big Data: Opportunities

1. Gain real-time insights into people’s well-being and target development interventions to vulnerable groups.

2. Enable more agile, efficient and evidence-based decision making that is inclusive and fair.

3. Shed light on disparities in society that were previously hidden.

- Analysis of financial transactions can reveal the spending patterns and different impacts of economic shocks on men and women.

- Speech-to-text analytics on local radio content can reveal discrimination concerns and support policy response.

- Sentiment analysis of social media can reveal public opinion on effective governance, public service delivery or human rights.
Big Data: Risks

1. May impede data sovereignty and individual rights without sufficient data protection measures.

2. Possible increases in inequality between the data ‘haves’ and ‘have nots’.
Big data regulations: The EU General Data Protection Regulation

Source: https://www.bankinghub.eu/banking/finance-risk/gdpr-deep-dive-implement-right-forgotten
Statistical Capacity is a nation’s ability to collect, analyze, and disseminate high-quality data about its population and economy. Quality statistics are essential for all stages of evidence-based decision-making, including:

- Monitoring social and economic indicators
- Allocating political representation and government resources
- Guiding private sector investment
- Informing the international donor community for program design and policy formulation

Improving statistical capacity
The Atlas of Sustainable Development Goals: a visual guide to data and development

The Atlas of Sustainable Development Goals presents maps, charts, and stories related to the 17 Sustainable Development Goals.

The Atlas discusses trends, comparisons, and measurement issues using accessible and shareable data visualizations. The data draws on the WDI. For each of the SDGs, relevant indicators have been chosen to illustrate important ideas.
Implementation and localization

U.K. Midlands:
Successful locally owned businesses help develop local markets, create innovation, success and redistribution in a self-reinforcing cycle.

Tunisia:
E-government services and portal stimulates citizen engagement and policy discussions. Big Data Hackathon (2017) encourages start-ups and institutions to make Big Data innovations.

Egypt:
Government services development program provides speedy delivery on such as education enrolment and legal services.

Indonesia:
A program is being implemented to enhance the capacity of local governments to improve efficiency and effectiveness of local public spending. Also implemented the PNPM program: community driven development.

Kenya:
Open data initiative makes government data available to the public E-government portal facilitates ‘one stop shop’ for citizens.

Ghana:
MasterCard and IFC use big data to promote access to financial services for the poor.

Colombia:
MasterCard and IFC use big data to promote access to financial services for the poor.

14
Implementation: 103 countries have presented VNRs to date at the High Level Political Forum

Source: Voluntary national review (VNR)
49 countries to submit their VNRs in 2019

<table>
<thead>
<tr>
<th>Country</th>
<th>Country</th>
<th>Country</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>Algeria</td>
<td>Congo (Republic of the)</td>
<td>Guyana</td>
<td>Mauritius</td>
</tr>
<tr>
<td>Azerbaijan*</td>
<td>Cote d’Ivoire</td>
<td>Iceland</td>
<td>Mongolia</td>
</tr>
<tr>
<td>Bosnia and Herzegovina</td>
<td>Croatia</td>
<td>Indonesia*</td>
<td>Nauru</td>
</tr>
<tr>
<td>Brazil*</td>
<td>El Salvador*</td>
<td>Iraq</td>
<td>New Zealand</td>
</tr>
<tr>
<td>Burkina Faso</td>
<td>Eritrea</td>
<td>Israel</td>
<td>Oman</td>
</tr>
<tr>
<td>Cambodia</td>
<td>Eswatini</td>
<td>Kazakhstan</td>
<td>Pakistan</td>
</tr>
<tr>
<td>Cameroon</td>
<td>Fiji</td>
<td>Kuwait</td>
<td>Palau</td>
</tr>
<tr>
<td>Central African Republic</td>
<td>France*</td>
<td>Lesotho</td>
<td>Philippines*</td>
</tr>
<tr>
<td>Chad</td>
<td>Ghana</td>
<td>Liechtenstein</td>
<td>Rwanda</td>
</tr>
<tr>
<td>Chile*</td>
<td>Guatemala*</td>
<td>Mauritania</td>
<td>Saint Lucia</td>
</tr>
<tr>
<td>* Presenting for the second time</td>
<td>* Presenting for the second time</td>
<td>* Presenting for the second time</td>
<td></td>
</tr>
<tr>
<td>Serbia</td>
<td>Sierra Leone*</td>
<td>South Africa</td>
<td>Timor-Leste</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Tunisia</td>
<td>Tonga</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Turkmenistan</td>
<td>Turkey*</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>United Kingdom</td>
</tr>
</tbody>
</table>
### Looking back: The MDGs

