Progress in a Changing World

Mahmoud Mohieldin
Senior Vice President
World Bank Group
Addressing Global Megatrends & Challenges

1. Demographic transitions
2. Urbanization
3. Climate and resources
4. Commodity cycles
5. Technological disruptions
6. Fragility and violence
7. Debate about globalization
8. Shifts in the global economy

Source: World Bank Forward Look, September 2017
Addressing Global Megatrends & Challenges

Demographic and Growth Transitions
- Economic diversification; 600 million new jobs (SDG#8)
- Sustainable Health & welfare system (SDG#3)
- Urban management (SDG#11)
- Private expertise/funding for infrastructure/urban services (SDG#11; SDG#9; SDG#17)

Urbanization
- Shift from fossil fuels to renewables/efficiency (SDG#7)
- Agriculture adaptation (SDG#2)

Climate and Resources
- Shocks and risks preparedness (SDG#13)
- Protecting vulnerable from fragility & violence (SDG#1; SDG#16)

Cycles, Disruptions and Fragility
- New sources of growth and trade, especially for commodity exporters (SDG#9)

Shifts in Global Economy

12/15/2017
Reflections on the new global economy: multipolarity

The world’s economic center of gravity, 1980–2016, in black, at three-year intervals

Evolution of the earth’s economic center of gravity: 1 CE to 2025

Source: Danny Quah, 2011

Source: McKinsey Global Institute, 2012
Solutions: What to Avoid and What to Pursue
Solutions:
Avoid bad ideas

1. Dealing with joblessness by relying on the civil service;
2. Underpaying civil servants compared to the private sector;
3. Cutting fiscal deficits by sacrificing public investment in infrastructure;
4. Subsidizing energy except for very limited subsidies to highly vulnerable sections of the population;
5. Open ended protection for specific sectors;
6. Imposing administrative price controls;
7. Banning exports;
8. Exchange rate misalignment;
9. Resisting urbanization/underinvesting in infrastructure;
10. Ignoring environmental implications;
11. Poorly regulating the Banking sector and excessive interference;
12. Measuring educational progress solely by higher enrollments and ignoring the quality of education.
Solutions:
The policy ingredients of growth strategies

A list of common policies between countries with 7+ % growth over 25+ years
The 2030 Agenda and the Sustainable Development Goals
An Opportunity for Transformation:
From MDGs to SDGs

The global development agendas serve as a compass and guide for countries to determine their national development path.
Looking Back: MDG Progress

By number of countries

MDG 1.1 - Extreme Poverty
Target Met: 71
Sufficient Progress: 11
Moderate Off Target: 7
Serious Off Target: 2
Data Insufficient: 27

MDG 1.9 Under-nourishment
Target Met: 35
Sufficient Progress: 8
Moderate Off Target: 4
Serious Off Target: 13
Data Insufficient: 52

MDG 2.1 - Primary Completion
Target Met: 40
Sufficient Progress: 12
Moderate Off Target: 11
Serious Off Target: 17
Data Insufficient: 40

MDG 3.1 - Education Gender Parity
Target Met: 67
Sufficient Progress: 10
Moderate Off Target: 7
Serious Off Target: 11
Data Insufficient: 28

MDG 4.1 - Under-5 Mortality
Target Met: 38
Sufficient Progress: 18
Moderate Off Target: 16
Serious Off Target: 37
Data Insufficient: 34

MDG 4.2 - Infant Mortality
Target Met: 6
Sufficient Progress: 9
Moderate Off Target: 23
Serious Off Target: 28
Data Insufficient: 77

MDG 5.1 - Maternal Mortality
Target Met: 15
Sufficient Progress: 3
Moderate Off Target: 11
Serious Off Target: 20
Data Insufficient: 88

MDG 7.8 - Improved Water
Target Met: 67
Sufficient Progress: 52
Moderate Off Target: 12
Serious Off Target: 40
Data Insufficient: 19

MDG 7.9 - Improved Sanitation
Target Met: 36
Sufficient Progress: 7
Moderate Off Target: 7
Serious Off Target: 14
Data Insufficient: 58

