

# The Sustainable Development Goals and **Private Sector Opportunities**



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Medellin, Colombia

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# Cátedra sobre Pacto Global 2017

*Panel inaugural de alto nivel on “The SDGs: The Role of the Private Sector”  
on Friday August 4<sup>th</sup> at 7:30 AM*

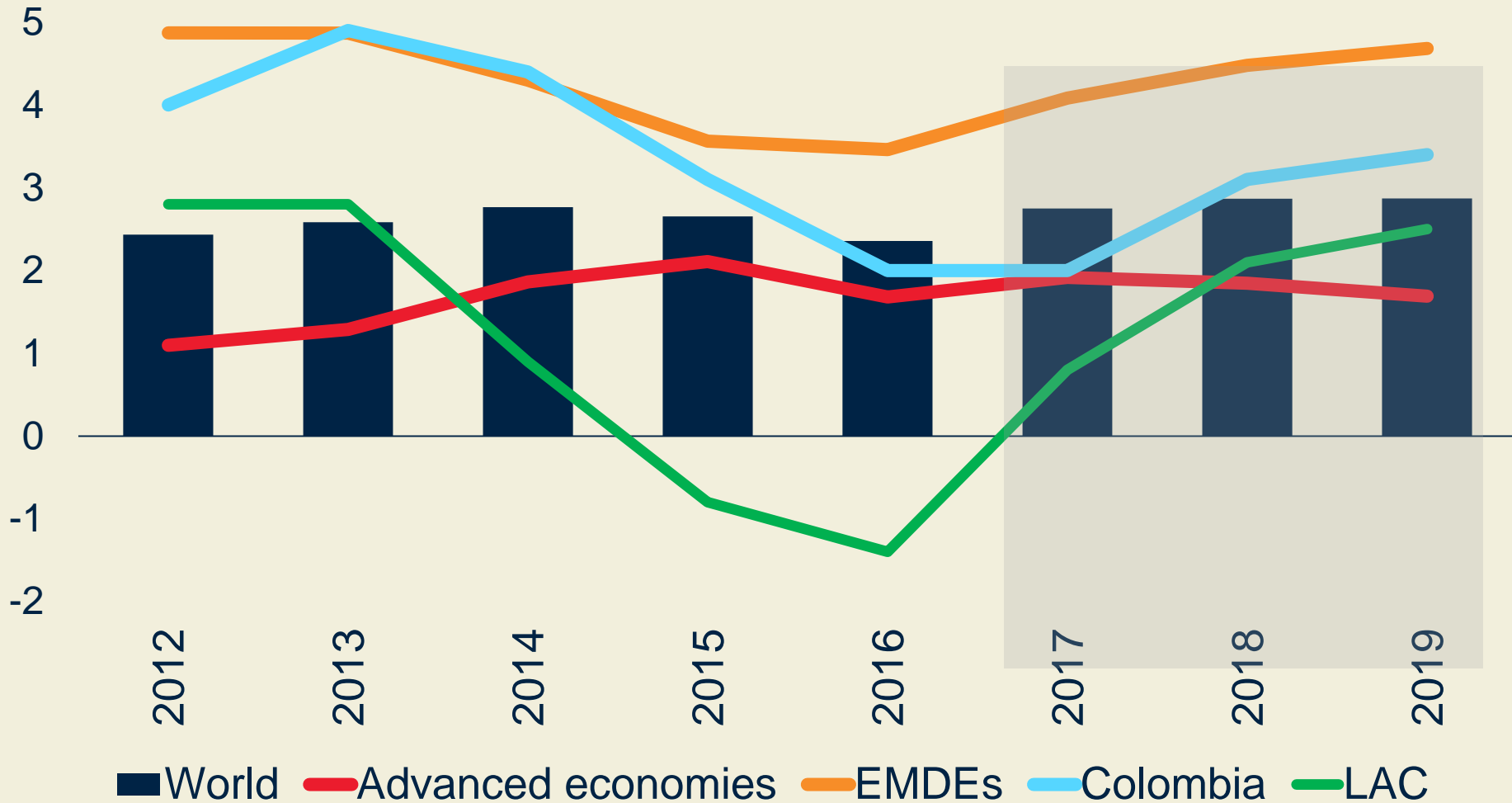
- **Global Context:**
  - ✓ Prospects and Challenges
  
- **The 2030 Agenda and the SDGs:**
  - ✓ An Opportunity for Transformation
  
- **Solutions:**
  - ✓ What to Avoid and What to Pursue
  
- **Private Sector Engagement:**
  - ✓ In the areas of Data, Finance, and Implementation

# Global & Regional Context: Prospects and Challenges

# Global Context

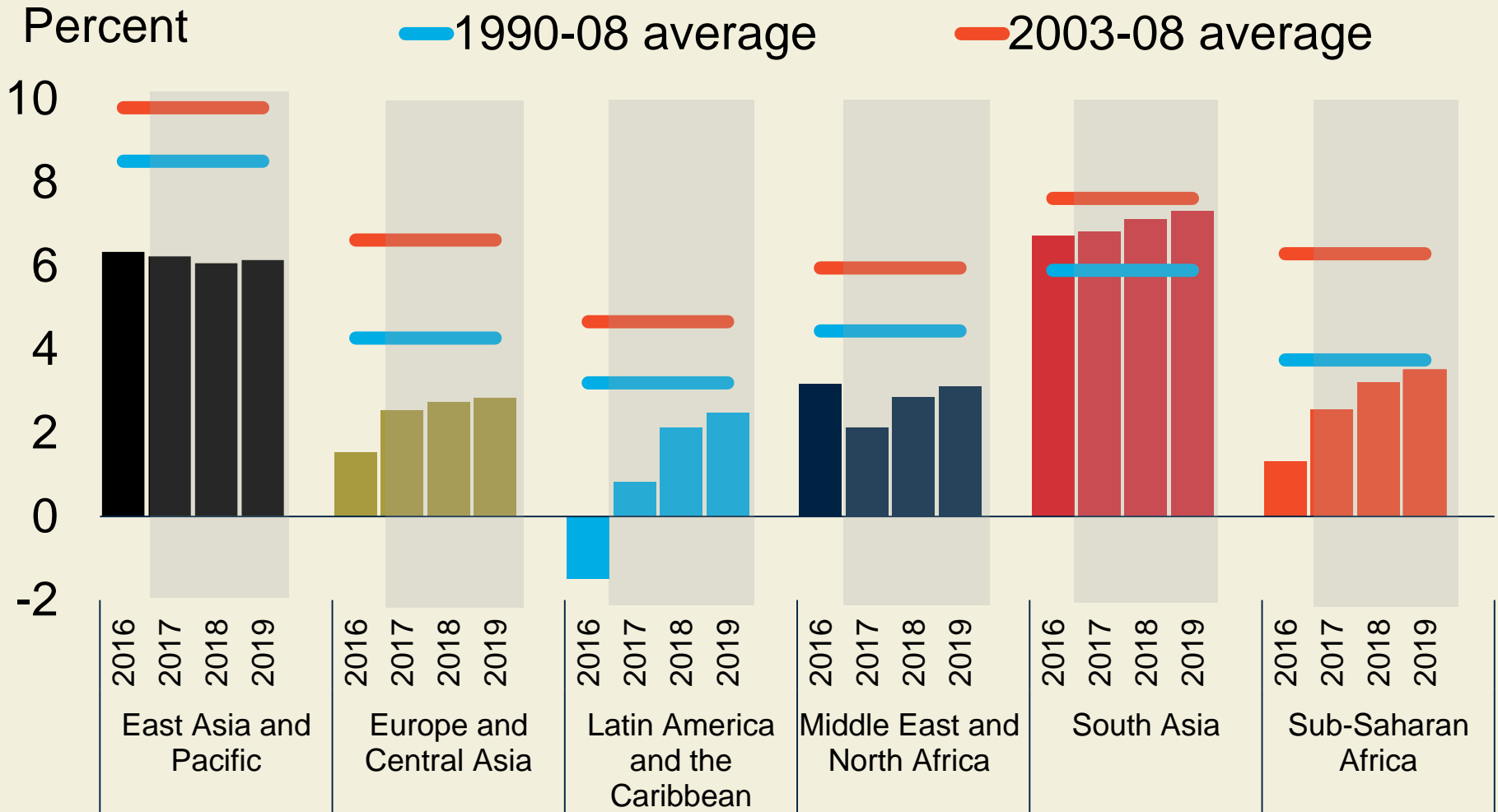
## GDP Growth (Percent)