<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>
</tr>
</thead>
<tbody>
<tr>
<td>Target Met</td>
<td>Target Met</td>
<td>Target Met</td>
<td>Target Met</td>
<td>Target Met</td>
<td>Target Met</td>
<td>Target Met</td>
<td>Target Met</td>
<td>Target Met</td>
</tr>
<tr>
<td>Seriously Off Target (after 2030)</td>
<td>Seriously Off Target (after 2030)</td>
<td>Seriously Off Target (after 2030)</td>
<td>Seriously Off Target (after 2030)</td>
<td>Seriously Off Target (after 2030)</td>
<td>Seriously Off Target (after 2030)</td>
<td>Seriously Off Target (after 2030)</td>
<td>Seriously Off Target (after 2030)</td>
<td>Seriously Off Target (after 2030)</td>
</tr>
<tr>
<td>Insufficient Data</td>
<td>Insufficient Data</td>
<td>Insufficient Data</td>
<td>Insufficient Data</td>
<td>Insufficient Data</td>
<td>Insufficient Data</td>
<td>Insufficient Data</td>
<td>Insufficient Data</td>
<td>Insufficient Data</td>
</tr>
</tbody>
</table>

- MDG 1.1: Poverty
- MDG 1.9: Malnourishment
- MDG 2.2: Primary Completion
- MDG 3.1: Gender Parity
- MDG 4.1: Under-5 Mortality
- MDG 4.2: Infant Mortality
- MDG 5.1: Maternal Mortality
- MDG 7.8: Water
- MDG 7.9: Sanitation
Financing the SDGs will need to come from multiple sources

In 2030, EMEs would need to spend 4% of GDP ($2.1 trillion) more than they did in 2016, while LIDCs would need to spend 15.4% more ($0.5 trillion).

Most EMEs would be able to finance the additional spending on SDGs by mobilizing their own resources.

However, the shortfall for LIDCs will be very large, as their fiscal space is limited.

LIDCs would have to rely on alternative sources of funding, mostly beyond their direct control: private financing, philanthropy, and—critically—advanced economies delivering on their official ODA targets.
Financing the SDGs will need to come from multiple sources

A large pool of private capital is yet to be catalyzed with judicious use of scarce public and concessional resources.
When a project is presented, we apply the “Cascade”

You should ask: “Is there a sustainable private sector solution that limits public debt and contingent liabilities?” If the answer is...

**YES**

Promote such private sector solutions

**NO**

The WB could play an important role in supporting the govt to advance appropriate private sector solutions. i.e. thru technical assistance for relevant reforms and capacity building, project identification and prep support, project structuring, and support to the govt in negotiations with the private sector

- Policy or regulatory gaps or weaknesses? If so, provide WBG support for policy and regulatory reforms.
- Risks? If so, assess the risks and see whether WBG instruments can address them.

Source: World Bank, 2018
How can the private sector get involved?

How much is out there?

