



Prospects for achieving the sustainable development goals and the role of Islamic finance

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Megatrends

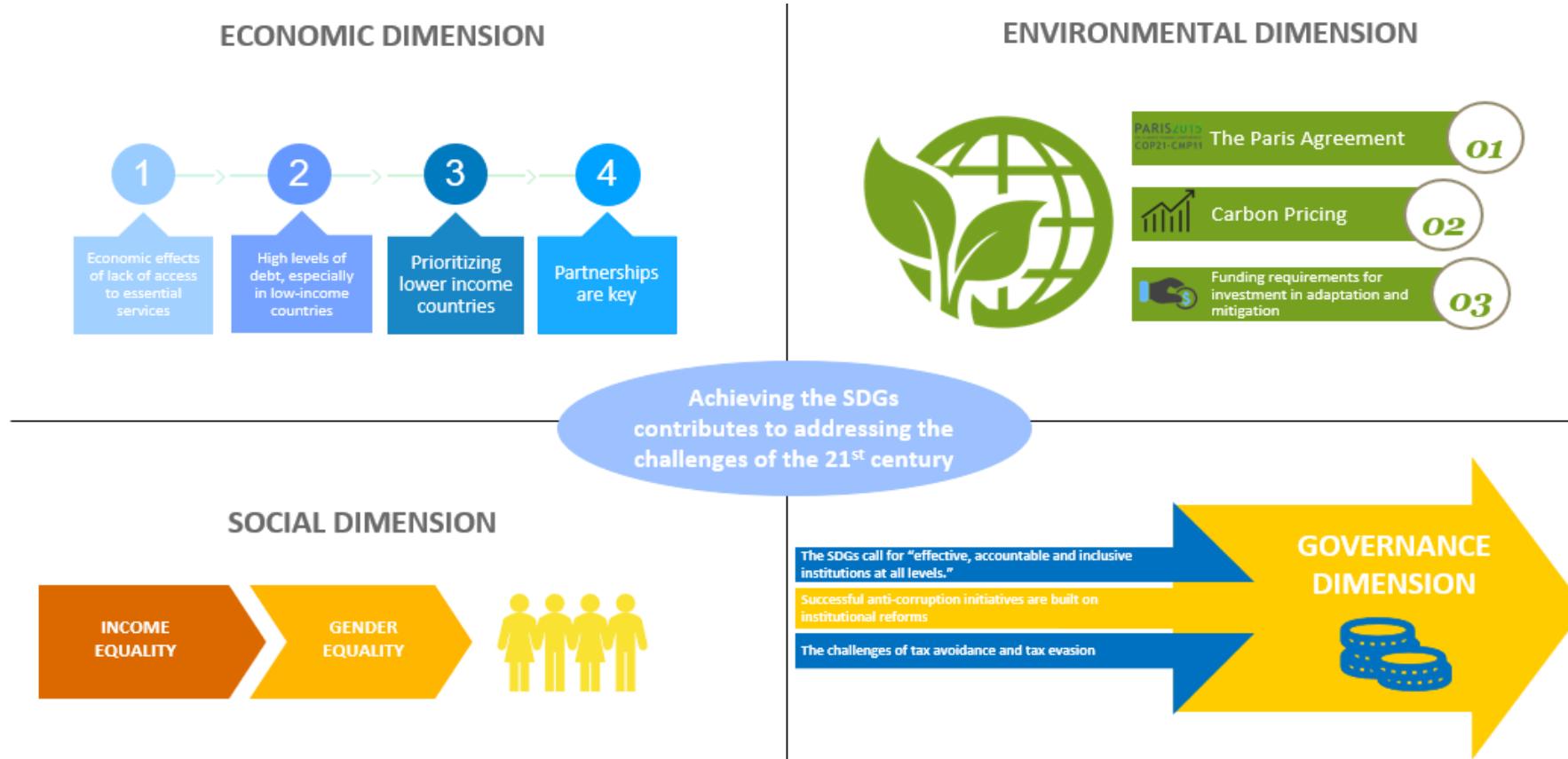


The global development agenda: The MDGs to the SDGs



	MDGs (2000-2015)	SDGs (2016-2030)
Goals	8	17
Targets	21	169
Indicators	60	~230
Priority Areas	Human Development	Holistic: Economic, Social, Environmental
Scope	Developing Countries	Universal

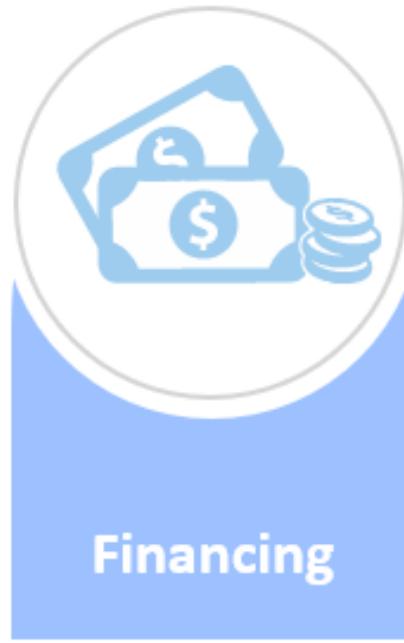
The SDGs address 21st century challenges



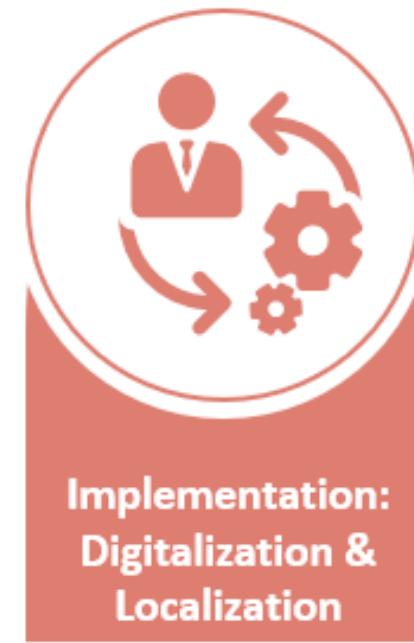
Key Means to Implement the SDGs



Data

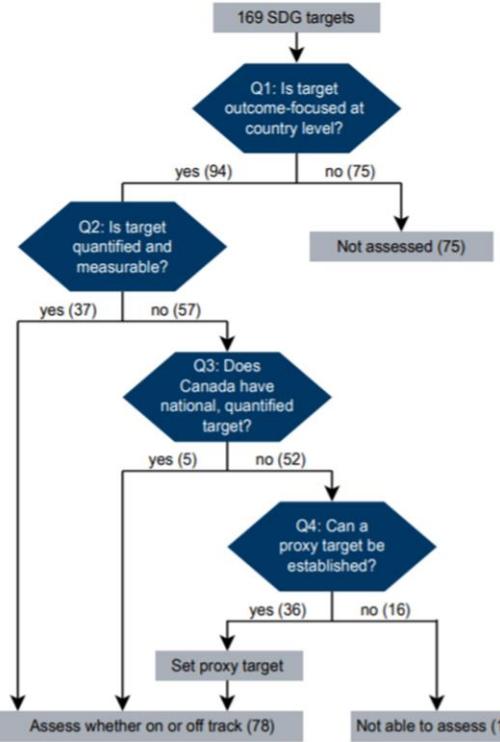


Financing



**Implementation:
Digitalization &
Localization**

Data



Source: Brookings, 2017

Seventy-eight of 169 SDG targets describe potentially assessable outcomes for Canada



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

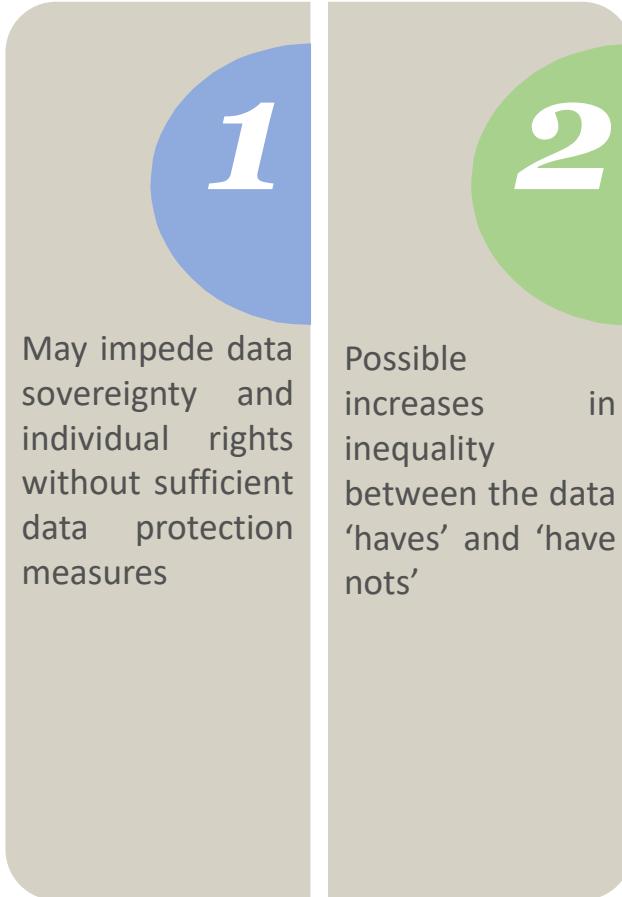


Speech-to-text analytics on local radio content can reveal discrimination concerns and support policy response