Percent



# Global Context

## GDP Growth (Percent)



# Reflections on the new global economy: multipolarity

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

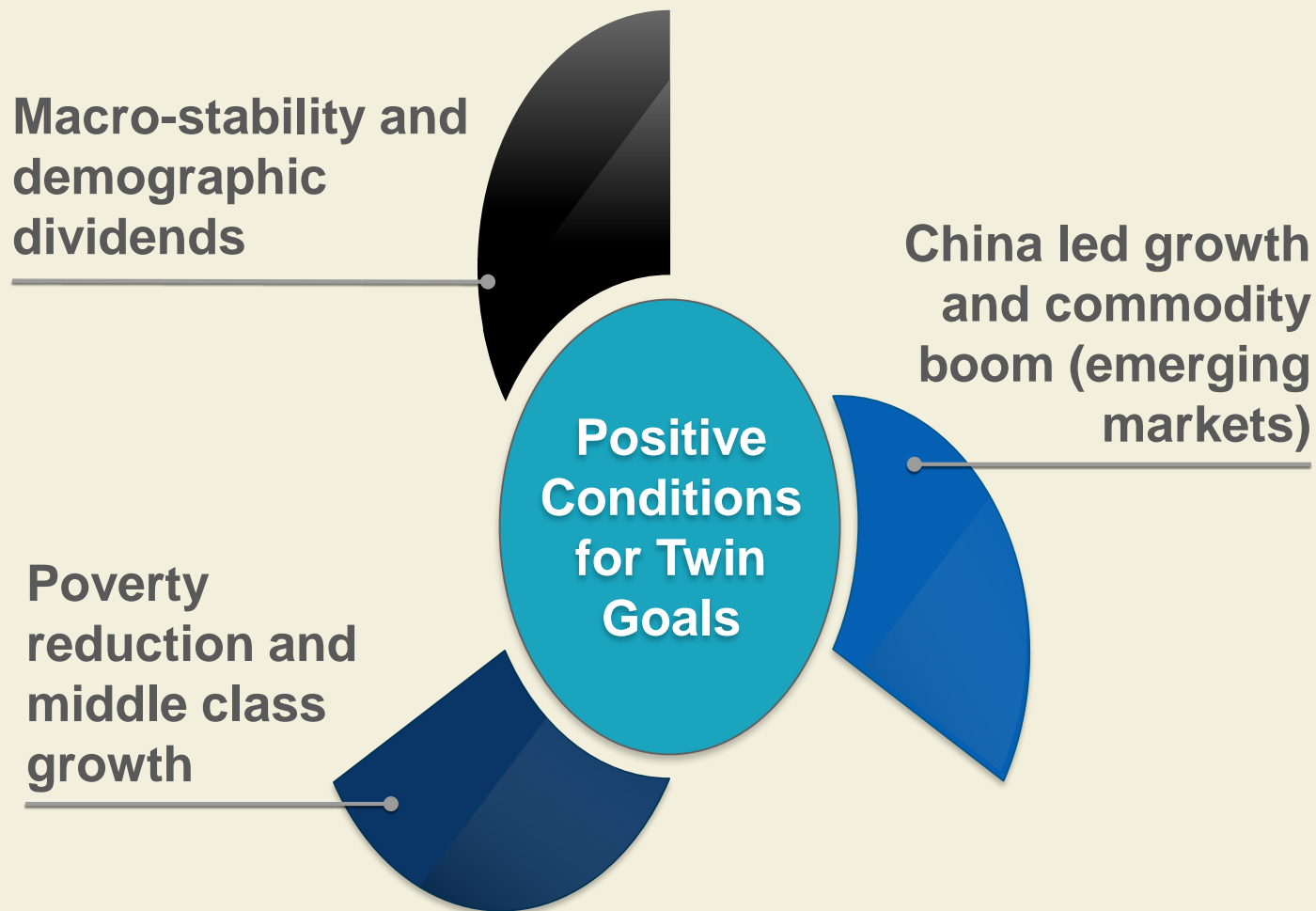


# Reflections on the new global economy: multipolarity

Evolution of the earth's economic center of gravity<sup>1</sup>  
1 CE to 2025



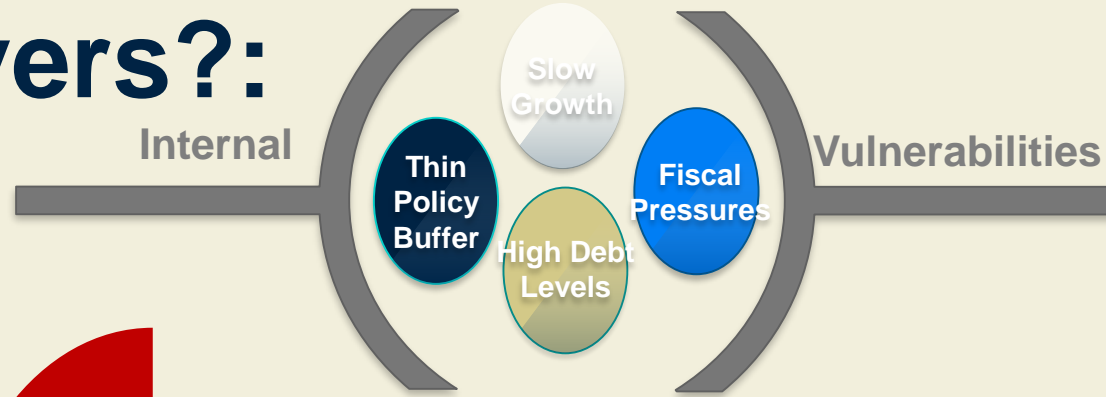
# Drivers of the Global Development Agenda: Last 15 Years in Developing Economies





# Sputtering Drivers?:

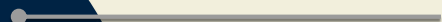
## Recent Conditions



End of the Commodity super-cycle



Slowing China growth



Increasing Headwinds

Diminished capital & trade flows

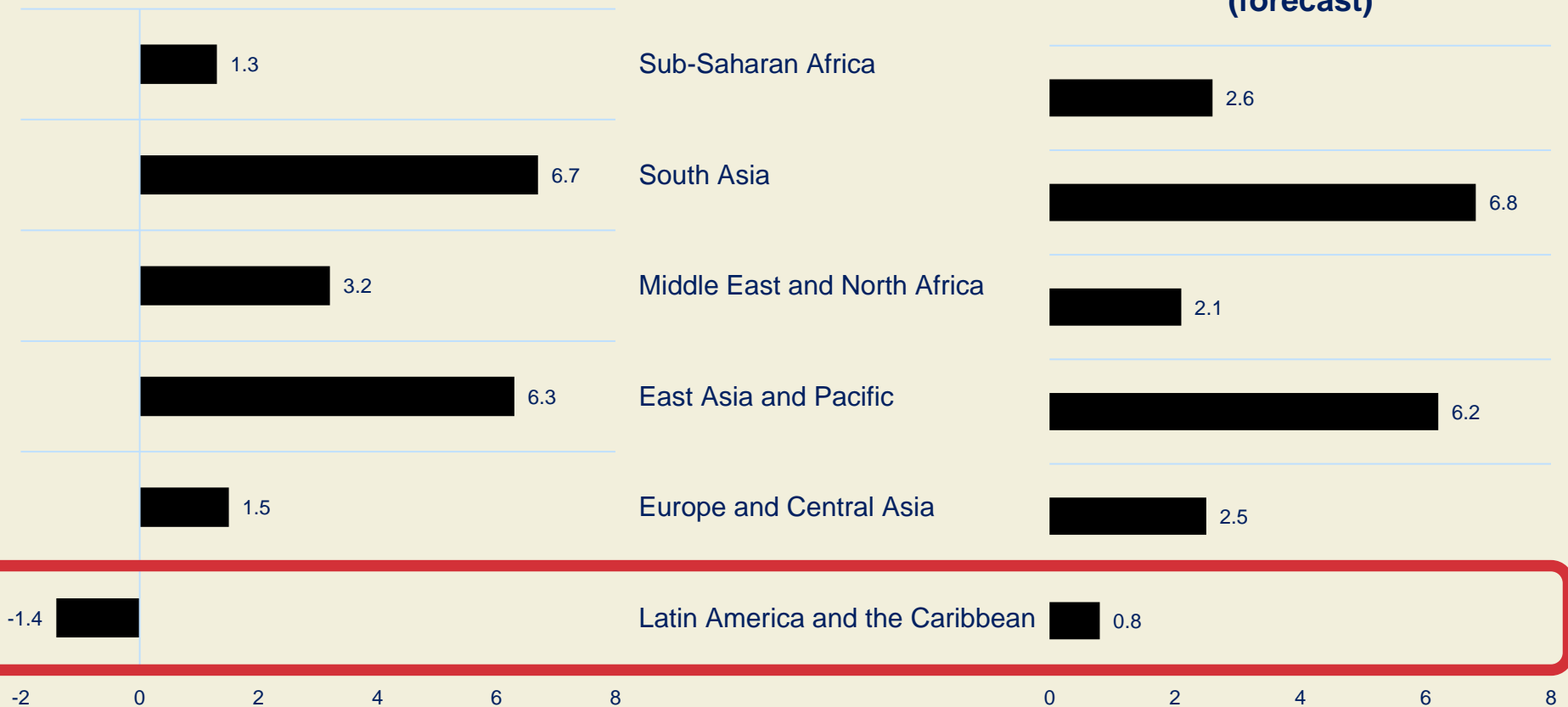


# Developments in Latin America and the Caribbean: a regional comparison

## GDP Growth (Percent)

2016 Real GDP Growth (estimate)

2017 Real GDP Growth (forecast)



a. GDP at market prices and expenditure components are measured in constant 2010 U.S. dollars.

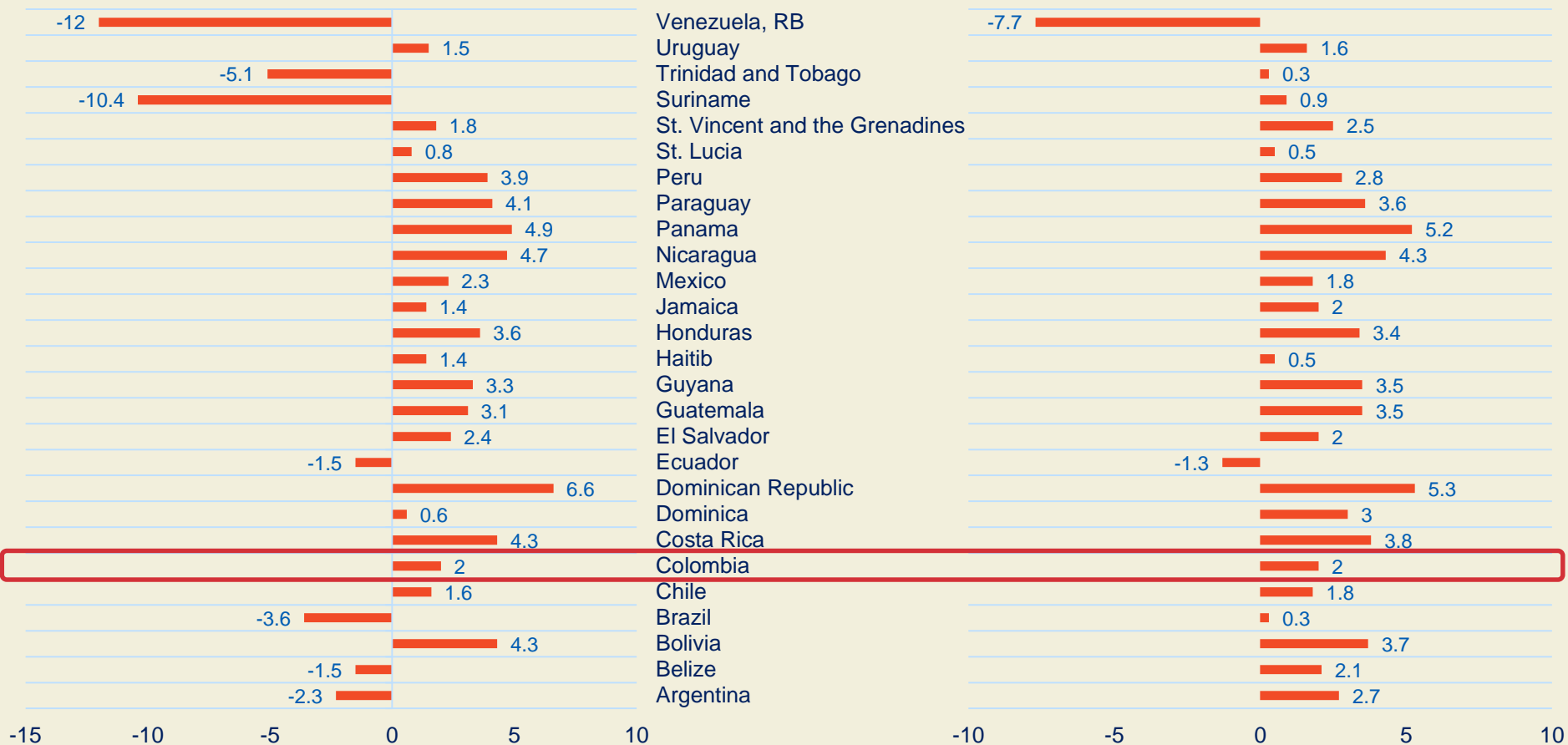
b. GDP is based on fiscal year, which runs from October to September of next year.