Source: World Bank data, staff calculations
Progress on the MDGs

Share Of Global Poverty

1990

Global poverty: 1.96 billion
37.1% of global population

2015

Global poverty: 702 million
9.6% of global population

- East Asia and Pacific: 30%
- Latin America and the Caribbean: 15%
- Sub-Saharan Africa: 4%
- Europe and Central Asia: 1%
- South Asia: 50%

Global poverty: 1.96 billion
37.1% of global population

- East Asia and Pacific: 30%
- Latin America and the Caribbean: 15%
- Sub-Saharan Africa: 4%
- Europe and Central Asia: 1%
- South Asia: 50%

Global poverty: 702 million
9.6% of global population

- East Asia and Pacific: 50%
- Latin America and the Caribbean: 12%
- Sub-Saharan Africa: 4%
- Europe and Central Asia: 1%
- South Asia: 33%
An Opportunity for Transformation:
Lessons learned from the field

- Improve coordination and ensure the timeliness and effectiveness of policy instruments
- Localize implementation and prioritize engagement of communities and community mobilization
- 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
- Bridge the humanitarian and development agendas

Based on report: “Transitioning from the MDGs to the SDGs” jointly written by the World Bank Group and the UN Development Programme
12/15/2017
Coordination of development agendas

The Colombian Example

Active national agendas determine actions related to at least 146 SDG targets - 86%
Data:
Crucial to understand how trends are shifting
Financing sustainable development:
The key components

Financing sustainable development

Annual Average Infrastructure Investment until 2030

$24.4 trillion in low-yield government securities

More than $10 trillion invested in negative interest rate bonds

$8 trillion sitting in cash

How much is out there?
Financing sustainable development
Private sector engagement is critical

Soaring Private Capital Flows,
Flat Official Development Assistance

Source: IFC Presentation to Center for Global Development, February 2017
Financing sustainable development
Private sector engagement needs to increase

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?
Financing sustainable development
Opportunities for the private sector

12 largest business themes in a world economy heading for the SDGs

<table>
<thead>
<tr>
<th>Theme</th>
<th>Value of incremental opportunities in 2030 US$ billions: 2015 values</th>
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</thead>
<tbody>
<tr>
<td>Mobility systems</td>
<td>2,020</td>
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<td>New healthcare solutions</td>
<td>1,650</td>
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<td>Energy efficiency</td>
<td>1,345</td>
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<td>Clean energy</td>
<td>1,200</td>
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<td>Affordable housing</td>
<td>1,080</td>
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<td>Circular economy manufacturing</td>
<td>1,015</td>
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<td>Healthy lifestyles</td>
<td>835</td>
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<td>Food loss &amp; waste</td>
<td>685</td>
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<td>Agricultural solutions</td>
<td>665</td>
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<td>Forest ecosystem services</td>
<td>365</td>
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<td>Urban infrastructure</td>
<td>355</td>
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<td>Buildings solutions</td>
<td>345</td>
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<td>Other</td>
<td>740</td>
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Financing sustainable development
Role of Sovereign Wealth Funds

Main Elements of SWF Policy

- Objective(s)
- Governance
- Investment strategy
- Reporting

Stabilization Funds
- 60% Cash
- 5% Other fixed income
- 4% Sovereign fixed income
- 22% Equities
- 5% Others

Saving Funds
- 58% Cash
- 4% Other fixed income
- 4% Sovereign fixed income
- 16% Equities
- 16% Others

Pension Reserve Funds
- 34% Cash
- 16% Other fixed income
- 8% Sovereign fixed income
- 1% Equities
- 41% Others

Reserve Investment Funds
- 66% Cash
- 6% Other fixed income
- 6% Sovereign fixed income
- 19% Equities
- 3% Others

Source: IMF, 2013
Financing sustainable development

Role of financial inclusion

- **Individuals**
  - Can more easily:
    - Manage expenses
    - Smooth consumption
    - Mitigate shocks & risks
    - Invest in education & health
    - Save for the future
    - Make safe & secure payments
  - Greater social & economic well-being

- **Businesses**
  - Can more easily:
    - Thrive & grow
    - Mitigate shocks & risks
    - Invest in people & assets
    - Reduce transaction costs
    - Make safe & secure payments
  - Higher profits, competitiveness & growth