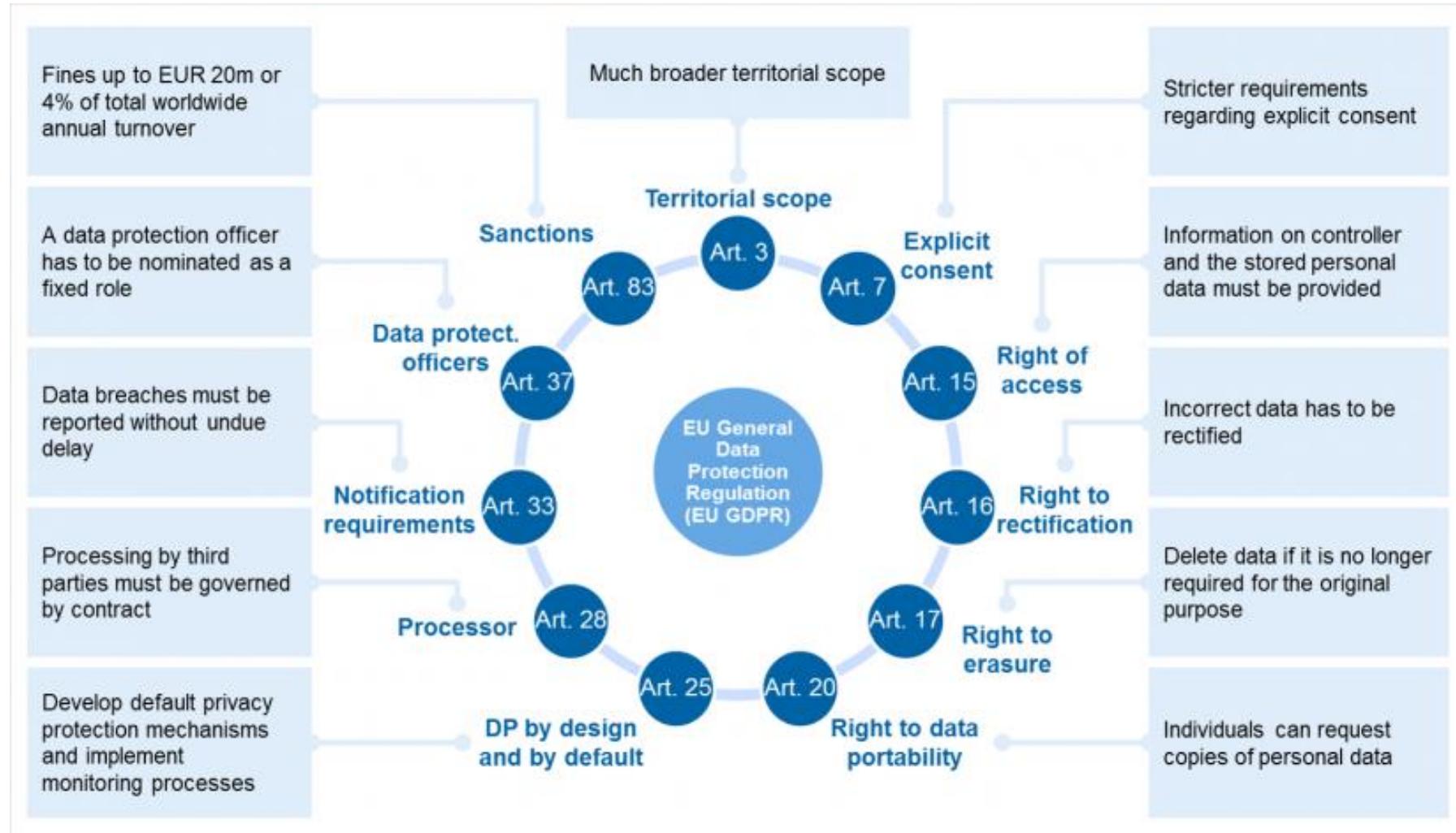


Sentiment analysis of social media can reveal public opinion on effective governance, public service delivery or human rights

Big Data: Risks



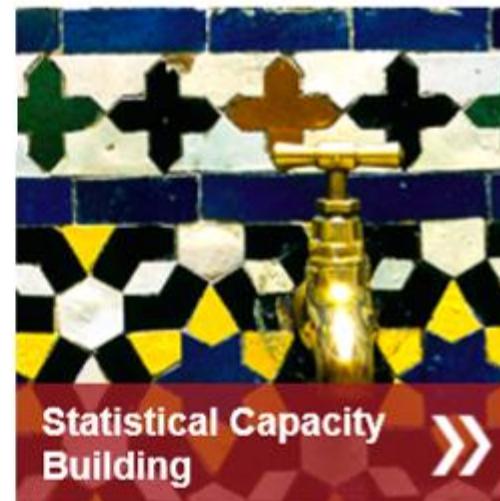
Big data regulations: The EU General Data Protection Regulation



Improving statistical capacity

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



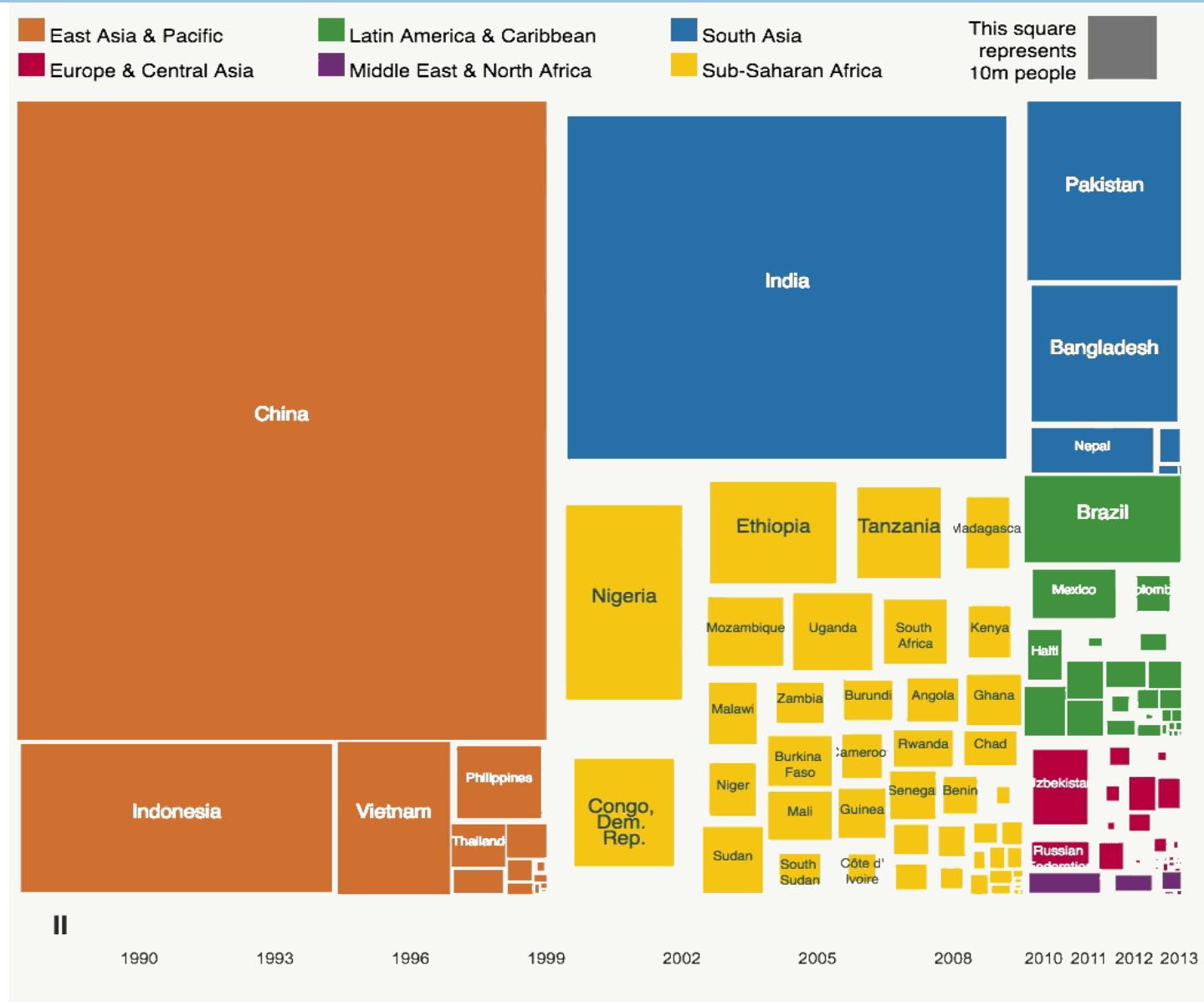
The Atlas of Sustainable Development Goals: *a visual guide to data and development*