# Developments in Latin America and the Caribbean

## GDP Growth (Percent)

2016 Real GDP growth (estimate)

2017 Real GDP growth (forecast)

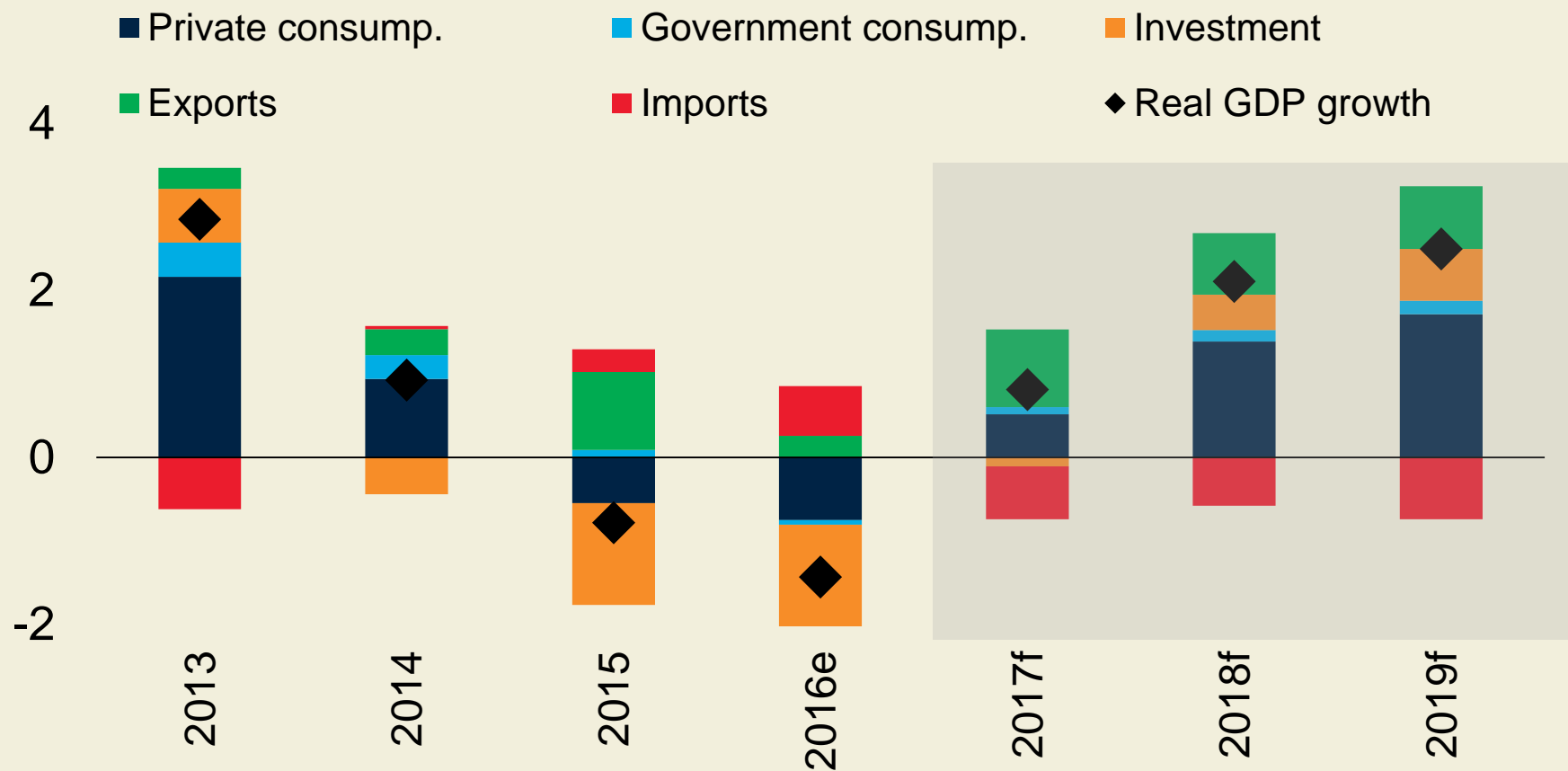


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# Developments in Latin America and the Caribbean

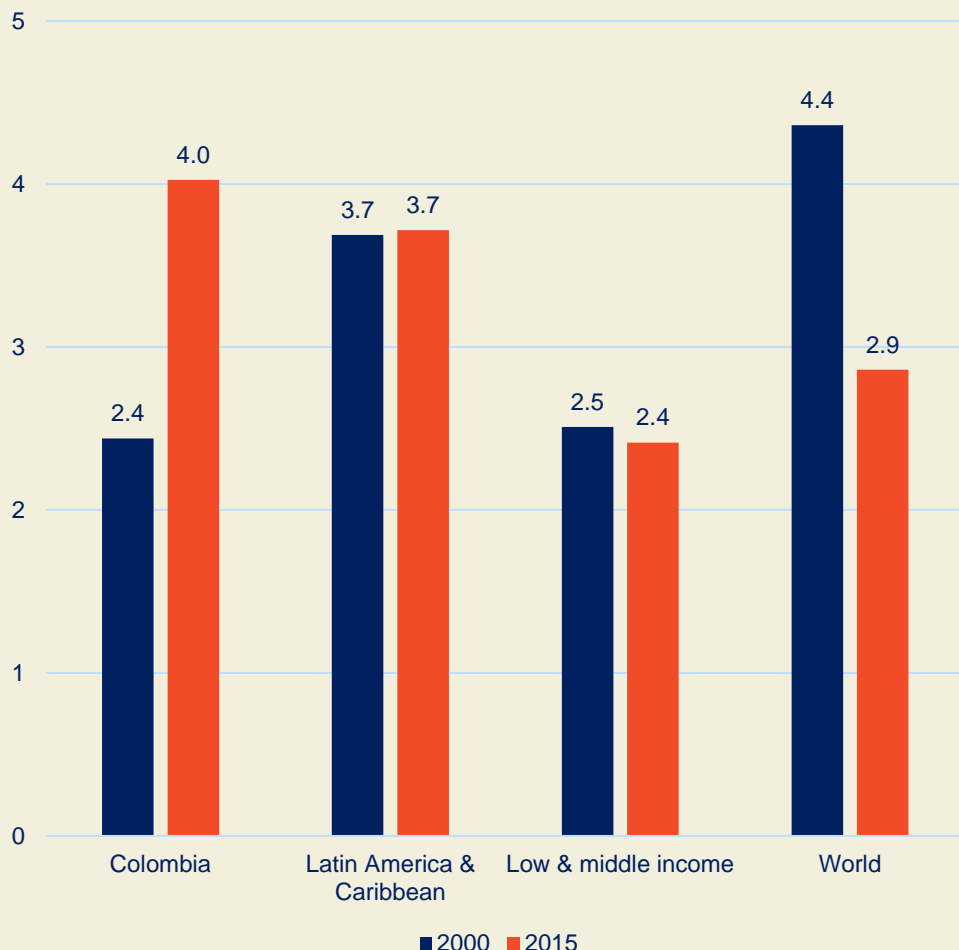
## Contributions to Growth

Percentage point contribution to growth

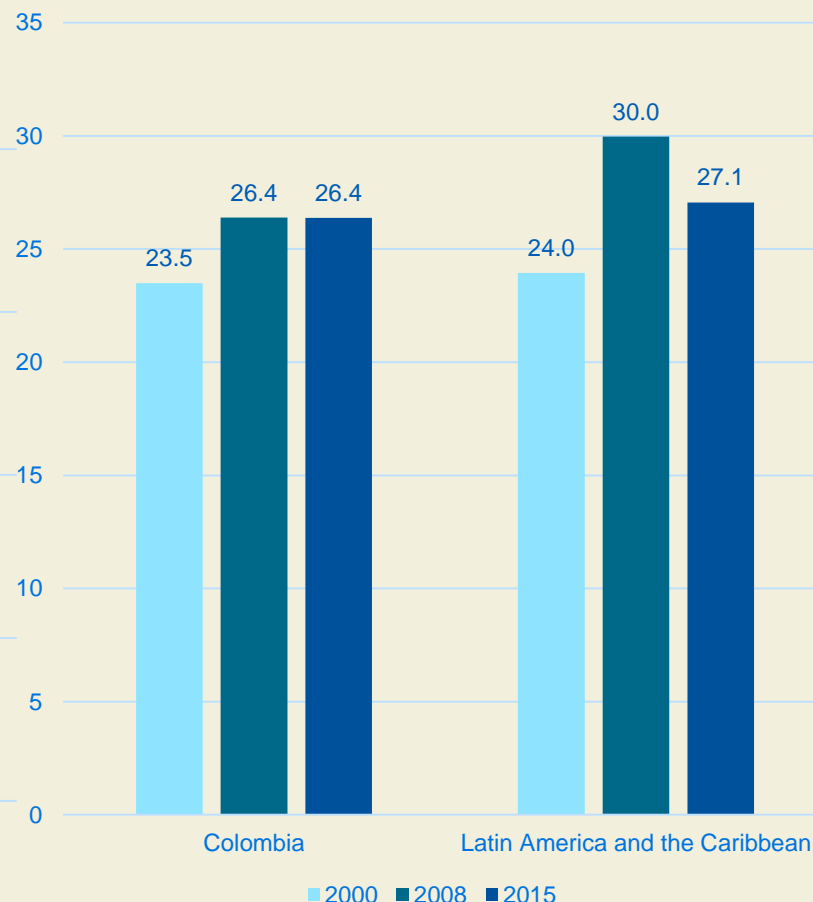


# Developments in Latin America and the Caribbean

## FDI Net Inflows (% of GDP)



## Domestic Resource Mobilization General Government Revenue\* (% of GDP)



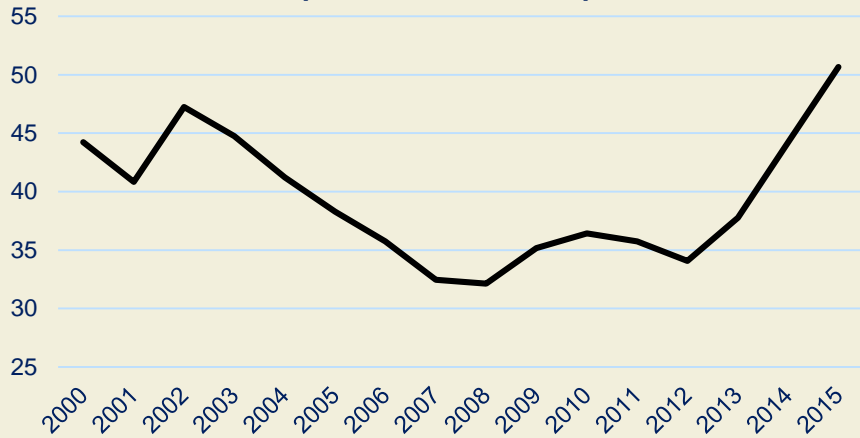
\*Gov't revenue consists of taxes, social contributions, grants receivable, and other revenue. Revenue increases government's net worth, which is the difference between its assets and liabilities (GFSM 2001, paragraph 4.20). Note: Transactions that merely change the composition of the balance sheet do not change the net worth position, for example, proceeds from sales of nonfinancial and financial assets or incurrence of liabilities.

