Sustainable Development Finance, Current Trends and Maximizing Impact

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1. The Sustainable Development Goals (SDGs)

2. Trends on Sustainability

3. Financing & Financial Innovation

4. Implementation & Localization

5. Data & Sustainable Development
The Sustainable Development Goals

**MDGs (2000-2015)**

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**SDGs (2016-2030)**

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<th>Goals</th>
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<tr>
<td>Targets</td>
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<td>Indicators</td>
<td>~230</td>
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<td>Priority Areas</td>
<td>Holistic: Economic, Social, Environmental</td>
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<td>Universal</td>
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The Growing Need to Integrate Sustainability into Markets

Source: Values at risk? Sustainability risks and goals in the Dutch financial sector, De Nederlandsche Bank (2019)
With insurers shouldering $160 billion in climate-related losses from last year alone, a group including 30 central banks called for measures to spur green finance and better assessment of the risks from higher global temperatures.

Recommendations for how central banks and financial services regulators should act include:

1. Injecting climate-related risks into the monitoring of broader financial stability and threats to the banking system.
2. Using sustainability criteria to shape the portfolios of assets maintained by central banks.
3. Identifying areas where more data is needed to describe threats coming from environmental issues.
4. Prodding financial market participants to better disclose climate-related risks, an effort that builds on G20’s Taskforce on Climate Related Financial Disclosure.
5. Developing a “taxonomy” of economic activities for policy makers and companies to use in assessing climate-related impact on finance.

Stock Exchange-related Sustainability Activities (global)

Source: 2018 Report on Progress, Sustainable Stock Exchange Initiative

Source: SSE database.
Annual issuance of sustainable finance, $bn

Source: Bloomberg|NEF, Bloomberg L.P.
The index is designed to track the performance of the top 100 listed companies on the Egypt Stock Exchange that demonstrate leadership on environmental, social and corporate governance (ESG) issues covering a number of variables.

Sustainability and transparency have become overriding corporate themes worldwide, the index aims to create healthy competition among listed companies with regard to their corporate governance practices.

To meet the investment needs of the SDGs, the global community needs a paradigm shift - move the discussion from “billions” in ODA to the “trillions” in investments of all kinds.

Achieving the SDGs will require the best possible use of each available grant dollar, beginning with ODA from governments and philanthropy, remittances, South-South flows, other ODA, and FDI.

To reach the needed trillions, additional flows must come from two main pillars: public domestic resources and private sector finance.
Maximizing Finance for development

- The World Bank Group’s crucial effort to redefine our approach to development finance: **leveraging the private sector** in ways that optimize the use of scarce public resources.

- It is nearly **impossible to meet the SDGs by relying on public funding alone**.

- The **private sector** can play a much bigger role in socially and environmentally responsible development, both as an **investor** and as a **source of innovation and expertise**.
The Cascade Approach

1. COMMERCIAL FINANCING
   - Can commercial financing be cost-effectively mobilized for sustainable investment? If not...

2. UPSTREAM REFORMS & MARKET FAILURES
   - Country and Sector Policies
   - Regulations and Pricing
   - Institutions and Capacity
   - Can upstream reforms be put in place to address market failures? If not...

3. PUBLIC AND CONCESSIONAL RESOURCES FOR RISK INSTRUMENTS & CREDIT ENHANCEMENTS
   - Guarantees
   - First Loss
   - Can risk instruments & credit enhancements cost-effectively cover remaining risks? If not...

4. PUBLIC & CONCESSIONAL FINANCING, INCLUDING SUB-SOVEREIGN
   - Public finance (incl. national development banks and domestic SWF)
   - MDBs and DFIs
   - Can development objectives be resolved with scarce public financing?
Impact Investing

Nine Principles

1. Define strategic impact objectives consistent with the investment strategy
2. Manage strategic impact and financial returns at portfolio level

Origination & Structuring
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

Portfolio management
6. Monitor the progress of each investment in achieving impact against expectations and respond appropriately

Impact at exit
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

Independent verification
9. Publicly disclose alignment with the principles and provide regular independent verification of the extent of alignment
A growing number of investors are incorporating impact investments into portfolios. Many are adopting the SDGs as a reference to illustrate the relationship between their investments and impact goals.