Atlas of Sustainable Development Goals 2018 From World Development Indicators

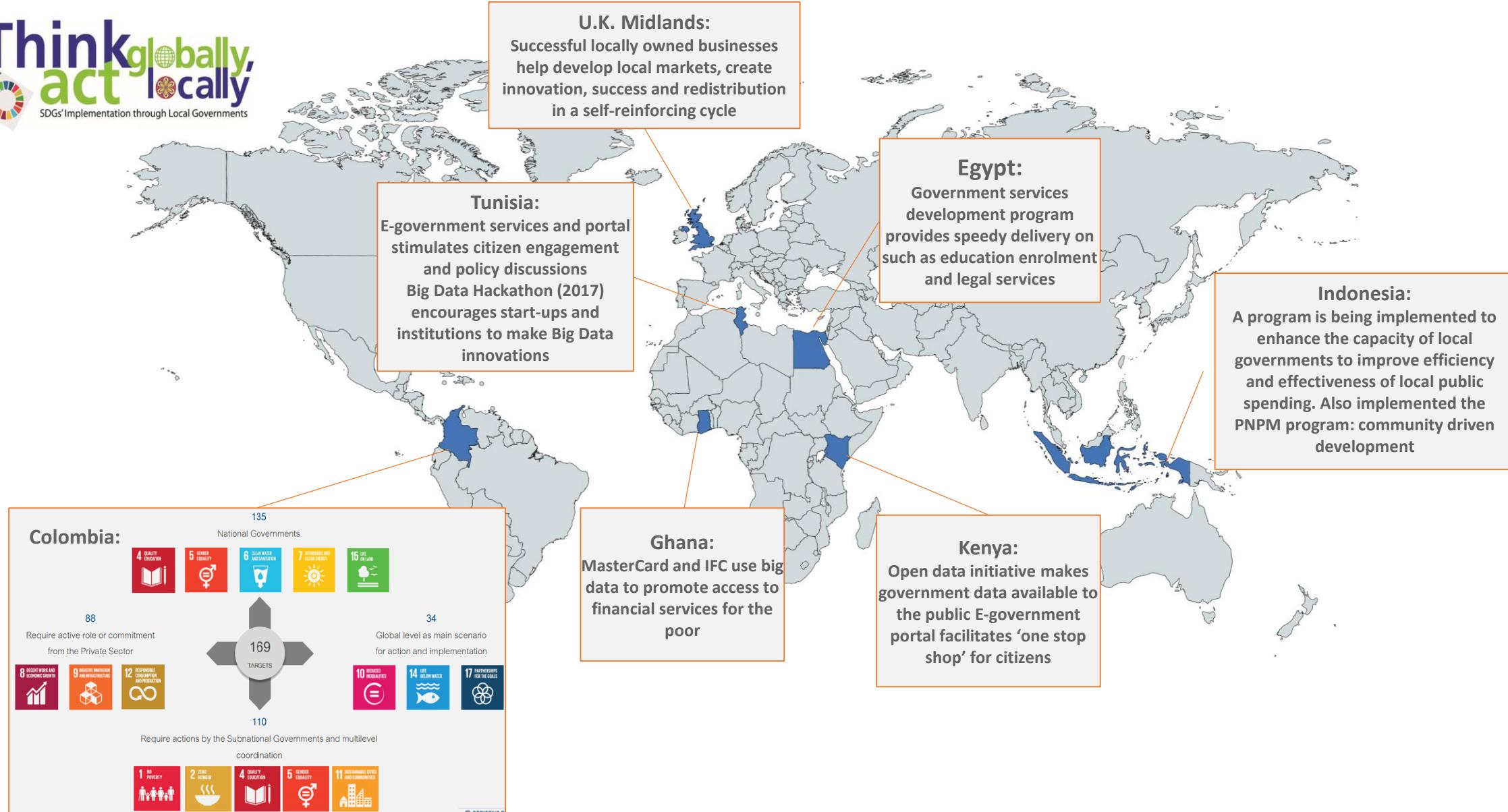


- The Atlas of Sustainable Development Goals presents maps, charts, and stories related to the 17 Sustainable Development Goals
- The Atlas discusses trends, comparisons, and measurement issues using accessible and shareable data visualizations. The data draws on the WDI. For each of the SDGs, relevant indicators have been chosen to illustrate important ideas

