Sustainability and Disruptions

Cairo University
October 30, 2018
Cairo, Egypt
The SDGs present a major opportunity for transformation

Global development agendas serve as a guide for countries to determine their national development path.

<table>
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<tr>
<td>Priority Areas</td>
<td>Human Development</td>
<td>Holistic: Economic, Social, Environmental</td>
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<tr>
<td>Scope</td>
<td>Developing Countries</td>
<td>Universal</td>
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</table>
Is Achieving the SDGs the Key to Addressing the Challenges of the 21st Century?

Four dimensions of achieving the SDGs:

(i) **economic**—helping the low-income countries achieve the SDGs

(ii) **social**—the importance of inclusion and equity

(iii) **environmental**—tackling climate change

(iv) **governance**—the centrality of strong institutions

Economic Dimensions of Achieving the SDGs

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

Social Dimensions of Achieving the SDGs

Income Equality  Gender Equality

Environmental Dimensions of Achieving the SDGs

- The Paris Agreement.
- Carbon Pricing.
- Funding requirements for investment in adaptation and mitigation.

Governance Dimensions of Achieving the SDGs

• 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
## Disruptions in the Three Markets of the Economy

<table>
<thead>
<tr>
<th>Markets</th>
<th>Disruption</th>
<th>Solution</th>
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<tbody>
<tr>
<td>Capital</td>
<td>• Increasing Public Debt <em>(Largest public debt since the 1980s)</em></td>
<td>• Data; analytics; debt management; outreach</td>
</tr>
<tr>
<td></td>
<td>• Fintech</td>
<td>• Bali Fintech Agenda</td>
</tr>
<tr>
<td></td>
<td>• Crypto-assets</td>
<td>• Innovation policy and regulation</td>
</tr>
<tr>
<td>Trade</td>
<td>• Trade Tensions US/China</td>
<td>• Resort to WTO and other measures</td>
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<td></td>
<td>• Tech disruption platforms</td>
<td>• Invest in HC and DNA</td>
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<tr>
<td>Labor</td>
<td>• Volatility in Growth</td>
<td>• Inclusive growth policies</td>
</tr>
<tr>
<td></td>
<td>• Jobless growth</td>
<td>• Invest in HC, social protection, and resilience</td>
</tr>
<tr>
<td></td>
<td>• Fast automation (gig economy)</td>
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</table>
## Global and Regional Forecasts

**Downgrades...**

### GDP growth (Percent)

<table>
<thead>
<tr>
<th>Region</th>
<th>2012-16</th>
<th>2017</th>
<th>2018e</th>
<th>2019f</th>
<th>2020f</th>
<th>Change from June 2018</th>
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<td>3.0</td>
<td>3.0</td>
<td>2.9</td>
<td>2.8</td>
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<td>1.7</td>
<td>2.3</td>
<td>2.2</td>
<td>2.0</td>
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<tr>
<td>EMDEs</td>
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<td>4.2</td>
<td>4.2</td>
<td>4.3</td>
<td>4.6</td>
<td>-0.3</td>
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<td>East Asia and Pacific</td>
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<td>6.3</td>
<td>6.0</td>
<td>6.0</td>
<td>0.0</td>
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<tr>
<td>Europe and Central Asia</td>
<td>3.2</td>
<td>4.0</td>
<td>3.1</td>
<td>2.5</td>
<td>2.7</td>
<td>-0.1</td>
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<tr>
<td>Latin America and the Caribbean</td>
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<td>0.8</td>
<td>0.7</td>
<td>1.8</td>
<td>2.4</td>
<td>-1.0</td>
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<tr>
<td>Middle East and North Africa</td>
<td>3.5</td>
<td>1.2</td>
<td>1.8</td>
<td>1.9</td>
<td>2.7</td>
<td>-1.2</td>
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<tr>
<td>South Asia</td>
<td>6.4</td>
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<td>6.9</td>
<td>7.1</td>
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<td>Sub-Saharan Africa</td>
<td>4.3</td>
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<td>2.8</td>
<td>3.4</td>
<td>3.6</td>
<td>-0.3</td>
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</tbody>
</table>
Global industrial production growth and export orders

(Percent, 3 months SA)  (Index, 50+ = expansion)