# Developments in Colombia

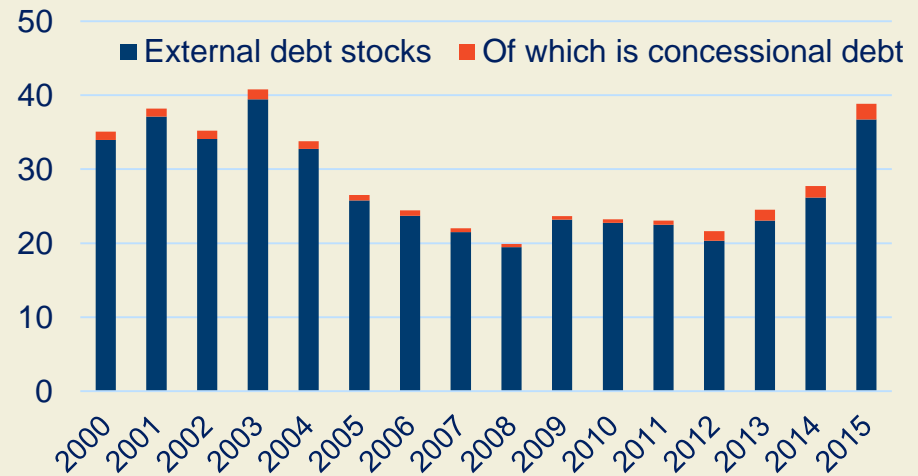
- GDP is expected to grow at the same rate in FY17 as FY16; future growth will be largely driven by **the recovery of non-oil exports and oil prices**, and the **4G infrastructure program**.
- **Inflation is converging down** to the targeted range
- **Tax reform** of 2016 and **expenditure containment** measures are critical for fiscal consolidation and to create space for post-conflict related spending
- But **further expenditure rationalization** is needed to comply with the fiscal rule.
- The slower pace of poverty reduction will continue in 2017, and accelerate with growth in 2018-2019.

# Developments in Colombia

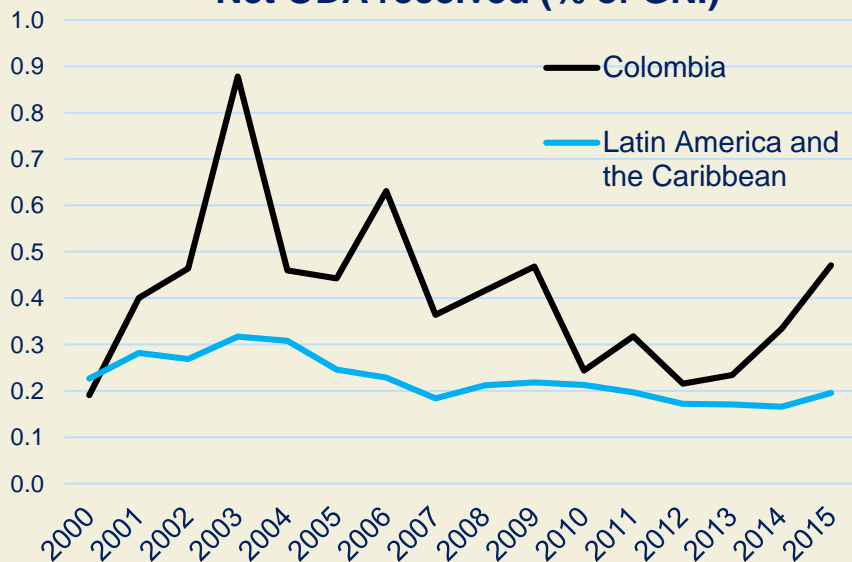
## General government gross debt (Percent of GDP)



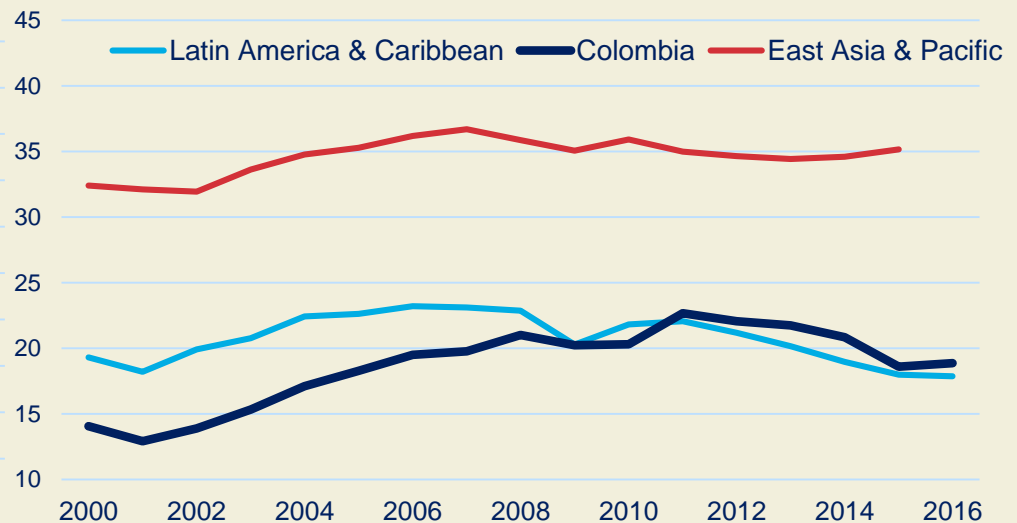
## External Debt (% of GNI)



## Net ODA received (% of GNI)



## Gross Domestic Savings (% of GDP)



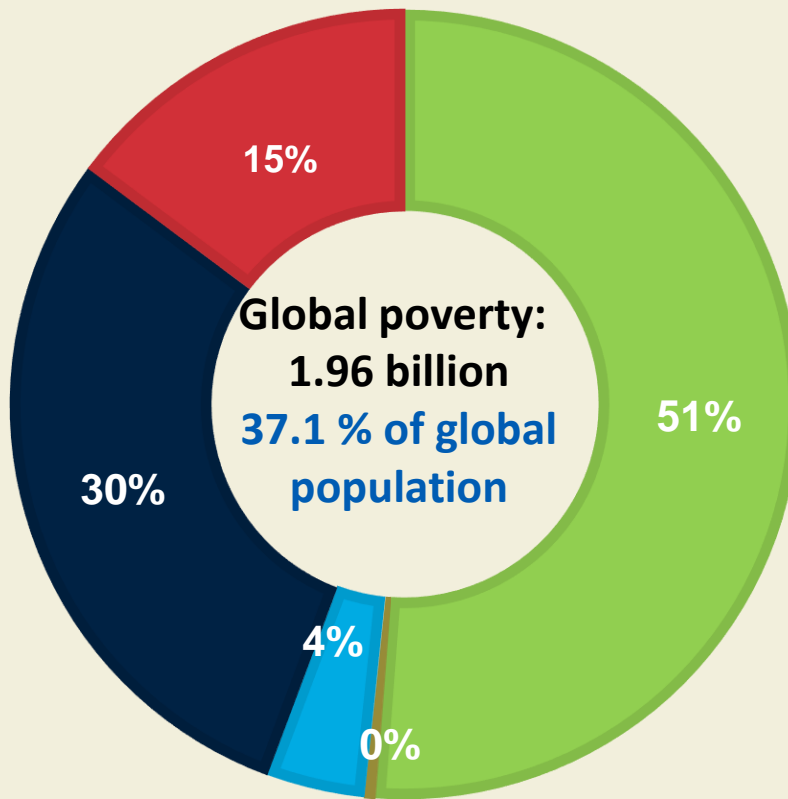
# The 2030 Agenda and the SDGs: An Opportunity for Transformation