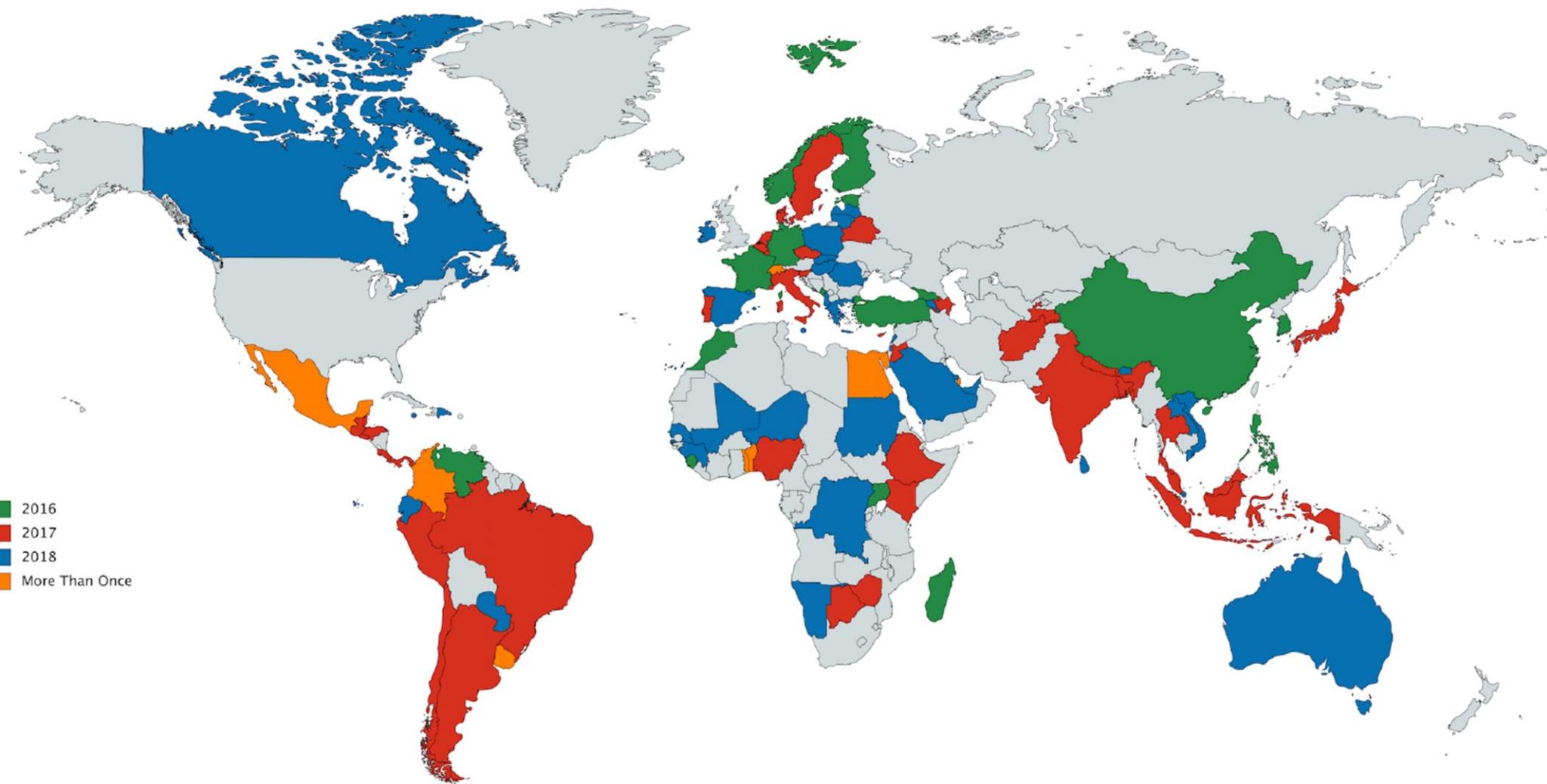
People living in extreme poverty



Implementation and localization



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



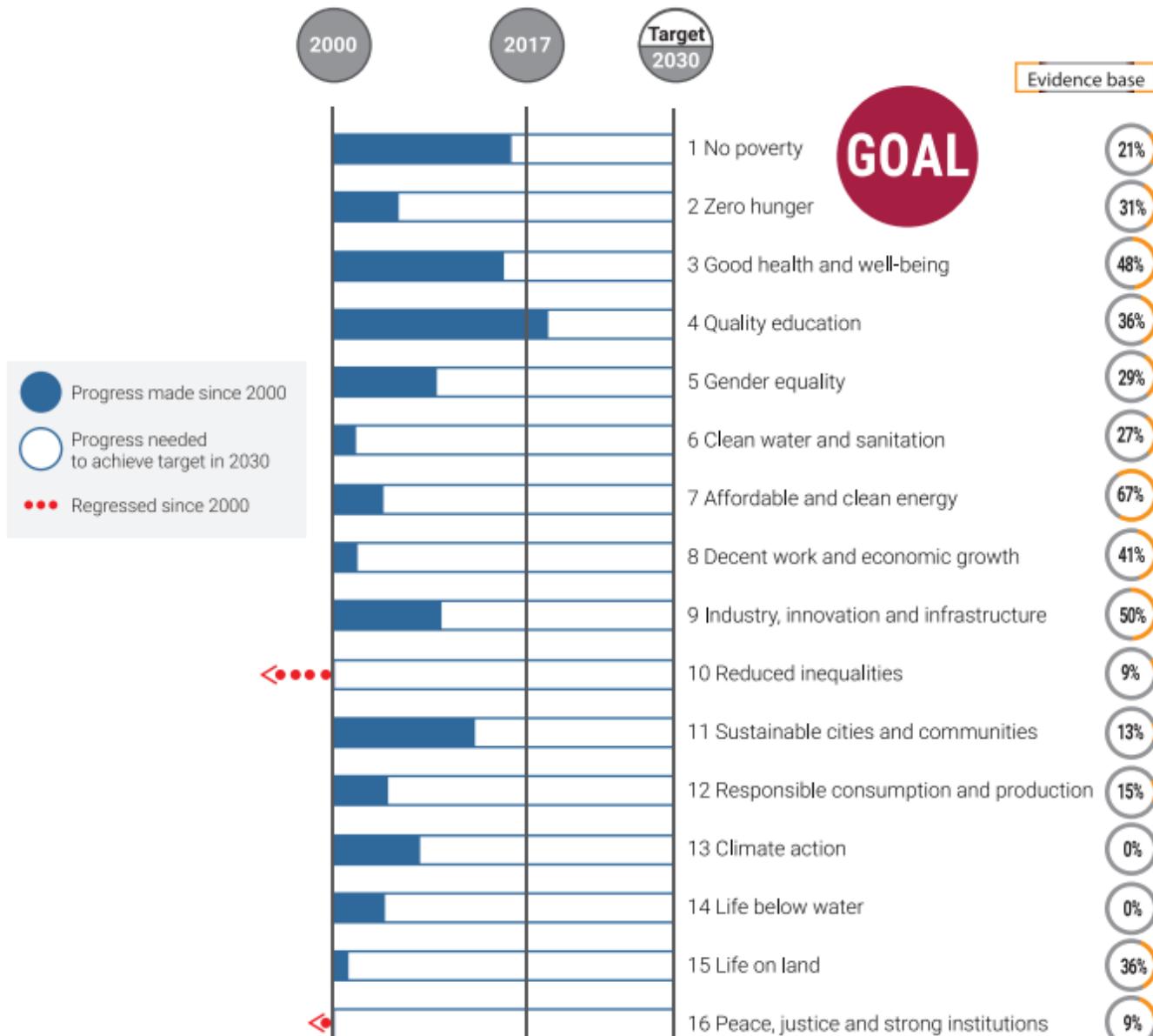
Source: Voluntary national review (VNR)

49 countries to submit their VNRs in 2019

Algeria	Congo (Republic of the)	Guyana	Mauritius	Serbia
Azerbaijan*	Cote d'Ivoire	Iceland	Mongolia	Sierra Leone*
Bosnia and Herzegovina	Croatia	Indonesia*	Nauru	South Africa
Brazil*	El Salvador*	Iraq	New Zealand	Timor-Leste
Burkina Faso	Eritrea	Israel	Oman	Tonga
Cambodia	Eswatini	Kazakhstan	Pakistan	Tunisia
Cameroon	Fiji	Kuwait	Palau	Turkey*
Central African Republic	France*	Lesotho	Philippines*	Turkmenistan
Chad	Ghana	Liechtenstein	Rwanda	United Kingdom
Chile*	Guatemala*	Mauritania	Saint Lucia	