- **Economies**
  - Can more easily:
    - Allocate resources
    - Diversify economic participation
    - Create jobs & innovate
    - Increase national savings
    - Gain efficiencies
    - Raise competitiveness
  - Higher economic growth, decreased inequality (income, gender)
Financing sustainable development: Role of savings

Key drivers of domestic savings

- Influence savings behavior: introduce savings accounts for all students
- Improve real income through:
  - increasing total factor productivity,
  - increasing labor efficiency, and
  - maintaining price stability
- Realize the potential of fintech
- Mobilize digital/biometric ID systems
- Enhance commercial insurance systems
- Reform public social security
Financing sustainable development: “Digitization” is disrupting every part of financial services

<table>
<thead>
<tr>
<th>Digitization Of:</th>
<th>Money</th>
<th>Cash Transfers</th>
<th>Identity</th>
<th>Origination / Lending</th>
<th>Payments</th>
<th>Capital Markets Infrastructure</th>
<th>Supply Chain / Invoicing</th>
<th>Savings and Insurance</th>
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<tr>
<th>Account service providers; cash collection networks; regulatory advice to govs</th>
<th>Govt payment contractors (govts may unintentionally create largest payment banks)</th>
<th>Govt platforms for digital ID followed by innovative private-sector led applications</th>
<th>Digital lenders, marketplaces, originators, Scale SME Lending, Robo advice</th>
<th>Money transfer operators, cross border payment networks, FX operators</th>
<th>Back office operations, main exchanges (stock, currency, bonds, derivatives)</th>
<th>Back office operations, exchanges, value chain securitization</th>
<th>Direct insurance, online brokers &amp; advisors, data and analytics, aggregators</th>
</tr>
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<tr>
<td>Global - populous countries first</td>
<td>Markets with cash transfer programs</td>
<td>Country specific and global (ID4D is global, regional, country specific)</td>
<td>Global - focus on large demographics</td>
<td>Global - main trade corridors</td>
<td>Financial market capitals (NY, London, Tokyo)</td>
<td>Regional &amp; cross border</td>
<td>Global, regional and country specific</td>
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<tr>
<td>1.5 Bn wallets in 6 years</td>
<td>Over 300m accounts</td>
<td>$34 Bn in China alone</td>
<td>$3.6Trn value globally p.a.</td>
<td>$20Trn p.a. global flows</td>
<td>&gt;$1Trn p.a. in LAC alone</td>
<td>&gt;5 Trn GWP, &gt;15 Trn AUM</td>
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Source: World Bank Group, 2017
Financing sustainable development: Fintech will become critical
The practice of sustainable development

INVEST IN PEOPLE

• Early childhood development
• Gender equality
• Skills for jobs
• Equal opportunities

INVEST IN INCLUSIVE GROWTH

• Infrastructure
  • Roads
  • Energy
• Sustainable
  • Greening growth
  • Water management
• Private sector
  • Job creation

INVEST IN RESILIENCE

• Fragility & Conflict
• Climate and weather shocks
• Pandemics

Achieve the twin goals of ending extreme poverty and boosting shared prosperity

Sources: World Bank Group, 2017
The practice of sustainable development

Invest in people: Learning to realize education’s promise
Invest in people: Learning to realize education’s promise

The three dimensions of the learning crisis

- Learning outcomes are poor: low levels, high inequality, slow progress
- Schools are failing learners
- Systems are failing schools

Still there are reasons for hope

- Assess learning – to make it a serious goal
- Act on evidence – to make schools work for all learners
- Align actors – to make the whole system work for learning

How to realize education’s promise: Three policy responses

“If your plan is for one year, plant rice. If your plan is for ten years, plant trees. If your plan is for one hundred years, educate children.”