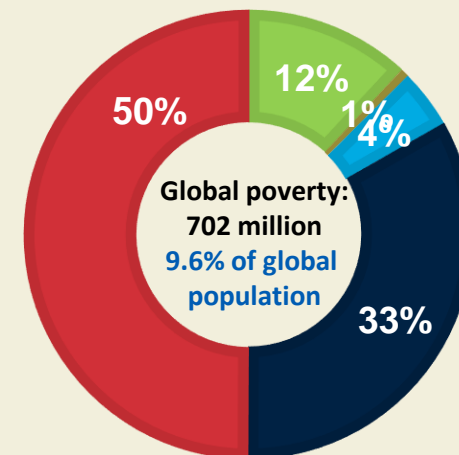
# Progress on the MDGs

## Share Of Global Poverty

1990



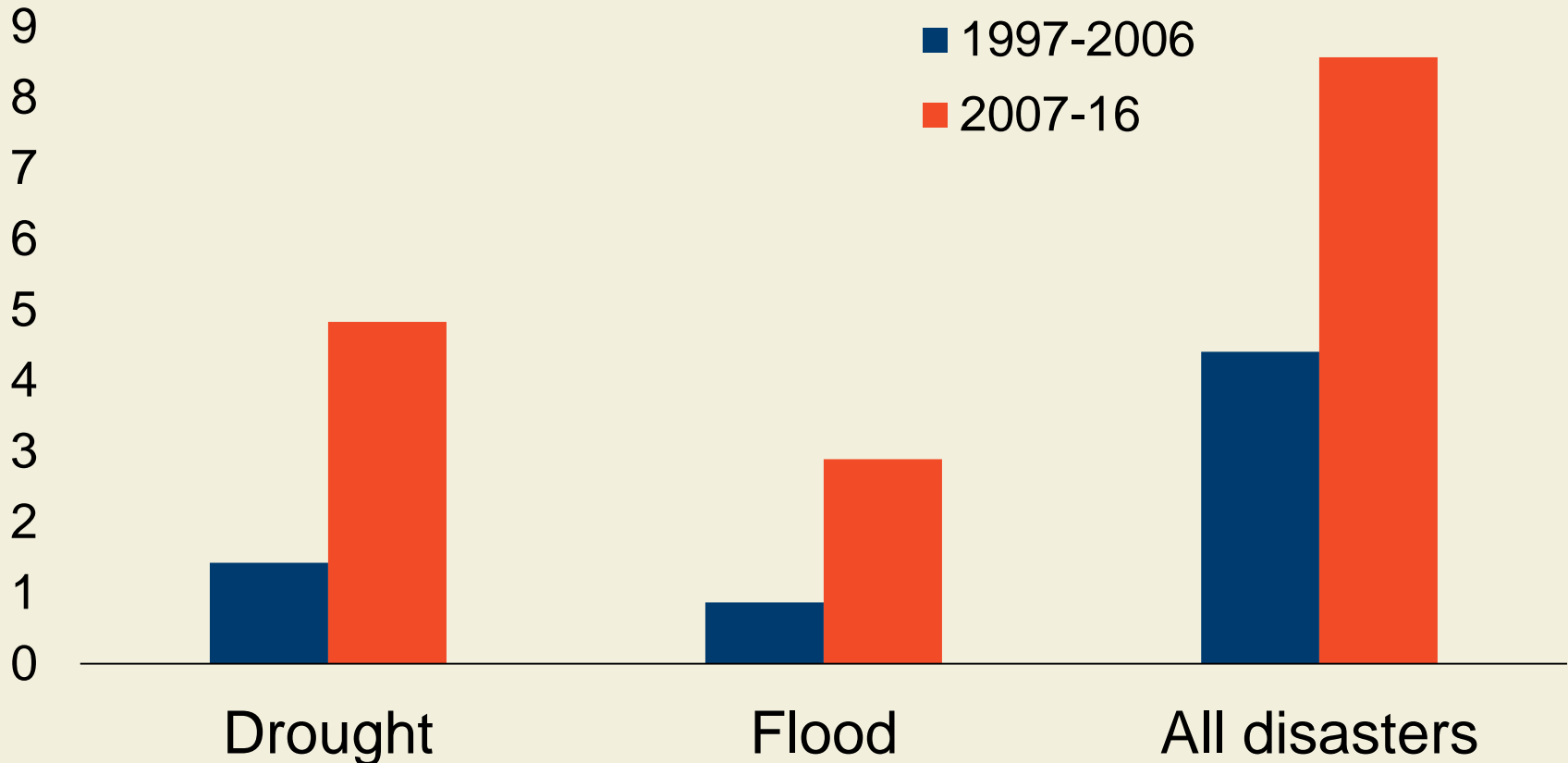
2015



# Increasing impact of climate change is hard to avoid

## Natural Disasters

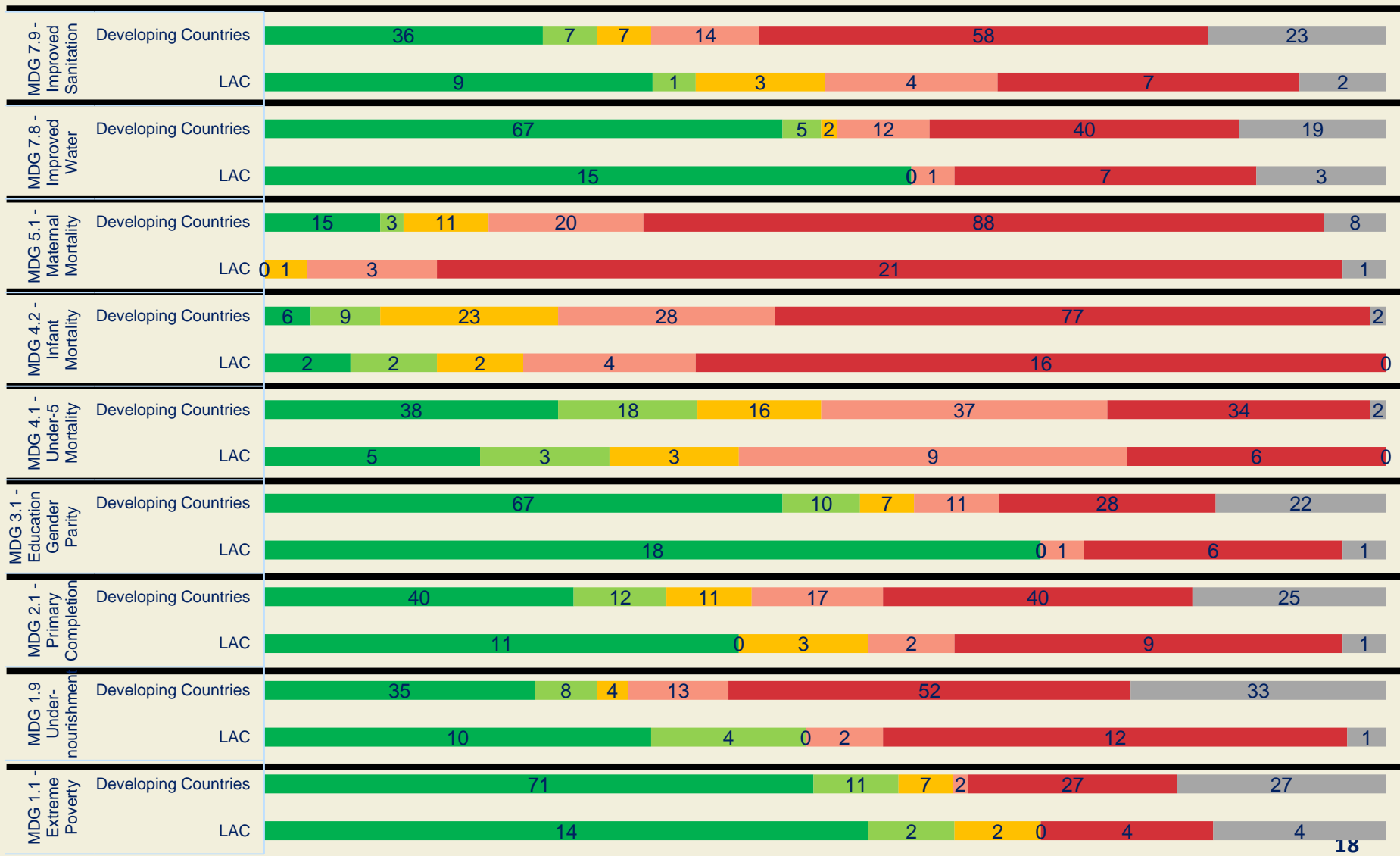
Number of people affected, millions



# Looking Back: MDG Progress

## Comparing LAC to Developing Countries

Source: World Bank data, staff calculations



■ Target Met 
 ■ Sufficient Progress 
 ■ Insufficient Progress 
 ■ Moderately Off Target 
 ■ Seriously Off Target 
 ■ Insufficient Data

# Looking Back: MDG Progress

## Colombia's performance

MDG 1.1 - Extreme Poverty	Sufficient Progress
MDG 1.9 - Undernourishment	Seriously Off Target
MDG 2.1 - Primary Completion	Target Met
MDG 3.1 - Education Gender Parity	Target Met
MDG 4.1 - Under-5 Mortality	Moderately Off Target
MDG 4.2 - Infant Mortality	Seriously Off Target
MDG 5.1 - Maternal Mortality	Seriously Off Target
MDG 7.8 - Improved Water	Seriously Off Target
MDG 7.9 - Improved Sanitation	Moderately Off Target

# An Opportunity for Transformation:

## Lessons Learned from the MDGs

- Ensure the timeliness and effectiveness of policy instruments
- 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
- Prioritize engagement of communities and community mobilization
- Bridge the humanitarian and development agendas



# An Opportunity for Transformation: From MDGs to SDGs

	MDGs (2000-2015)	SDGs (2016-2030)
Goals	8	17
Targets	21	169
Indicators	60	~231
Priority Areas	Human Development	Holistic: Economic, Social, Environmental
Scope	Developing Countries	Universal

The global development agendas serve as a compass and guide for countries to determine their national development path



# Addressing Global Megatrends & Challenges

## Demographic and Growth Transitions

✧ Economic diversification; 600 million new jobs (SDG#8)

✧ Sustainable Health & welfare system (SDG#3)

## Urbanization

✧ Urban management (SDG#11)

✧ Private expertise/funding for infrastructure/urban services (SDG#11; SDG#9; SDG#17)

## Climate and Resources

✧ Shift from fossil fuels to renewables/ efficiency (SDG#7)

✧ Agriculture adaptation (SDG#2)

## Cycles, Disruptions and Fragility

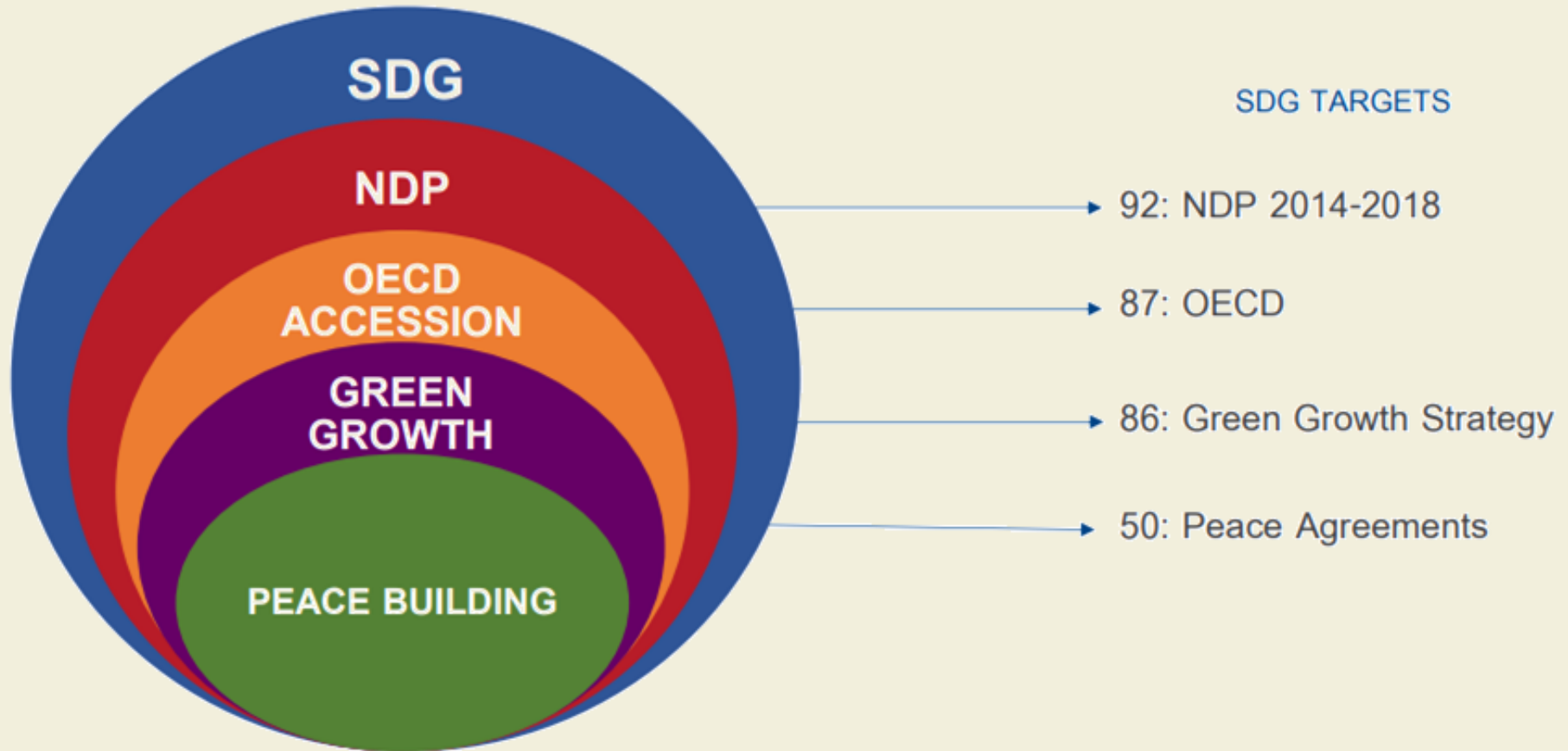
✧ Shocks and risks preparedness (SDG#13)

✧ Protecting vulnerable from fragility & violence (SDG#1; SDG#16)

## Shifts in Global Economy

✧ New sources of growth and trade, especially for commodity exporters (SDG#9)

# Colombia and the SDGs



Active national agendas determine actions related to at least 146 SDG targets - 86%



# Colombia and the SDGs

## An Integrated Approach

### Peace Agreement

### SDG



Comprehensive Rural Reform



Political participation



End of conflict



Illicit drugs



Victims of the Conflict



# **Solutions: What to Avoid and What to Pursue**

# Solutions:

## Avoid bad ideas

1. Dealing with joblessness by relying on the civil service;
2. Cutting fiscal deficits by sacrificing public investment in infrastructure;
3. Subsidizing energy except for very limited subsidies to highly vulnerable sections of the population;
4. Open ended protection for specific sectors;
5. Imposing administrative price controls;
6. Banning exports;
7. Underpaying civil servants compared to the private sector;
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:

Invest in people, build resilience, and make growth inclusive

## INVESTING IN PEOPLE



## INVESTING IN INCLUSIVE GROWTH



## INVESTING IN RESILIENCE



# Solutions:

## Increase domestic savings

### Key drivers of domestic savings\*

- Improve real income through increasing total factor productivity, labor efficiency, and maintaining price stability
- Reform public social security and commercial insurance systems
- Influence savings behavior; e.g. introduce savings certificates for all students and bank accts/digital savings accounts for all university or higher ed. students
  - Mobilize digital/biometric ID systems
  - Develop financial services, instruments, competition, and access



# Solutions:

## Take the SDGs seriously



### BETTER FINANCING

*Domestic resource mobilization; leveraging private sector; addressing needs of regional and global public goods*



### ADEQUATE DATA

*Ensure availability of household budget surveys in 78 poorest countries every three years; data revolution; statistical capacity building*



### EFFECTIVE IMPLEMENTATION

*Provide integrated solutions and work across sectors/ministries*

# Solutions:

Implementation requires a multi-stakeholder approach

## The case of Colombia



Every SDG requires a multi-stakeholder approach; responsibilities are non-excludable

# Private Sector Engagement: Data, Finance, and Implementation



# The data revolution requires private sector engagement

**1**  
DATA COULD TRANSFORM  
GLOBAL DEVELOPMENT  
– BUT WE NEED TO FILL THE GAPS

**2**  
ESTIMATES COULD BE  
DOWNPLAYING EXTREME  
POVERTY BY A QUARTER

**3**  
WE DON'T HAVE ENOUGH DATA  
ABOUT HOW MANY, OR WHY,  
PEOPLE DIE

**4**  
CALCULATE GROWTH  
DIFFERENTLY AND YOUR  
ECONOMY COULD LOOK MUCH  
STRONGER OVERNIGHT

**5**  
IT WON'T COST  
MUCH TO GET THE  
DATA WE NEED

**6**  
THE DIGITAL UNIVERSE IS HUGE  
– AND GROWING EXPONENTIALLY

**7**  
MOBILE PHONE TRAFFIC  
WILL GROW TENFOLD  
BY 2019

**8**  
WE ANALYSE LESS  
THAN 1% OF BIG DATA

**9**  
THE SHARE OF DATA  
IN NEED OF PROTECTION  
IS RISING FAST

**10**  
CONVENTIONAL TOOLS AND NEW  
TECHNOLOGIES CAN IMPROVE LIVES

## Global Partnership for Sustainable Development Data:

- A group of governments, international organizations, companies, civil society groups, and data communities dedicated to achieving the SDGs.
- Their focus is on improving the use and availability of data, expanding data literacy and capacity, and mobilizing political will and resources
- Each member has made commitments to improve data for development
- This includes KPMG, MasterCard, Microsoft, Philips, esri, Facebook, amongst others

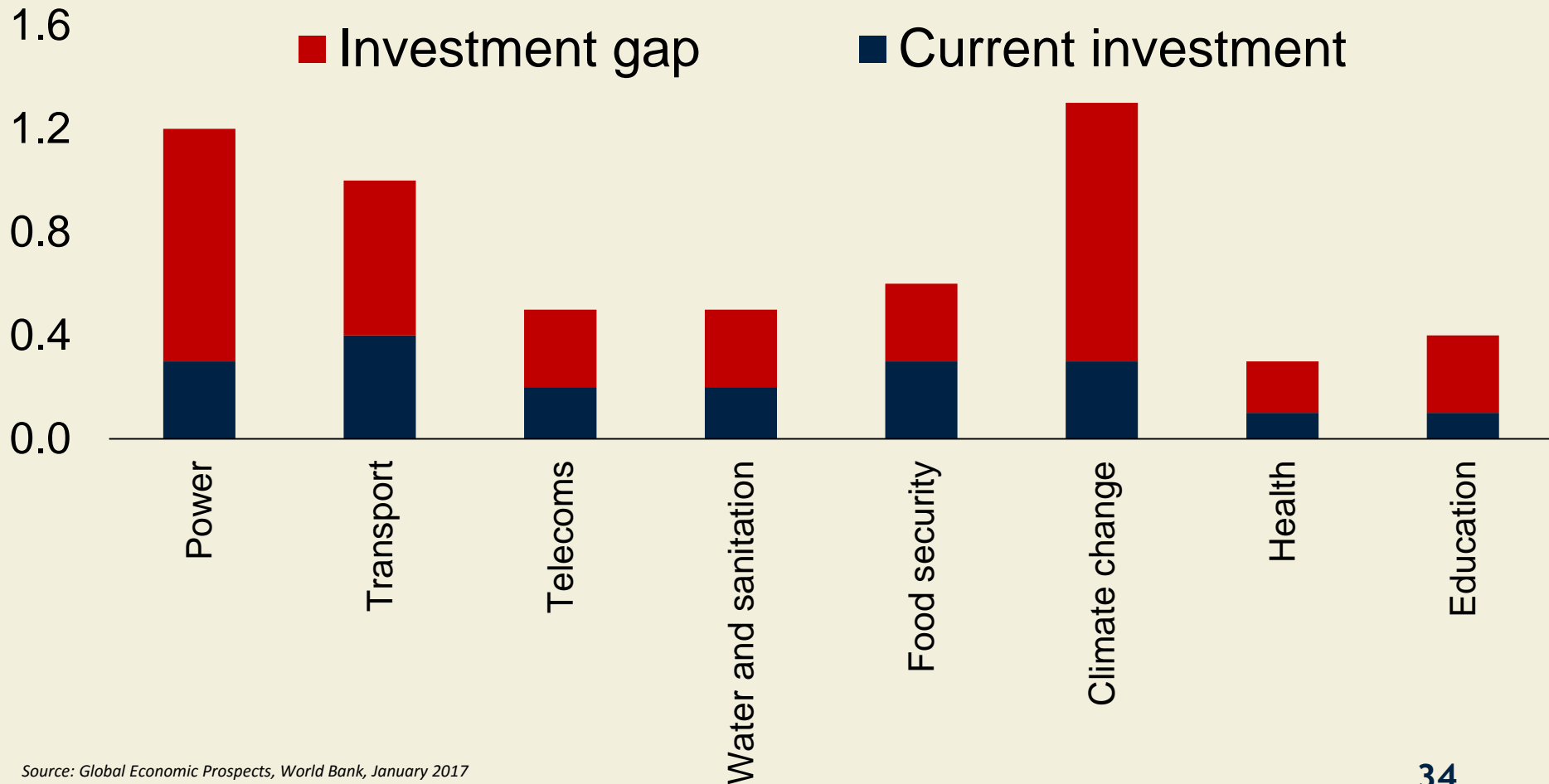
# Financing the SDGs:

## The key components

1. National public resources:	Improving domestic resource mobilization (DRM)
2. Global public resources:	Better and smarter aid
3. National and global private resources:	Unlocking private investment for development, Attracting FDI, Remittances, Philanthropic finance