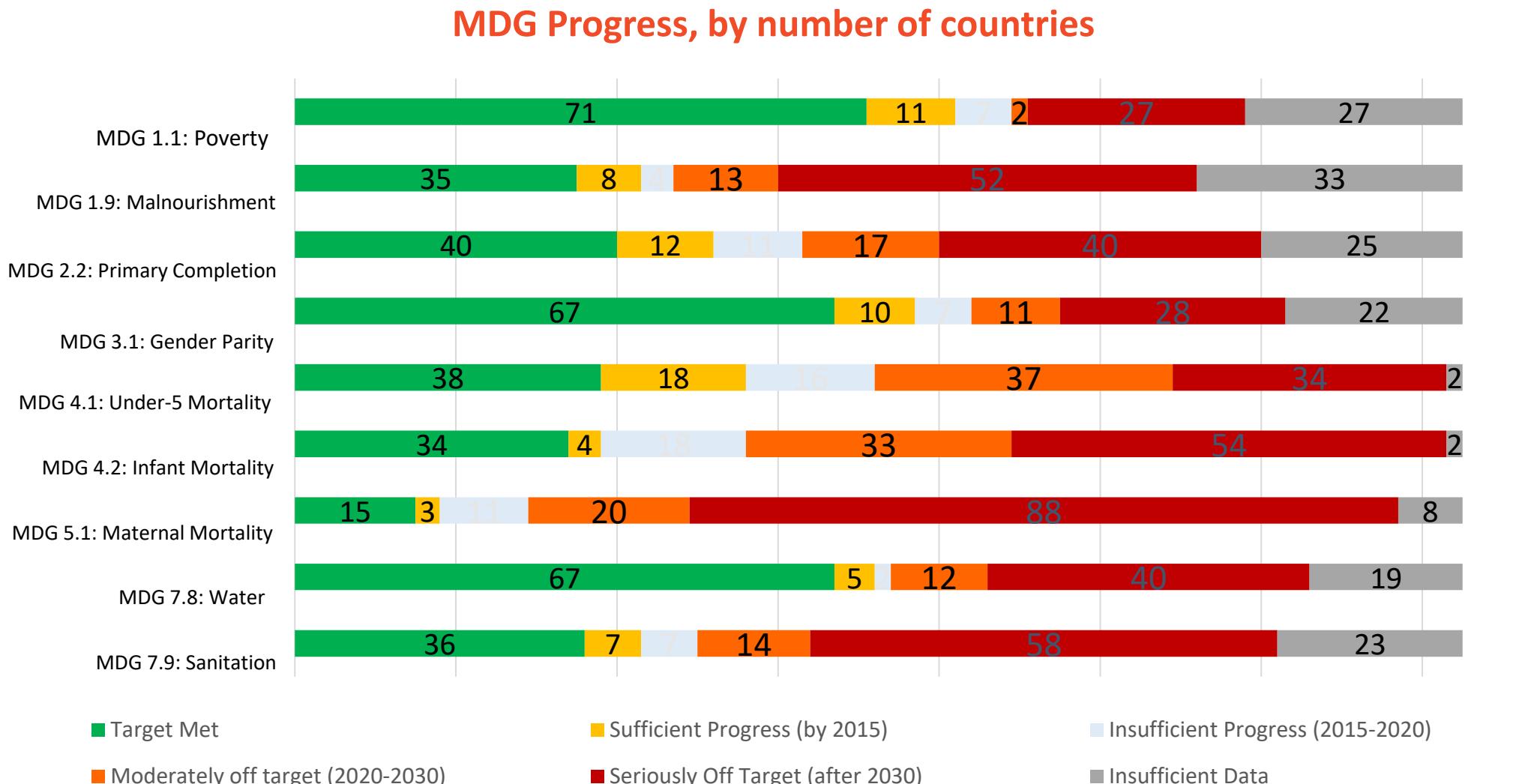
* Presenting for the second time

Regional Progress on the SDGs: Example of Asia and the Pacific

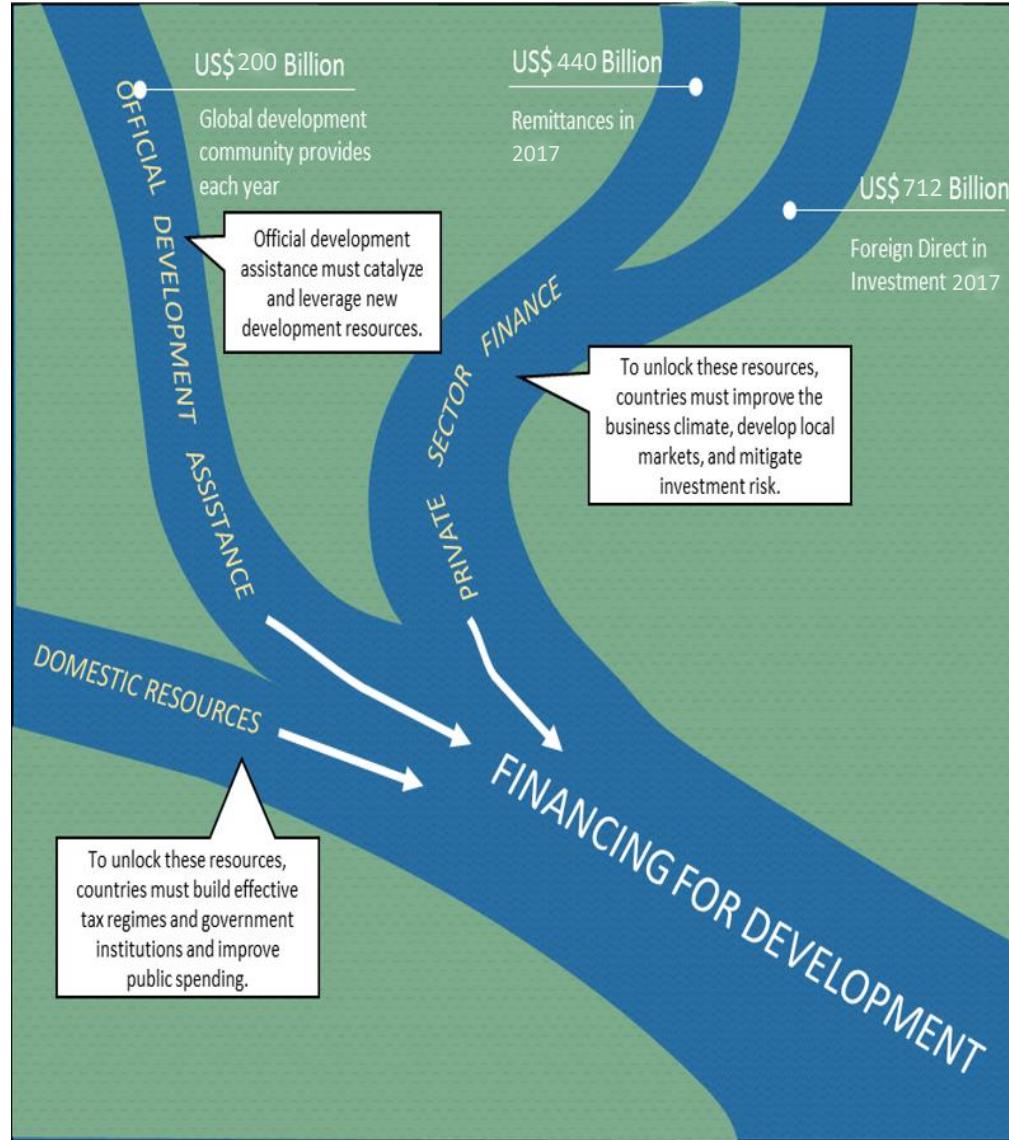


Source: Asia and the Pacific SDG Progress Report 2017, ESCAP
<https://www.unescap.org/sites/default/files/Asia-Pacific-SDG-Progress-Report-2017.pdf>

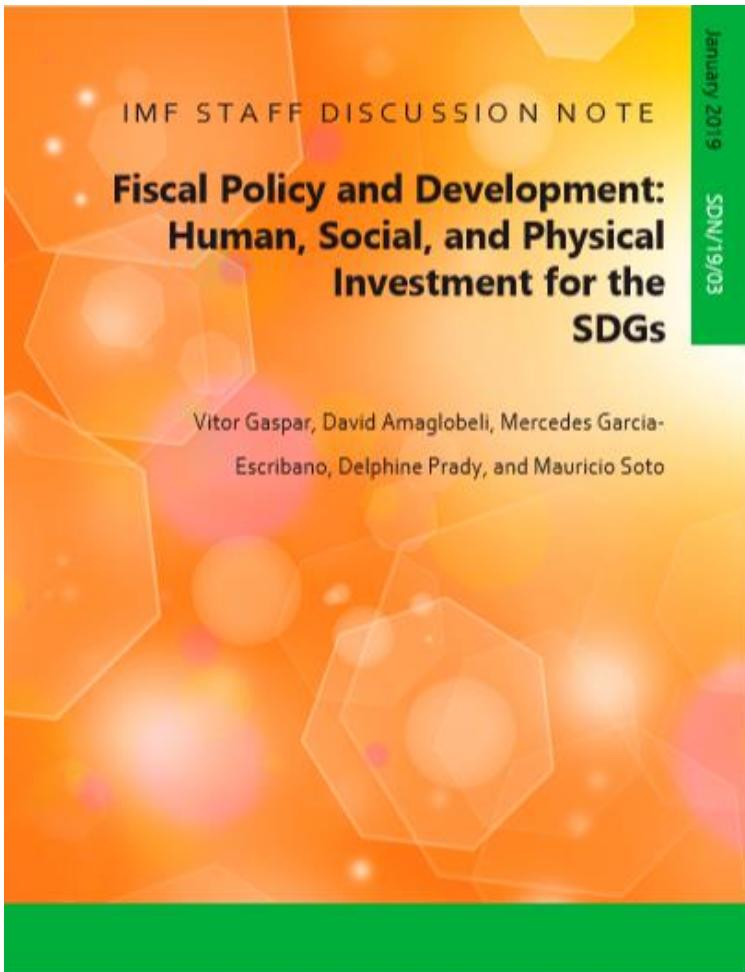
Looking back: The MDGs



Financing the SDGs will need to come from multiple sources



Financing the SDGs will need to come from multiple sources



Annex Table 1.1. Input-Outcome Approach in Five Sectors

	Education	Health	Roads	Electricity	Water and Sanitation
Outcome indicator 1/	SDG4 index	SDG3 index	SDG9.1 index (Rural Access Index)	SDG7.1 index	SDG6.1 and 6.2 indices
Inputs	Number of teachers Other current and capital spending	Number of health care workers (doctors/others)	Kilometer of all-weather road	On/off grid mix 2/	Households with safely managed water and sanitation
Unit cost	Teacher wage	Health care workers wage	Unit cost of all-weather road kilometer	Unit cost of access to a certain consumption level	Unit cost of access
Other factors	Demographics Enrollment rates GDP per capita	Demographics GDP per capita	Topography GDP per capita Population density	Demographics GDP per capita	Demographics GDP per capita