-Kuan Chung (7th Century BC)

Sources: World Bank Group, 2017
The practice of sustainable development

Invest in people:
Learning to realize education’s promise

It’s more complicated than it looks: people act in reaction to the choices of others throughout the system

Sources: World Bank Group, 2017
The practice of sustainable development

Invest in people:
Learning to realize education’s promise

Coherence and alignment toward learning
SDG 3: Ensure Healthy lives and promote wellbeing for all at all ages

- Reduce global maternal mortality ratio
- End preventable deaths of newborns and children under 5 years of age
- End the epidemics of AIDS, tuberculosis, malaria, neglected tropical diseases; combat hepatitis, water-borne diseases, other communicable diseases
- Ensure universal access to sexual and reproductive health-care services
- Reduce premature mortality from noncommunicable diseases
- Strengthen prevention and treatment of substance abuse
- Halve global deaths and injuries from road traffic accidents
- Achieve universal health coverage
- Substantially reduce number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination
Invest in people: Universal Health Coverage (UHC)

The Two Goals of Universal Health Coverage

| Service delivery: By 2030, everyone has access to essential health services | Financial risk protection: by 2030, no one is pushed into or kept in poverty by paying for health care |

Three Dimensions to Improving UHC

The practice of sustainable development

Invest in resilience

Natural disaster risk profile

Lo Risk/Hi CRI
- United Arab Emirates
- Germany
- France
- Switzerland
- US
- Canada
- Israel
- Russia
- India
- Paraguay

Hi Risk/Hi CRI
- New Zealand
- Ireland
- South Korea
- Panama
- Japan
- Chile
- Costa Rica
- Colombia
- Jamaica

Lo Risk/Lo CRI
- Brazil
- Ukraine
- Bolivia
- Libya
- Mauritania
- Egypt

Hi Risk/Lo CRI
- Honduras
- Cameroon
- Nicaragua
- Guatemala
- Vietnam
- Venezuela
- Haiti
- Papua New Guinea
- Chad

Source: KPMG 2017
The practice of sustainable development

Invest in inclusive growth:

Each industrial revolution shifts the manufacturing opportunities and patterns of specialization

Three “C”s determine the feasibility of success in export-led manufacturing:

• Competitiveness
• Capabilities
• Connectedness

Source: © Shutterstock. Used with permission; further permission required for reuse.

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Invest in inclusive growth:
Harnessing technology and the digital dividend

Number of years to reach 100 million users

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<td>1878</td>
<td>Mobile</td>
<td>1990</td>
<td>Facebook</td>
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<td>Telephone</td>
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<td>1979</td>
<td>2004</td>
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Source: Adapted from World Economic Forum, 2017
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Invest in inclusive growth: Harnessing technology and the digital dividend

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Invest in inclusive growth: Harnessing technology and the digital dividend

The Capability to Innovate in 1900 Drives Income Levels Today

Leapfrogging

Disruptive Innovation

The Capabilities Escalator

Source: Cirera; Maloney, The Innovation Paradox, 2017
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Invest in inclusive growth: Dashboard for inclusive, sustainable, and multidimensional growth
# The practice of sustainable development

## The mapping process of SDG targets and 11MP

<table>
<thead>
<tr>
<th>Strategic Thrust 1: Enhancing inclusiveness towards an equitable society</th>
<th>Strategic Thrust 2: Improving well-being for all</th>
<th>Strategic Thrust 3: Accelerating human capital development for an advanced nation</th>
<th>Strategic Thrust 4: Pursuing green growth for sustainability and resilience</th>
<th>Strategic Thrust 5: Strengthening infrastructure to support economic expansion</th>
<th>Strategic Thrust 6: Re-engineering economic growth for greater prosperity</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Key initiatives:</strong> Inclusivity ensures all Malaysians benefit from economic growth regardless of gender, ethnicity, socio-economic status, or geographic location</td>
<td><strong>Key initiatives:</strong> Healthy individuals and happy households, living in cohesive and united communities – this embodies the vision for a socially advanced Malaysia</td>
<td><strong>Key initiatives:</strong> The focus on cradle-to-grave talent development and lifelong learning will improve labour productivity, deliver a higher-skilled workforce, and create a virtuous cycle of job creation, growth, and social development</td>
<td><strong>Key initiatives:</strong> “Green growth” will be a way of life. This will lead to strengthened food, water, and energy security, lower environmental risks, and ultimately, better well-being and quality of life</td>
<td><strong>Key initiatives:</strong> All Malaysians will have access to basic amenities and be connected through integrated transport and high-speed Internet. New investments will focus on lowering cost of business and enhancing competitiveness</td>
<td><strong>Key initiatives:</strong> We will ensure quality growth and international competitiveness. All economic sectors will migrate towards more knowledge-intensive and high value-added activities with greater productivity.</td>
</tr>
</tbody>
</table>