# SDG-Related Investment Needs

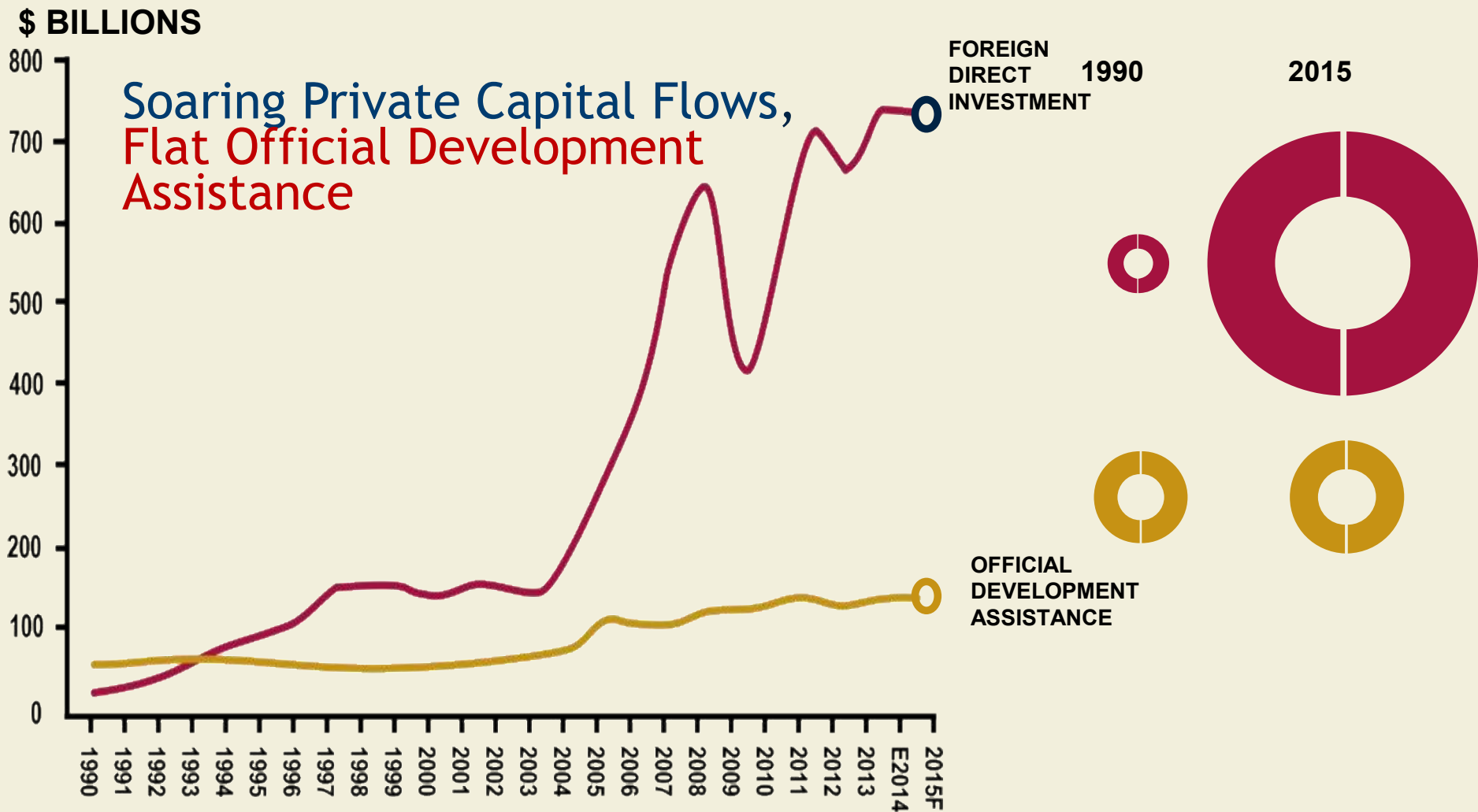
Percent of global GDP



Source: Global Economic Prospects, World Bank, January 2017

# Financing the SDGs:

## Private sector engagement is critical

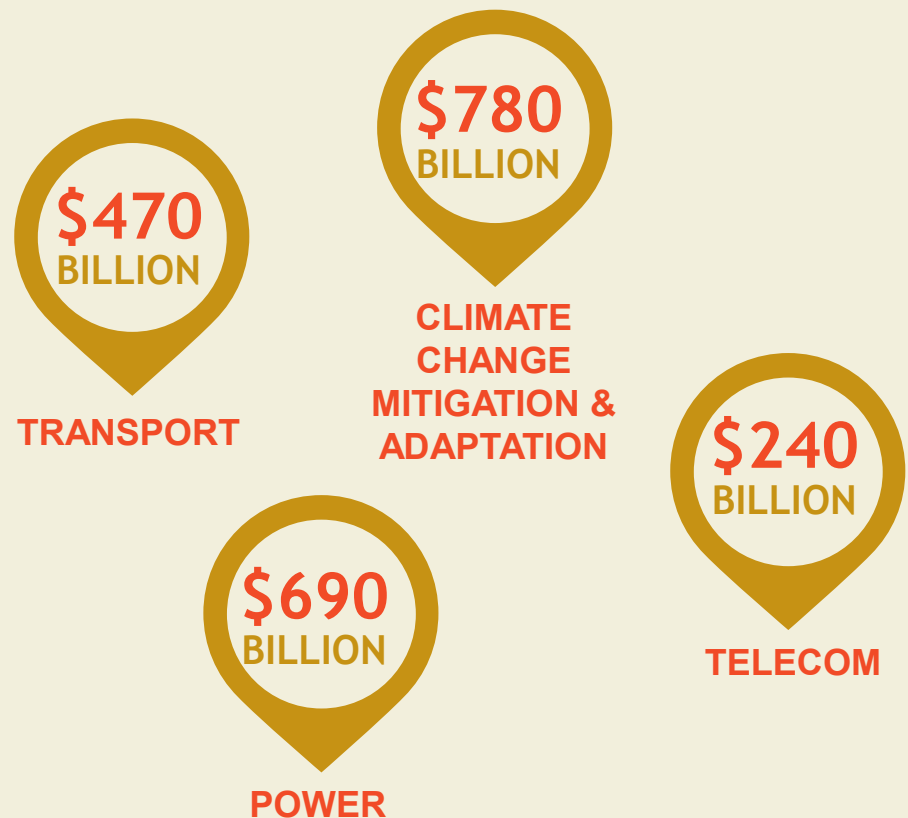


# Financing the SDGs:

## What are the needs in various sectors?

**BILLIONS** TO  
**TRILLIONS**

Between now and 2030  
developing countries need an  
annual investment of up to:



# Financing the SDGs: How much is out there?



Assets held  
by the world's  
ten largest  
pension funds



Assets held  
by the world's  
largest  
insurance  
companies



Assets held  
by the world's  
largest sovereign  
wealth funds



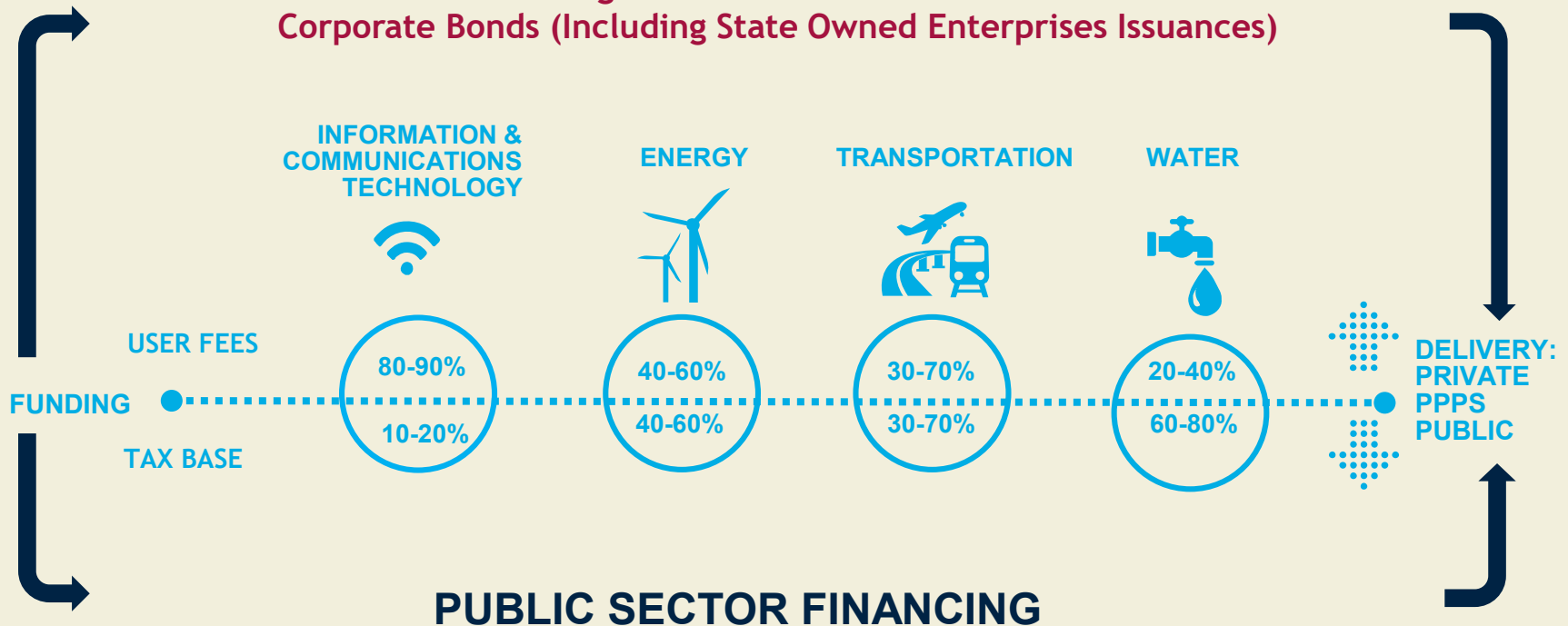
Global bond  
market

# Financing the SDGs:

## The balance of public and private funding

### PRIVATE SECTOR FINANCING

Sector Investors/EPC // Institutional Investors // Equity Funds & Asset Managers // Commercial Banks  
Corporate Bonds (Including State Owned Enterprises Issuances)

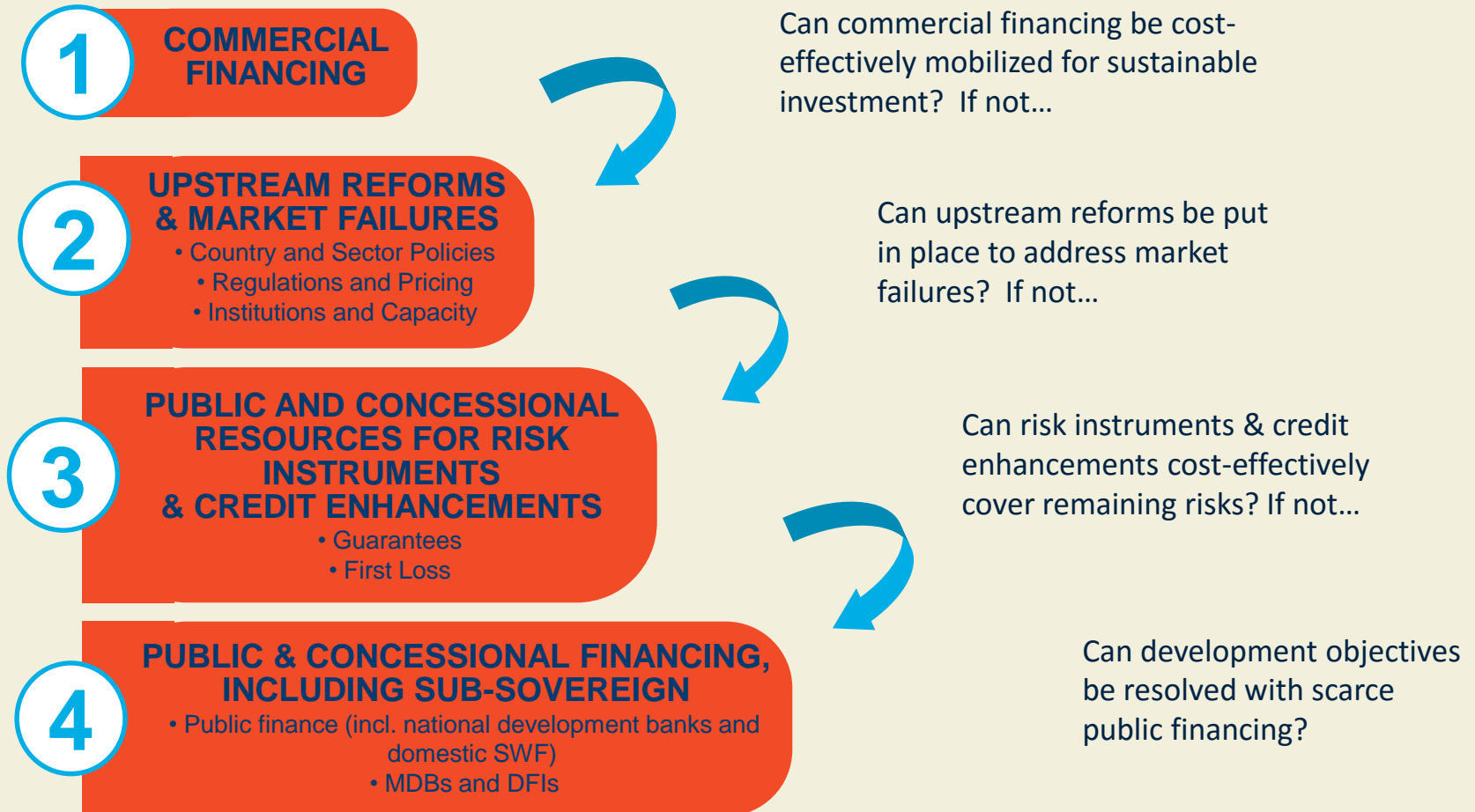


### PUBLIC SECTOR FINANCING

Federal, National, Local Budgets // Development Finance Institutions & Multilateral Development Banks  
Public Bond Financing // National Development Banks

# Financing the SDGs:

## Private sector engagement needs to increase





# Implementing the SDGs:

## Private sector engagement



### 12.6

Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle

#### 12.6.1

Number of companies publishing sustainability reports

### How can this be done?

Financial and asset-management institutions can provide positive incentives to companies – those that incorporate sustainability, long-term thinking, and ESG performance criteria in core business models – by allocating assets accordingly.

Integration of ESG considerations could help investments outperform expectations. Add to that financial-market incentives, and huge amounts of capital could be attracted to ESG investments

Development of a robust, transparent reporting framework that allows companies to report on financial and non-financial performance – this must also support the effort to combine profit maximization with the pursuit of long-term ESG objectives.