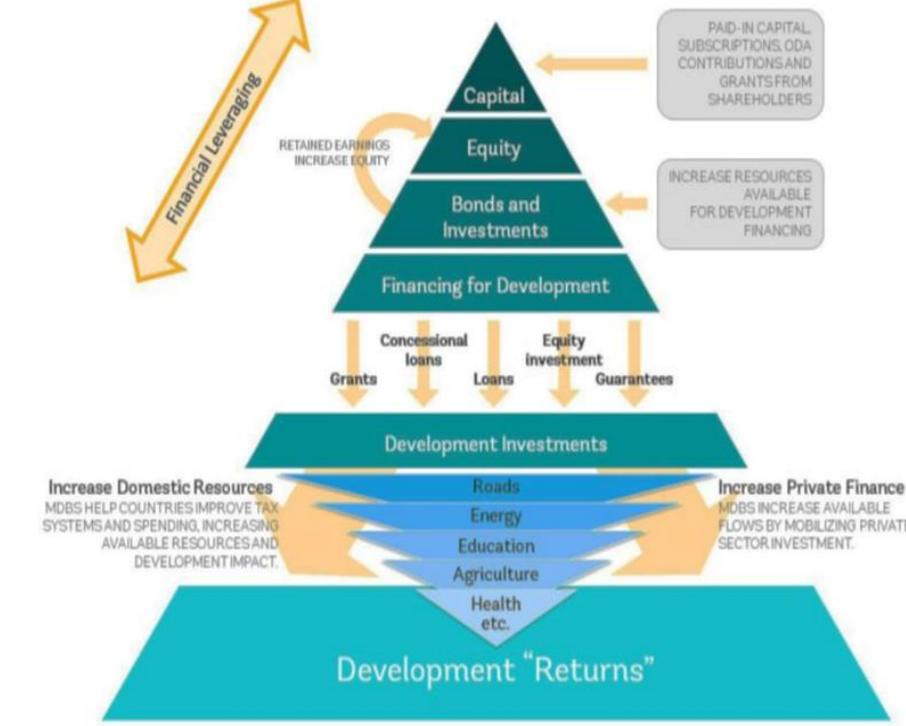
Source: IMF staff.

- 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

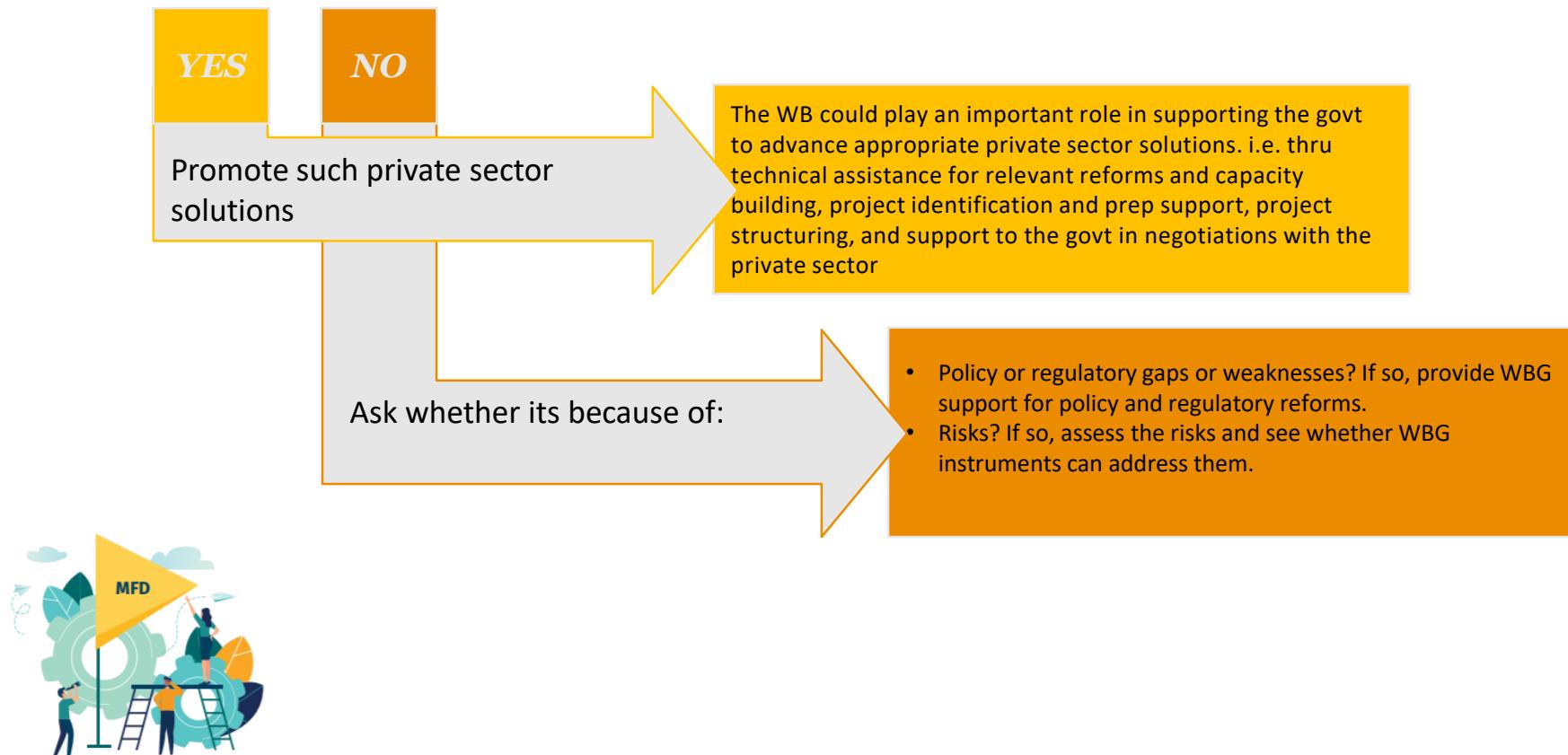
WITH JUDICIOUS
USE OF
**SCARCE PUBLIC
AND
CONCESSIONAL
RESOURCES**



Financing sustainable development

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...



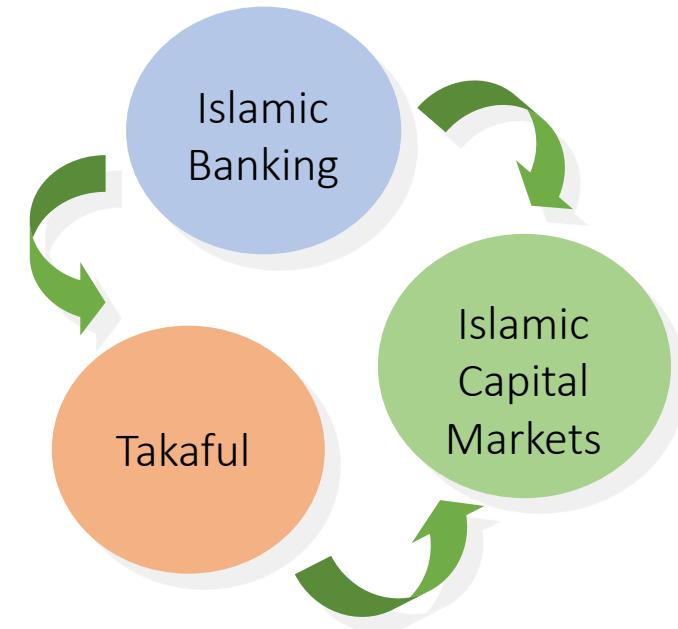
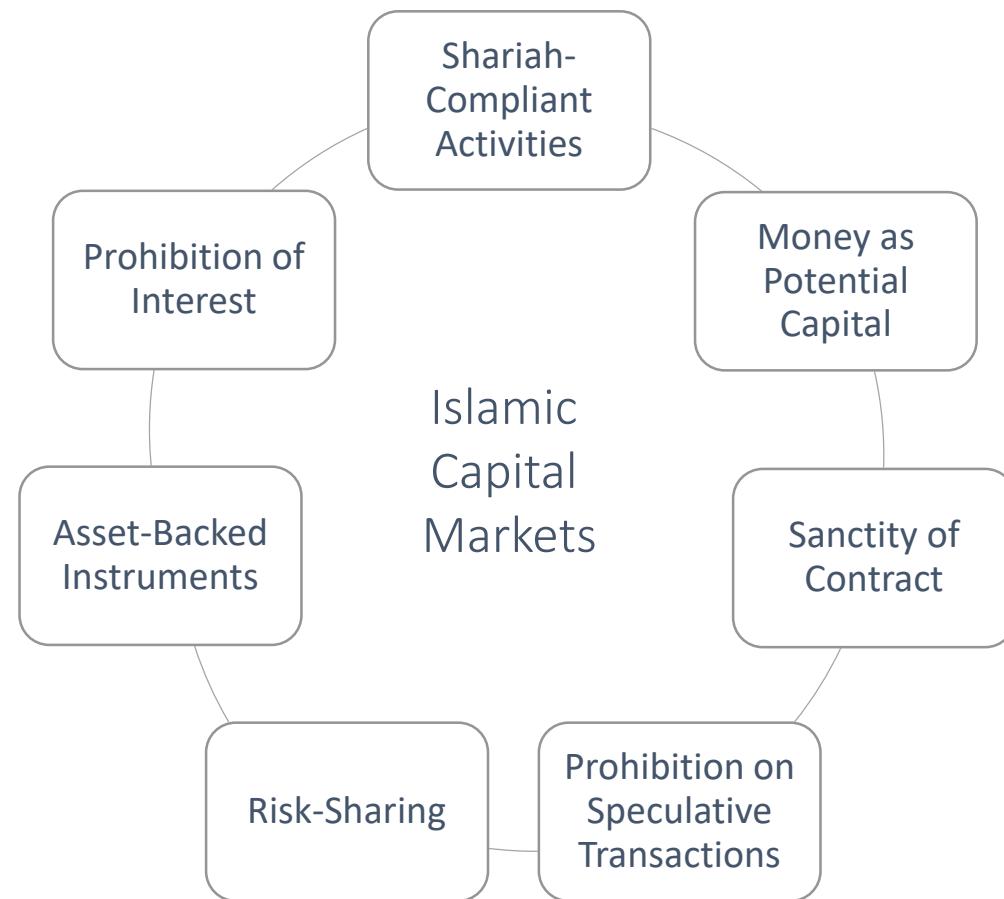
How can the private sector get involved?