More than $10 trillion invested in negative interest rate bonds

$8 trillion sitting in cash

$24.4 trillion in low-yield government securities

Source: Mohieldin, On the Sustainable Development Goals and Islamic Capital Markets, 2018
Role of Islamic capital markets in supporting the 2030 agenda: Islamic finance can support Sustainable Development Objectives

Source: On the Sustainable Development Goals and the Role of Islamic Finance, Ahmed et al. 2015
Islamic capital markets can be viable sources of long-term development finance.
Can sukuk be used for infrastructure investment?

Source: Naveed, Sukuk: Asset Securitization Based on Shari’a Principles, 2015
Sukuk: A viable instrument for development finance

1. Asset–backed nature of sukuk
2. The link between underlying asset`s revenue and sukuk investor`s return
3. Infrastructure financing is a leading reason for sukuk issuance
4. Sukuk enables risk-sharing in high-risk development projects
5. Sukuk offers flexible structures for different phases of development projects
6. Sukuk might enhance Public-Private Partnership structures
7. A wider investor base for Sukuk
## Role of Sukuk in financing sustainable development

<table>
<thead>
<tr>
<th>Usage</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal support</td>
<td><strong>Sudan:</strong> Over $100 million of Sukuk issued in 2012 to raise funds for the government</td>
</tr>
<tr>
<td>Liquidity management</td>
<td><strong>Bahrain, Gambia and Brunei:</strong> Short-term Sukuk as tools of liquidity management</td>
</tr>
<tr>
<td>Education</td>
<td><strong>Osun State, Nigeria:</strong> Local currency, sub-sovereign Sukuk issue ($62 million equivalent) for the construction and rehabilitation of 24 schools in 2013</td>
</tr>
<tr>
<td>Health</td>
<td><strong>World Bank:</strong> Global Sukuk for $500 million raised by International Financial Facility for Immunization to fund the supply of vaccines to some of the world’s poorest nations in 2014</td>
</tr>
<tr>
<td>Infrastructure</td>
<td><strong>Saudi Arabia:</strong> Global Sukuk for $1.7 billion to finance electricity projects in 2010. <strong>Malaysia:</strong> Global Sukuk for $300 million to finance the Klang Valley Rapid Mass Transit Project</td>
</tr>
<tr>
<td>Environment</td>
<td><strong>Malaysia:</strong> The World’s first green sukuk launched in 2017 to finance sustainable, climate-resilient growth</td>
</tr>
</tbody>
</table>
Some instruments are structured in a manner that may be compliant with Islamic finance. World Bank Group examples include:

**SDG Bonds**
Equity-linked bonds that link returns to the performance of companies advancing global development priorities

**IFC’s Social Bond Program**

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

**Step 1**
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**
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**
Final selection based on sustainability 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.)

The index consists of 50 companies. The graph shows the current index composition mapped against each companies’ contribution to each of the 17 SDGs.

Source: VigeoEiris, Solactive (For illustrative purposes only.)
Projects will generally involve support for low-income populations, in the areas of:

- Smallholder farming
- More affordable health, education, utilities or housing services
- Goods and services
- Access to telecommunication and payment platforms
- Lending to financial intermediaries; proceeds of which must be on-lent to women-owned enterprises
1. Define strategic impact objectives consistent with the investment strategy
2. Manage strategic impact and financial returns at portfolio level
3. Establish the investor’s contribution to the achievement of impact
4. Assess the expected impact of each investment, based on a systematic approach
5. Assess, address, monitor and manage the potential risks of negative effects of each investment
6. Monitor the progress of each investment in achieving impact against expectations and respond appropriately
7. Conduct exits, considering the effect on sustained impact
8. Review, document and improve decisions and processes based on the achievement of impact and lessons learned
9. Publicly disclose alignment with the principles and provide regular independent verification of the extent of alignment

Source: Investing for Impact: Operating Principles for Impact Management, IFC, 2018
The SDGs provide the opportunity for business accountability and synergies with society.
Thank you

Mahmoud Mohieldin
Senior Vice President
World Bank Group

worldbank.org/sdgs

Follow us on twitter @WBG2030

Mahmoud Mohieldin on LinkedIn