CAD 1 billion bond was issued in January, which raises awareness on gender equality in relation to SDG5.

10-year anniversary of the SDG green bond which raised over 1.3 billion US dollars in equity through over 60 orders from investors.

The WBG launched the SDG-linked BNP Paribas bonds under the “SDGs Everyone” initiative. Investors benefit from the performance of companies included in the equity index.
The world’s first bond to be created, allocated, transferred and managed through its life cycle using distributed ledger technology.

Two-year bond raised A$110 million, marking the first time that investors have supported the World Bank’s development activities in a transaction that is fully managed using the blockchain technology.

Localization and Implementation

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


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.

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

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

Colombia: National Governments.
In 2015, about 54% of Indonesians lived in cities and this is expected to grow to 68% by 2025.

The WBG is embarking on a flagship analytic study on urbanization that can help shape Indonesia’s strategy to make its cities more livable, inclusive, and sustainable engines of economic growth.

The government also partners with the WBG on a national plan to upgrade slums aimed at improving access to urban infrastructure and services, as well as an affordable housing program, using both public and private capital to provide housing to over 2 million Indonesians.
The WBG uses Big Data for the SDGs

Haiti
Mobile technology links citizens to jobs, services and economic opportunities

Sri Lanka
Night light data indicates that 45% of the country is urbanized

The Philippines
The government uses GPS data from taxis to reduce accidents and improve emergency responsiveness
Spending patterns on mobile phone services can provide proxy indicators of income levels.

Crowdsourcing or tracking of food prices listed online can help monitor food security in near real-time.

Mapping the movement of mobile phone users can help predict the spread of infectious diseases.

Citizen reporting can reveal reasons for student drop-out rates.

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

Sensors connected to water pumps can track access to clean water.

Smart metering allows utility companies to increase or restrict the flow of electricity, gas or water to reduce waste and ensure adequate supply at peak periods.

Patterns in global postal traffic can provide indicators such as economic growth, remittances, trade and GDP.

Data from GPS devices can be used for traffic control and to improve public transport.

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

Satellite remote sensing can track encroachment on public land or spaces such as parks and forests.

Online search patterns or e-commerce transactions can reveal the pace of transition to energy efficient products.

Combining satellite imagery, crowd-sourced witness accounts and open data can help track deforestation.

Maritime vessel tracking data can reveal illegal, unregulated and unreported fishing activities.

Social media monitoring can support disaster management with real-time information on victim location, effects and strength of forest fires or haze.

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

Partnerships to enable the combining of statistics, mobile and internet data can provide a better and real-time understanding of today’s hyper-connected world.

Source: UN Global Pulse 2017
Gain real-time insights into people’s well-being and target development interventions to vulnerable groups

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

Shed light on disparities in society that were previously hidden

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

Possible increases in inequality between the data ‘haves’ and ‘have nots’
Using Big Data to Track the SDGs

The Atlas of SDGs: A visual guide to the SDGs

The WB’s World Development Indicators: A comprehensive global view with over 1500 indicators
• A partnership between the World Bank Group and the Wharton School, among others.

• In 2018, the Ideas for Action (I4A) competition had 3,100 submitted applications from 142 countries and territories.

• The top 10 winners will be published in a book, top 3 winners will participate in the WBG-IMF Annual Meetings.

ideas4action.org
Follow us @Ideas4Action
The World Bank Group, in partnership with UNDP, UN Women, and the Wharton School’s Zicklin Center, launched SDGs&Her, an online competition to identify women entrepreneurs across the world, whose business operations help support the SDGs.

With the objectives to:
(i) recognize women implementing the SDGs, including women business owners of microenterprises;
(ii) increase knowledge about the SDGs and their potential impacts on women among non-traditional audiences; and
(iii) collaborate with private sector partners on all SDGs, but SDG5 in particular; to share best practices and innovative ideas.

Vandana Suri from India, owner of Taxshe, and Saida Yusupova from Uzbekistan, owner of Green Business Innovation, were the winners of the 2019 SDGs & Her competition.