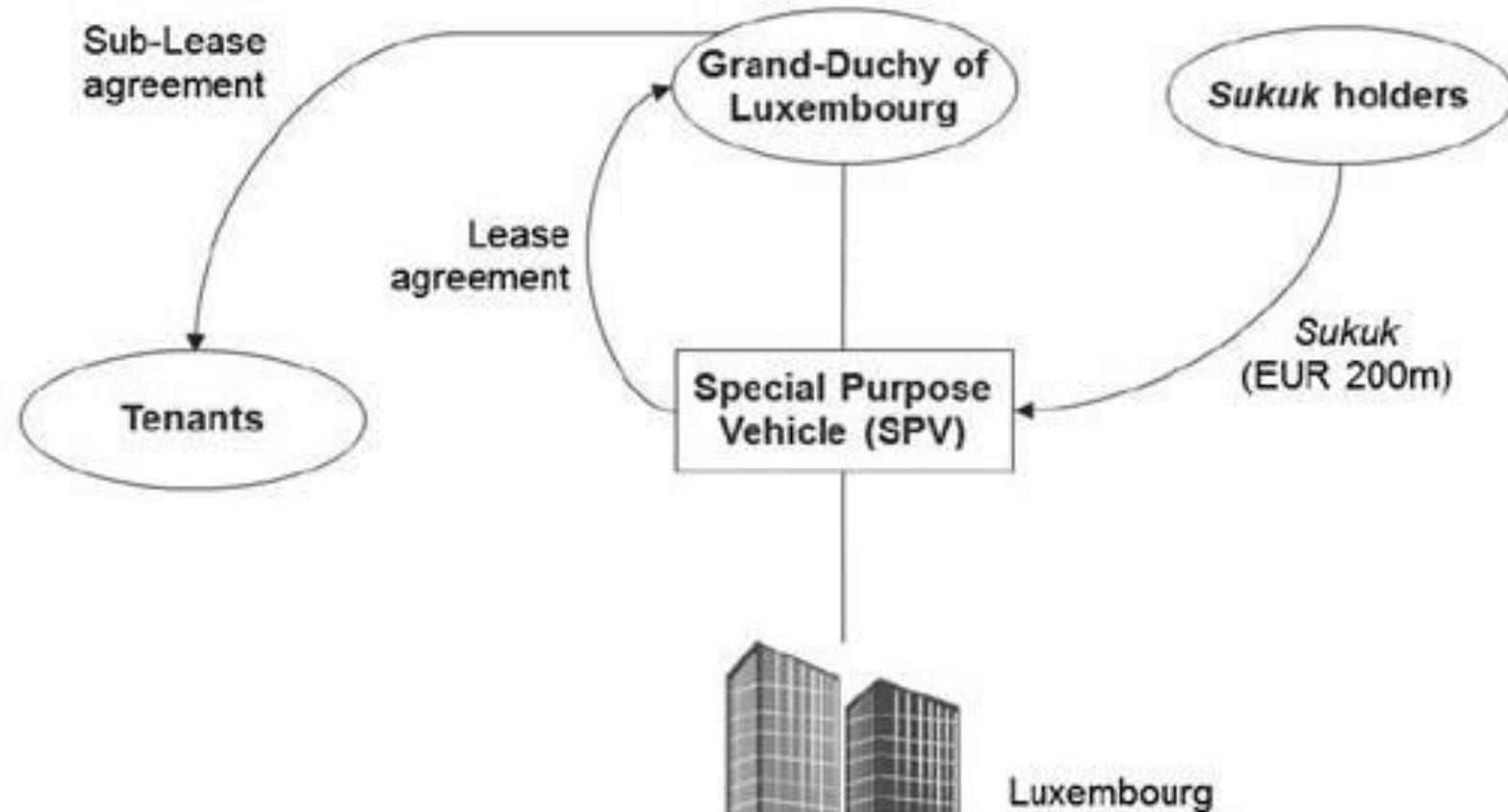
Role of Islamic capital markets in supporting the 2030 agenda: Islamic finance can support Sustainable Development Objectives



Islamic capital markets can be viable sources of long-term development finance



Can sukuk be used for infrastructure investment?



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

Usage	Example
Fiscal support	<u>Sudan</u> : Over \$100 million of Sukuk issued in 2012 to raise funds for the government
Liquidity management	<u>Bahrain, Gambia and Brunei</u> : Short-term Sukuk as tools of liquidity management
Education	<u>Osun State, Nigeria</u> : Local currency, sub-sovereign Sukuk issue (\$62 million equivalent) for the construction and rehabilitation of 24 schools in 2013
Health	<u>World Bank</u> : 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
Infrastructure	<u>Saudi Arabia</u> : Global Sukuk for \$1.7 billion to finance electricity projects in 2010. <u>Malaysia</u> : Global Sukuk for \$300 million to finance the Klang Valley Rapid Mass Transit Project
Environment	<u>Malaysia</u> : The World's first green sukuk launched in 2017 to finance sustainable, climate-resilient growth

Conventional instruments can be Islamic

Some instruments are structured in a manner that may be compliant with Islamic finance. World Bank Group examples include:



Equity-Index linked bonds



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

50 Companies (rebalanced annually)

Source: World Bank Group Treasury, [Press Release](#) from 03/09/2017

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

Selection of companies contributing to the SDGs

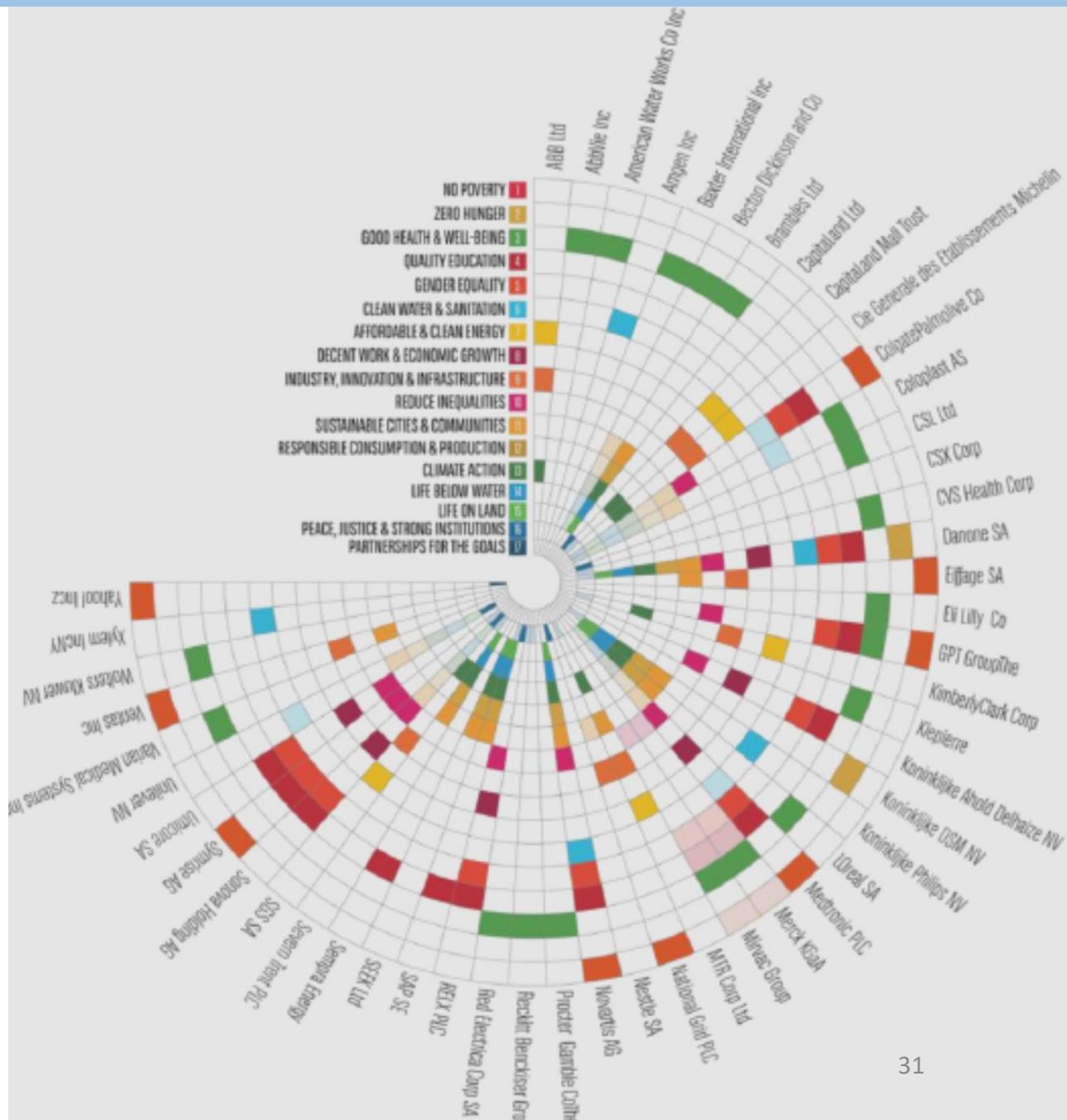
- ✓ + a significant part of their activity dedicated to sustainable products
- ✓ + or a leading sustainable behaviour in their sector