- Industrial production growth
- Export orders (RHS)
Falling Equity Prices; Depreciating Renminbi; Significant Growth Spillovers

**Equity prices, 2018**

- China
- Other EM7

**Impact of slowdown in US and China**

- Exchange rates, 2018

*Sources: Bloomberg, Haver Analytics, World Bank.*

*Left and Center Panels. Other EM7 includes Brazil, India, Indonesia, Mexico, Russia, and Turkey. Last observation is October 4, 2018. Left Panel: Based on country-level MSCI indices. Center Panel: Currency is measured by total exchange rate changes in U.S. dollars. Right Panel: Considers the response of EMDEs' and global growth after the U.S. slowdown, using the Morgan Stanley Global Economic Performance Index. The response of EMDEs' growth follows a mixed pattern, with the non-China EMDEs growing, and China's growth slowed down significantly. See the sources for more details.*

*Graphs show the impact of the U.S. slowdown on global equity prices and exchange rates. The left panel compares the equity prices of China and other EM7 countries. The center panel illustrates the exchange rate changes for China and other EMDEs. The right panel highlights the impact on the United States and China's exchange rates.*
Higher Inflation; Lower Jobless Rate; Increasing Policy Rate

- Inflation and unemployment rate in the U.S.

- Policy rates and market expectations

Sources: Bloomberg, Haver Analytics, World Bank

Left Panel. Inflation is measured by year-on-year change in the personal consumption expenditures (PCE) price index. Both PCE price index and unemployment rate are seasonally adjusted. Dotted lines refer to projections over longer run in the latest Federal Open Market Committee (FOMC) meeting (in September 2018), based on the central tendency. Last observation is August 2018. Right Panel. Policy rates are for the effective federal funds (United States), EONIA (Euro Area), and overnight call rate (Japan). Blue dots (FOMC estimate) are inclusive of individual FOMC participant’s judgment of the appropriate target level for the federal funds rate at the end of 2018 to 2022, in the September 2018 FOMC meeting. Shaded area indicates market expectations derived from overnight swap rates (as of September 28, 2018).
Capital markets:
Traditional disruptions include exchange rate and external vulnerabilities

Larger Depreciations in Emerging Markets with Current Account Deficits

Changes in exchange rates, 2018
(Percent, cumulative change since April 15)

EMDEs with current account deficits
EMDEs with current account surpluses

Short-term external debt and CA balance, 2018
(Percent of GDP)

Short-term external debt
Current account (CA) balance

Sources: Bloomberg, International Monetary Fund, World Bank.
Left Panel: Average cumulative changes in exchange rates since April 15, 2018, based on 15 EMDEs with estimated current account deficits in 2018 (e.g., Argentina, Brazil, Chile, Colombia, Egypt, India, Indonesia, Morocco, Pakistan, Peru, Philippines, Poland, Turkey, and South Africa) and high emerging market economies with estimated current account surpluses in 2018 (e.g., China, Hungary, Malaysia, Qatar, Russia, Saudi Arabia, Thailand, and United Arab Emirates). Vertical yellow bars show the interquartile range. Last observation at October 1, 2018.
Right Panel: Data are for 21 emerging market economies where data are available in 2018 (as estimated).
More Debt; More Market Financing; More Countries at Risk

Public Debt in EMs, 2013-18s (percent of GDP)

- **EMs_avg.**
- **Non-cmdty exporters_avg.**
- **Cmdty exporters_avg.**
- **EMs_Median**
- **Non-cmdty exporters_Median**
- **Cmdty exporters_Median**

*Source: Debt Vulnerabilities in Emerging and Low-Income Economies, World Bank Group and International Monetary Fund, 2018*
More Debt; More Market Financing; More Countries at Risk

External Variable Rate Debt

EMs: Value of International Bonds Maturing

Change in Credit Rating in EMs, 2012-18

* Source: Debt Vulnerabilities in Emerging and Low-Income Economies, World Bank Group and International Monetary Fund, 2018
Policy Responses

Financial stability measures

- Build-up capital buffers
- Allow exchange rate depreciation
- Use swap and FX liquidity measures
- Capital flow measures
- Use conventional tools, weighing policy trade-offs
- Use fiscal stabilization if space available; if not, build space

