On Achieving the SDGs:
Challenges and Solutions
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Paradigm shift - move the discussion from “billions” to “trillions”

Financing will have to come from multiple sources: governments and philanthropy, remittances, South-South flows, other ODA, and FDI

Two main pillars: public domestic resources and private sector finance

Source: World Investment Report, UNCTAD, 2018
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?
Evolution of Business and Sustainable Development

- Charity
- Obligations
- Corporate Social Responsibility (CSR)
- Sustainability
"Business leaders need to strike out in new directions to embrace more sustainable and inclusive economic models."

"Big business and finance need to regain public trust."

"More than 150 million children are working unseen and unprotected."

"The Global Goals could deliver 380 million new jobs in business."

“There is the chance to rebuild trust between business and wider society.”

Source: Business Commission, 2017
SDGs Present Enormous Business Opportunity

Sustainable development:
- Opens up new opportunities and big efficiency gains
- Drives innovation
- Enhances reputations

With a reputation for sustainability...
- Companies attract and retain employees, consumers, B2B customers and investors
- Companies secure their license to operate
- Companies thrive and deliver attractive returns to shareholders

Source: CEO Guide to the Sustainable Development Goals, World Business Council For Sustainable Development (WBCSD)
More than 50% of Opportunities are in Developing Countries

- Asia is particularly well placed to reap the collective benefits
- More than 40% of the US$12 trillion in business opportunities associated with the SDGs around the world are in Asia
WBG’s Operating Principles for Impact Investment

**Strategic intent**
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
Closing the gender gap could increase GDP by an average of 35%.

Increased labor force participation and gender diversity increases productivity and potential for innovation.

Men’s wages will also increase as a result of greater inclusion of women in the labor force since productivity will increase.

Equality can add $12 trillion to global growth.

Sources: IMF, 2018, McKinsey 2015
Invest in Human Capital

- The World Bank Group’s Human Capital Project is a global effort to accelerate more and better investments in people for greater equity and economic growth.

- The cost of inaction on human capital development is going up.

- HCP is expected to help create the political space for national leaders to prioritize transformational human capital investments.
Human Capital Index was launched in 2018

Launched in 2018, the HCP assesses Building blocks of human capital:

- **Survival** – Will kids born today survive to school age?
- **School** – How much school will they complete and how much will they learn?
- **Health** – Will kids leave school in good health and be ready for further learning and/or work?
Invest in Infrastructure

**Infrastructure Outlook: Africa**

- **Current trends**
- **Investment need**
- **Investment need inc. SDGs**

**Infrastructure Outlook: Asia**

- **Current trends**
- **Investment need**
- **Investment need inc. SDGs**

*Source: Global Infrastructure Hub, 2018*
Invest in Digital Infrastructure: Three B’s of Technology

Build
- Develop the foundational building blocks for sustainable, technology-led economies (for example, the Digital Economy for Africa Initiative, and Identification for Development).

Boost
- Expand the capacity of people and institutions to thrive in a resilient society in the face of disruption (for example, ongoing citizen engagement).

Broker
- Harness disruptive technology, data, and expertise to solve development challenges and manage risks through collaborations (for example, with partners including Airbnb, Amazon and LinkedIn).
Invest in Resilience

Ability to manage the wide range of shocks and stresses which may occur
- natural
- technological or
- socioeconomic

Examples of investments include:
- Expansion of social protection coverage while giving priority to the poorest people
- Strengthening of all aspects of climate and disaster resilient development, including coordinating institutions, risk identification and reduction, preparedness, financial and social protection, and resilient reconstruction
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