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.)

Index composition

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



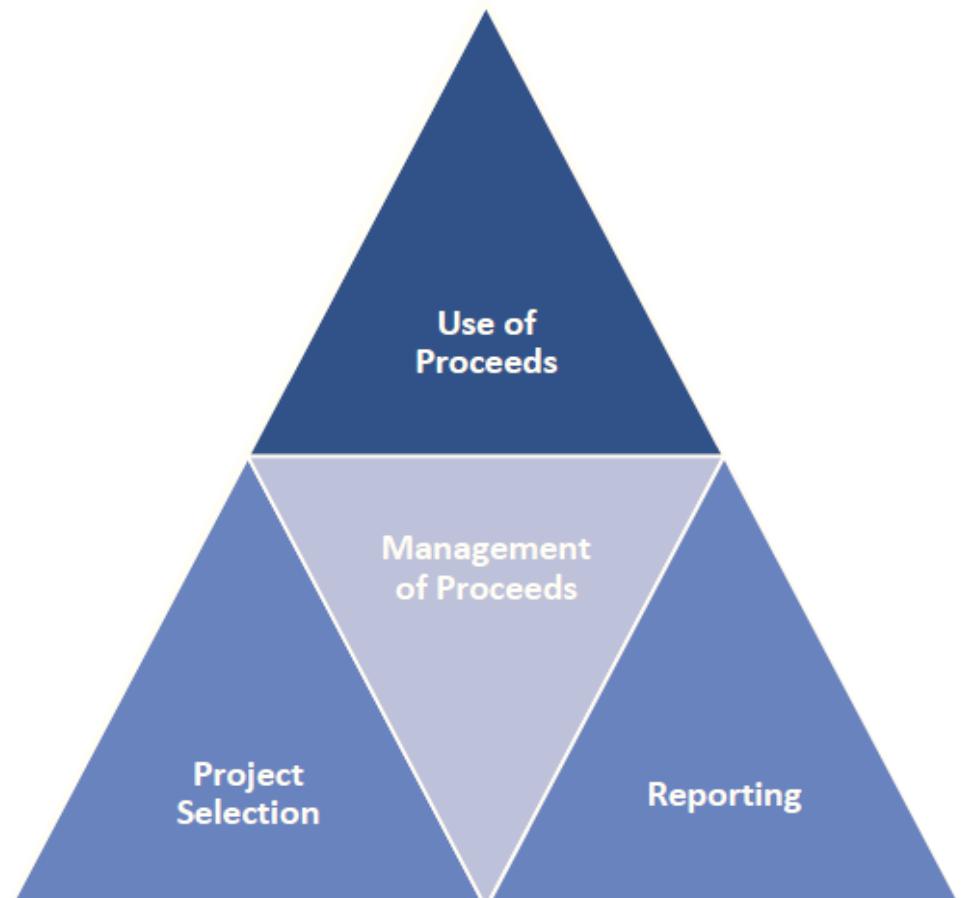
Source: VigeoEiris, Solactive (For illustrative purposes only.)

IFC's social bond program

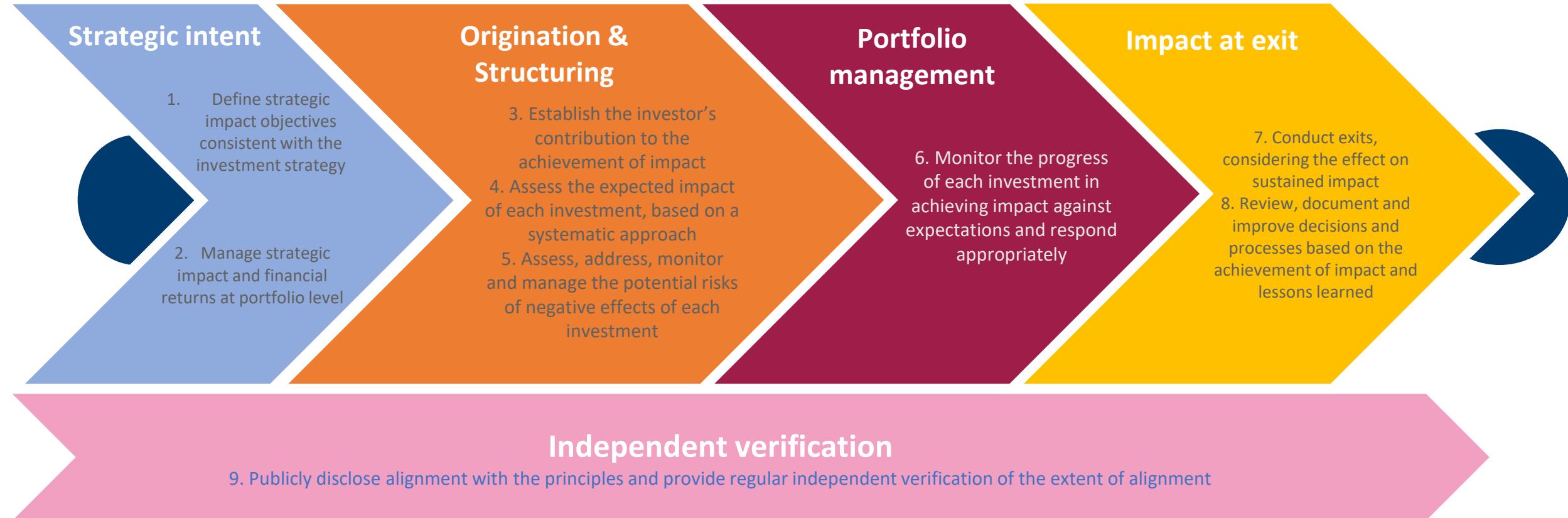
Projects will generally involve support for low-income populations, in the areas of:

- 01 Smallholder farming
- 02 More affordable health, education, utilities or housing services
- 03 Goods and services
- 04 Access to telecommunication and payment platforms
- 05 Lending to financial intermediaries; proceeds of which must be on-lent to women-owned enterprises

Bond structure



Investing for impact: nine Principles



Business and society

The SDGs provide the opportunity for business accountability and synergies with society



Thank you

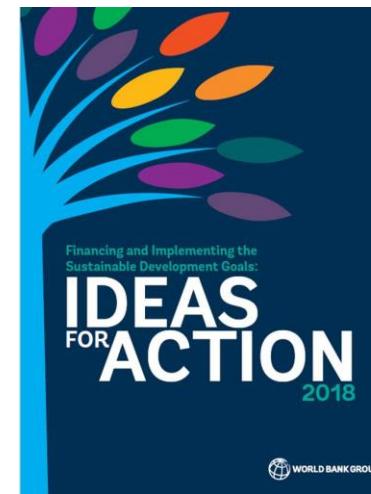
Mahmoud Mohieldin
Senior Vice President
World Bank Group

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Atlas of Sustainable Development Goals
2018
From World Development Indicators