Macroeconomic policy measures

- Decline in capital flows
- FX reserve buffers
- Monetary policy
- Fiscal policy

Risks Materialize

Decline in growth

Implement structural reforms

Ease capital flow regulation
Consider temporary restrictions on outflows
Classification of selected FinTech innovations by economic function
In response to calls from member countries the IMF and World Bank have developed the “Bali Fintech Agenda.” It brings together key considerations for policymakers and the international community into 12 elements arising from the experience of member countries, including:

I. Embrace the promise of fintech.

II. Enable new technologies to enhance financial service provision.

III. Reinforce competition and commitment to open, free, and contestable markets.

IV. Foster fintech to promote financial inclusion and develop financial markets.

V. Monitor developments closely to deepen understanding of evolving financial systems.

VI. Adapt regulatory framework and supervisory practices for orderly development and stability of the financial system.

VII. Safeguard the integrity of financial systems.

VIII. Modernize legal frameworks to provide an enabling legal landscape.

IX. Ensure the stability of domestic monetary and financial systems.

X. Develop robust financial and data infrastructure to sustain fintech benefits.

XI. Encourage international cooperation and information-sharing.

XII. Enhance collective surveillance of the international monetary and financial system.
Traditional disruptions in Trade

• Impacts will not be limited to US and China and will be realized elsewhere

• Global income could decline by up to 1.7% ($1.4 trillion) with losses across all regions.

• Global exports could fall by up to 3% ($674 billion), with largest declines in China and the US.

• Concerns regarding second round effects and intensification through investment and market sentiment channels

Trade Policy in the United States

Escalating Trade Tensions; Rising Policy Uncertainty

Imports subject to new tariffs, 2018

(Percent of global goods imports)

- United States
- Rest of the world
- United States - under consideration
- World - under consideration

Policy uncertainty

(Index, long-term average = 100)

- Global policy uncertainty
- U.S. trade uncertainty

Sources: Baker, Bloom, and Davis (2016); United States International Trade Commission; World Bank.
Left Panel: Imports subject to new tariffs implemented in the United States and the rest of the world in 2018, as well as those under consideration, as a percent of global goods imports. Data are as of October 1, 2018. Right Panel: Presented as three-month moving averages. Global policy uncertainty and trade policy uncertainty are computed by Baker, Bloom, and Davis (2016), and are based on the frequency of articles in domestic newspapers mentioning economic policy uncertainty and terms related to trade policy (e.g., import tariffs, import barriers, WTO, dumping, etc.), respectively. Last observation is August 2018.
Possible solutions

• Use the WTO or the duly constituted dispute settlement bodies of regional trading arrangements

• Renew economic liberalization programs, reducing distortions, such as subsidies, and continue ongoing trade liberalization efforts through multilateral and regional fora.

• Continue to uphold the multilateral trading system and commitments in regional trade agreements to improve the credibility on the course of future policy.

• Avoid resorting to non-transparent forms of retaliation outside of the rules-based system, such as non-tariff measures.

• Minimize policy uncertainty by the timely and clear communication of future changes in trade policy.

Technological disruptions to trade

Changes in industrial relations

Technological disruptions to trade

Boundaries of the firm

Source: WDR 2019
Impact of Technology

Scenarios of workers replacing robots…
and the history of man vs. machine

Elizabeth I
Died 1603

Luddites
1811-16

Joseph Jacquard
Died 1834

Santana of
Mexico
Died 1876

“The summary of economic science”
Published 1913
47% of jobs in the US will disappear in the next 25 years, according to Oxford University.

Source: Presentation by Ben Pring, The Future of Labor & Work in a Post Bretton Woods World, September 2018
Risks are Increasingly Tilted to the Downside

- Financial stress
- Trade tensions
- Policy uncertainty
- Geopolitical risks
- Slower potential growth
Harnessing the impact of technological changes requires a comprehensive policy framework.
Investing in Human Capital

The Human Capital Project

“How much human capital will a child born today acquire by the end of secondary school, given the risks to health, education and social protection that prevail in the country where she was born?”