![Image of SDG targets and 11MP icons]

12/15/2017
INTEGRATING SDGs INTO PLANNING FRAMEWORK

SDG Goal 1: End Poverty in All Its Forms Everywhere

SDG AGENDA

1.4 Identify SDG Target
By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance

1.4.1 Identify SDG Indicator
Proportion of population living in households with access to basic services

MALAYSIA’S ROADMAP 2016–2020

Select 11MP strategy that matches SDG target
Strategy
Expanding access to basic services

Select 11MP target that matches SDG indicator
Outcome
Expanding network and treatment plant capacity through infrastructure investment and infrastructure technology

90,000 additional houses in the rural areas will be supplied with clean and treated water

99% population served by clean and treated water by 2020

Process can be interchangeable
Implementation Happens at the Local Level
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Assessing social risk and its mitigation should be conducted at the local level

Source: Data calculations from local government statistics

78 countries have a population of under 5 million

181 provinces have a population of over 5 million

86 provinces have a population of over 10 million

*Analysis conducted on developing countries
## Sample Municipal Budget

**Expenses**

1. Preschool education
2. Primary and secondary school
3. Health care
4. Social assistance and poverty alleviation
5. Public order and civil protection
6. Infrastructure and public services
7. Environment protection
8. Social, cultural, recreational expenditures
9. Local economic development
10. Social housing
11. Urban development
12. Civil security
13. Transfer to sub-local government entities
14. (subsidies, grants, equity, in-kind)
15. Loan repayment
16. Interest charges
17. Guarantees called (paid by the municipality)

**Revenues**

1. Property tax (rates) on land and/or buildings
2. Tax on the transfer of immovable property
3. Tax on motor vehicles
4. Local sales tax and/or tax on the sale of local products (or surcharge)
5. Tax on local businesses and services
6. Tax on electricity consumption (surcharge)
7. Tax on nonmotorized vehicles
8. Tax on tourism, hotels, restaurants, and entertainment
9. Tolls on roads, bridges, etc., within the limits of the local government
10. Charges for public works and public utilities such as waste collection, drainage, sewerage, and water supply
11. Charges for markets and rents for market stalls
12. Charges for the use of bus stations and taxi parks
13. Fees for approval of building plans and erection and re-erection of buildings
14. Fees for fairs, agricultural shows, cattle fairs, industrial exhibitions, tournaments, and other public events
15. Fees for licensing of businesses, professions, and vocations
16. Fees for other licenses or permits and penalties or fines for violations
17. Fees for advertisement
18. Fees on sales of animals in cattle markets
19. Fees for registration and certification of births, marriages, and deaths
20. Fees for education and health facilities established or maintained by the local government
21. Fees for other specific services rendered by the local government
22. Rent from land, buildings, equipment, machinery, and vehicles
23. Surpluses from local commercial enterprises
24. Interest on bank deposits or other funds
Localization of Urban Development: 

The case of China

- Reforming land management and institutions
- Reforming urban planning and design
- Creating a mobile and versatile labor force with equal access to a common standard of public services
- Managing environmental pressures
- Placing urban finances on a more sustainable footing while creating financial discipline for local governments
- Improving governance at the local level
- Timing, sequencing, and monitoring

- Improve the revenue base of local governments by mainstreaming a property tax on housing
- Improve the intergovernmental grants system
- Establish an explicit framework for local government transactions
- Reform the financial sector to enhance fiscal discipline of local governments

12/15/2017
Localization of Urban Development:

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

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:
A government funded drought insurance program brings satellite based insurance to Kenyan pastoralists and farmers using mPesa.

Colombia:
A government funded drought insurance program brings satellite based insurance to Kenyan pastoralists and farmers using mPesa.
Thank You

worldbankgroup.org/sdgs

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Mahmoud-Mohieldin on LinkedIn