Three main indicators, reflecting building blocks of the human capital:

1. **Survival** – Will kids born today survive to school age?
2. **School** – How much school will they complete and how much will they learn?
3. **Health** – Will kids leave school in good health and be ready for further learning and/or work?
The Human Capital Index

Source: WDR 2019 team.

Note: The Human Capital Index ranges between 0 and 1. The index is measured in terms of the productivity of the next generation of workers relative to the benchmark of complete education and full health. An economy in which the average worker achieves both full health and full education potential will score a value of 1 on the index. GDP = gross domestic product, PPP = purchasing power parity.
<table>
<thead>
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<th>Rank</th>
<th>Economy</th>
<th>Lower bound</th>
<th>Value</th>
<th>Upper bound</th>
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<td>126</td>
<td>South Africa</td>
<td>0.40</td>
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</table>
Social protection and labor regulation can help manage labor market challenges.

Investing in Resilience

Just 10 countries account for two-thirds of global forest cover.

Forest area, by region with top 10 countries, 2015

Of these, only China’s cover has been growing substantially.

Forest area, 1990 & 2015 (% of land area)

Source: FAO. WDI (AG.LND.FRST.K2).

Source: SDG Atlas, World Bank, 2018
Investing in Digital Infrastructure

The digital economy can help achieve the Sustainable Development Goals (SDGs) and WBG's twin goals

The scale and speed of disruption is affecting traditional sectors.

**Changing** how we collect, store, access, analyze and present data.

**Improving** production techniques to increase efficiency, affordability, and speed.

**Transforming** how we interact with the world and deliver/receive services.

*Digital economies require safeguards to ensure robust job markets, and possible downside risks*
How will we enable these investments?
Data is a Problem, Even in Canada

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

The key components of financing sustainable development

Mobilizing private investment for sustainable development

SG's high level meeting on financing the 2030 agenda
SG’s HIGH-LEVEL MEETING ON FINANCING THE 2030 AGENDA
Fostering an enabling environment for financing the SDGs

SG's HIGH-LEVEL MEETING on FINANCING the 2030 AGENDA
103 countries have presented VNRs to date during the High-Level Political Forum

8 countries presented more than once
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:
The IT revolution has made the centralization vs. decentralization debate irrelevant
- **Overview**: SDGs&Her is an online competition for women micro entrepreneurs to show how they are supporting the SDGs through their business operations.

- **Eligibility**: The competition is open to women who own and/or lead microenterprises (1-9 employees; under USD $10,000 loan eligibility OR annual sales under $100,000).

- **To Enter**: Applicants complete a [short online template](#), describing their work and linking their initiative/product to 1 or more SDGs.

- **Judging**: Entries will be screened by a university partner and then judged by an expert panel. Judges will determine the winners based on the impact on the SDGs, vision and purpose, and clarity of the entries.

- **Prizes**: The top winners will be recognized at an event at the margins of the 2019 World Bank Group/IMF Spring Meetings. The stories of the winning women entrepreneur (and many other notable entries) will be shared through partners’ social media and websites.

- **Deadline**: December 31, 2018.

To enter [click here](#)
Launched in 2014. Youth competition on innovative ways to finance and implement development solutions to help reach the SDGs.

Partnership between the World Bank Group and the Wharton School, amongst others

In 2017 the Ideas for Action (I4A) competition attracted over 700 proposals from 118 countries.

Winning proposals:
- Top 10 will be published in a book
- Top 3 will participate in the WBG-IMF Annual Meetings
- The Wharton School offers top 10 winners training and opportunities to exchange knowledge

Visit the website at http://www.ideas4action.org/; Follow us @Ideas4Action


Watch video of 2016 winners
Thank You

worldbankgroup.org/sdgs

Follow us on twitter @WBG2030

Mahmoud-Mohieldin on LinkedIn
The World Bank Group

**IBRD** lends to governments of middle-income and creditworthy low-income countries

**IDA** provides interest-free loans, or credits, and grants to governments of the poorest countries

**IFC** provides loans, equity, and advisory services to stimulate private sector investments in developing countries

**MIGA** provides political risk insurance and credit enhancement to investors and lenders to facilitate FDI in emerging economies

**ICSID** provides international facilities for conciliation and arbitration of investment disputes