Many business leaders already view solving “societal challenges as a core element in the search for competitive advantage.”  
Almost 50% of CEOs believe “business will be the most important actor in delivering the SDGs”\*

# Implementing the SDGs:

## Opportunities for the private sector

Six actions that the business sector can take to capture their share of the economic “prize” of investing in the SDGs:

Build support for the SDGs as the right growth strategy

Incorporate the SDGs into company strategy: applying an SDG lens to every aspect of strategy

Drive the transformation to sustainable markets with sector peers

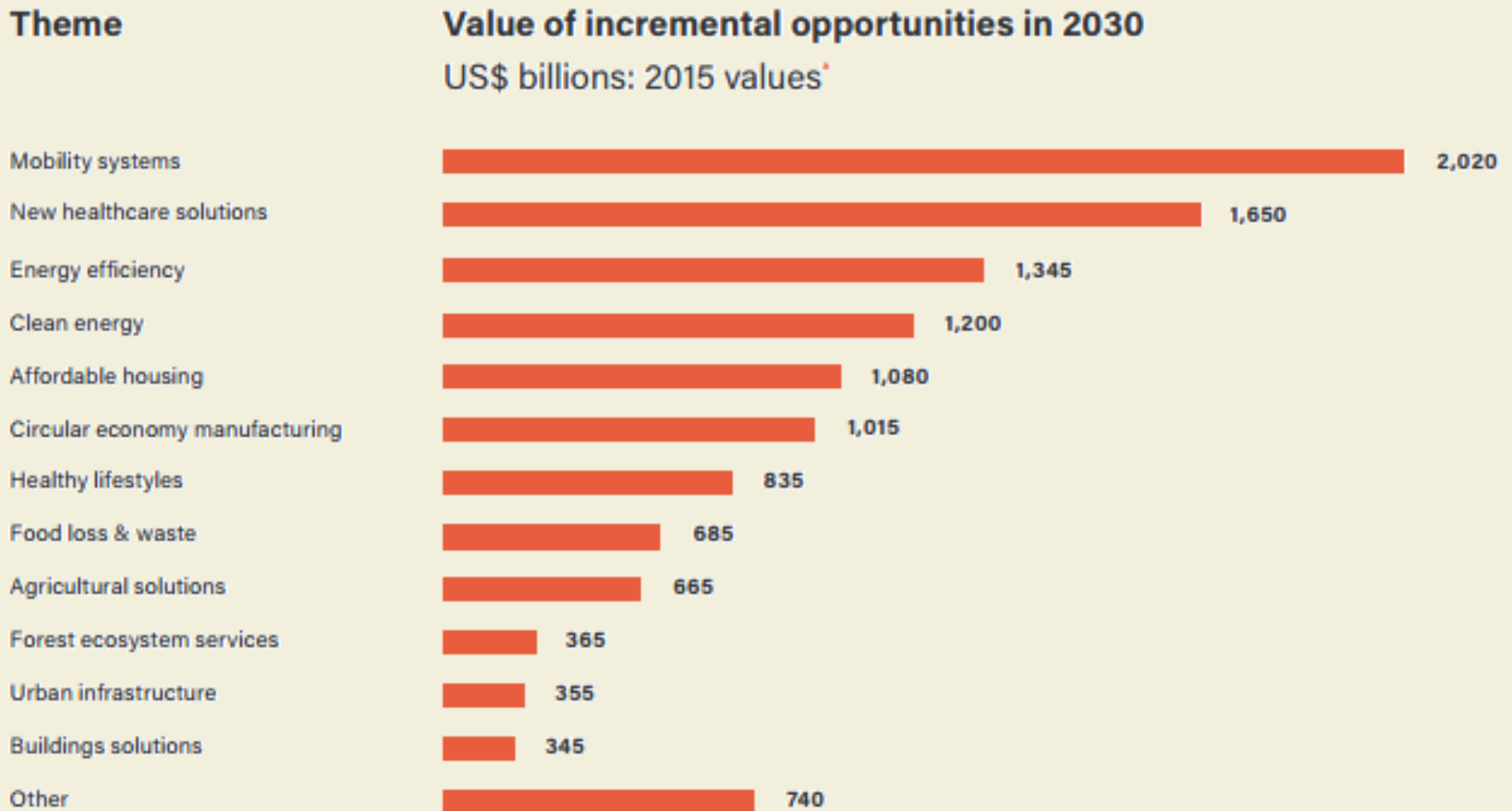
Work with policy-makers to pay the true cost of natural and human resources: internalize the externalities

Push for a financial system oriented toward long-term sustainable investment

Rebuild trust in business

# Implementing the SDGs: Opportunities for the private sector

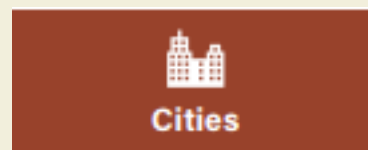
## 12 largest business themes in a world economy heading for the SDGs



# Implementing the SDGs:

## Opportunities for the private sector

The SDGs open up **US\$12 trillion** of market opportunities in four economic systems:



- These economic systems represent around **60 percent** of the real economy and are critical to meeting the SDGs.
- To capture these opportunities in full, businesses need to **pursue social and environmental sustainability as avidly as they pursue market share and shareholder value.**
- If a critical mass of companies joins us in doing this now, **they will become an unstoppable force.**
- **If they don't**, the costs and uncertainty of unsustainable development could swell **until there is no viable world in which to do business.**

# Mobilizing Private Resources

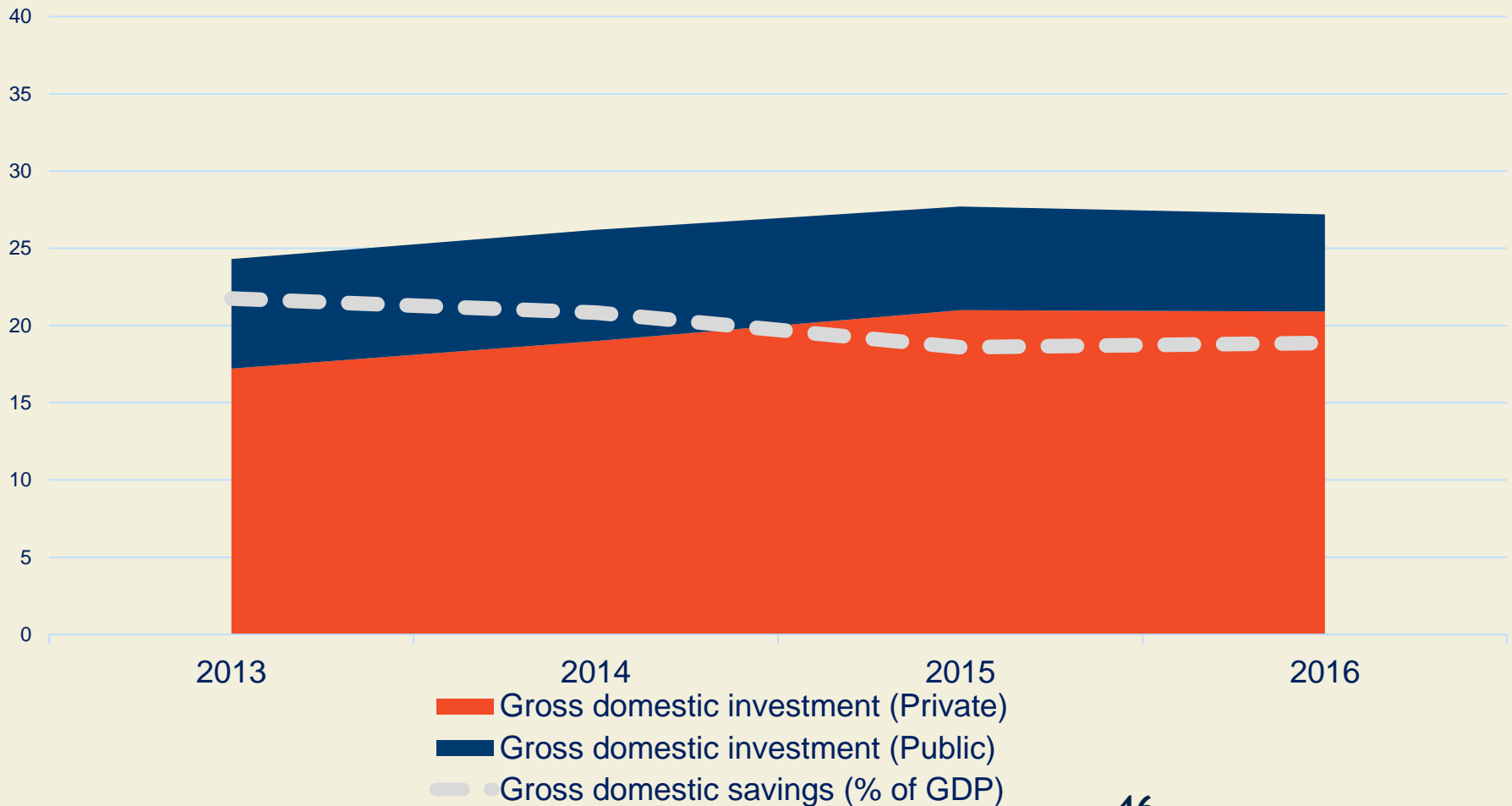
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
<b>Food &amp; Agriculture</b>	Reducing food waste in value chain	Forest ecosystem services	Low-income food markets	Reducing consumer food waste	Product re-formulation	Technology in large-scale farms	Dietary switch	Sustainable aquaculture	Tech in small-holder farms	Micro-irrigation	Restoring degraded land	Reducing packaging waste	Cattle intensification	Urban agriculture			
<b>Cities</b>	Affordable housing	Energy efficiency - buildings	Electric and hybrid vehicles	Public transport in urban areas	Car sharing	Road safety equipment	Autonomous vehicles	ICE vehicle fuel efficiency	Building resilient cities	Municipal water leakage	Cultural tourism	Smart metering	Water and sanitation infrastructure	Office sharing	Timber buildings	Durable and modular buildings	
<b>Energy &amp; Materials</b>	Circular models - automotive	Expansion of renewables	Circular models - appliances	Circular models - electronics	Energy efficiency – non-energy intensive industries	Energy storage systems	Resource recovery	End-use steel efficiency	Energy efficiency - energy intensive industries	Carbon capture and storage	Energy access	Green chemicals	Additive manufacturing	Local content in extractives	Shared infrastructure	Mine rehabilitation	Grid inter-connection
<b>Health &amp; Well-Being</b>	Risk pooling	Remote patient monitoring	Telehealth	Advanced genomics	Activity services	Detection of counterfeit drugs	Tobacco control	Weight mgmt programs	Better disease mgmt	Electronic medical records	Better maternal and child health	Healthcare training	Low-cost surgery				

# Ease of Doing Business in Colombia

<b>2017</b>	<b>Overall Rank: 53</b>
	<i>Starting a Business: 61</i>
	<i>Dealing with Construction permits: 34</i>
	<i>Getting Electricity: 74</i>
	<i>Registering Property: 53</i>
	<i>Getting Credit: 2</i>
	<i>Protecting Minority Investors: 13</i>
	<i>Paying Taxes: 139</i>
	<i>Trading Across Borders: 121</i>
	<i>Enforcing Contracts: 174</i>
	<i>Resolving Insolvency: 33</i>
	<b>2016</b>
<b>2015</b>	<b>34</b>
<b>2014</b>	<b>43</b>
<b>2013</b>	<b>45</b>
<b>2012</b>	<b>42</b>
<b>2011</b>	<b>47</b>
<b>2010</b>	<b>37</b>
<b>2009</b>	<b>49</b>
<b>2008</b>	<b>66</b>
<b>2007</b>	<b>79</b>

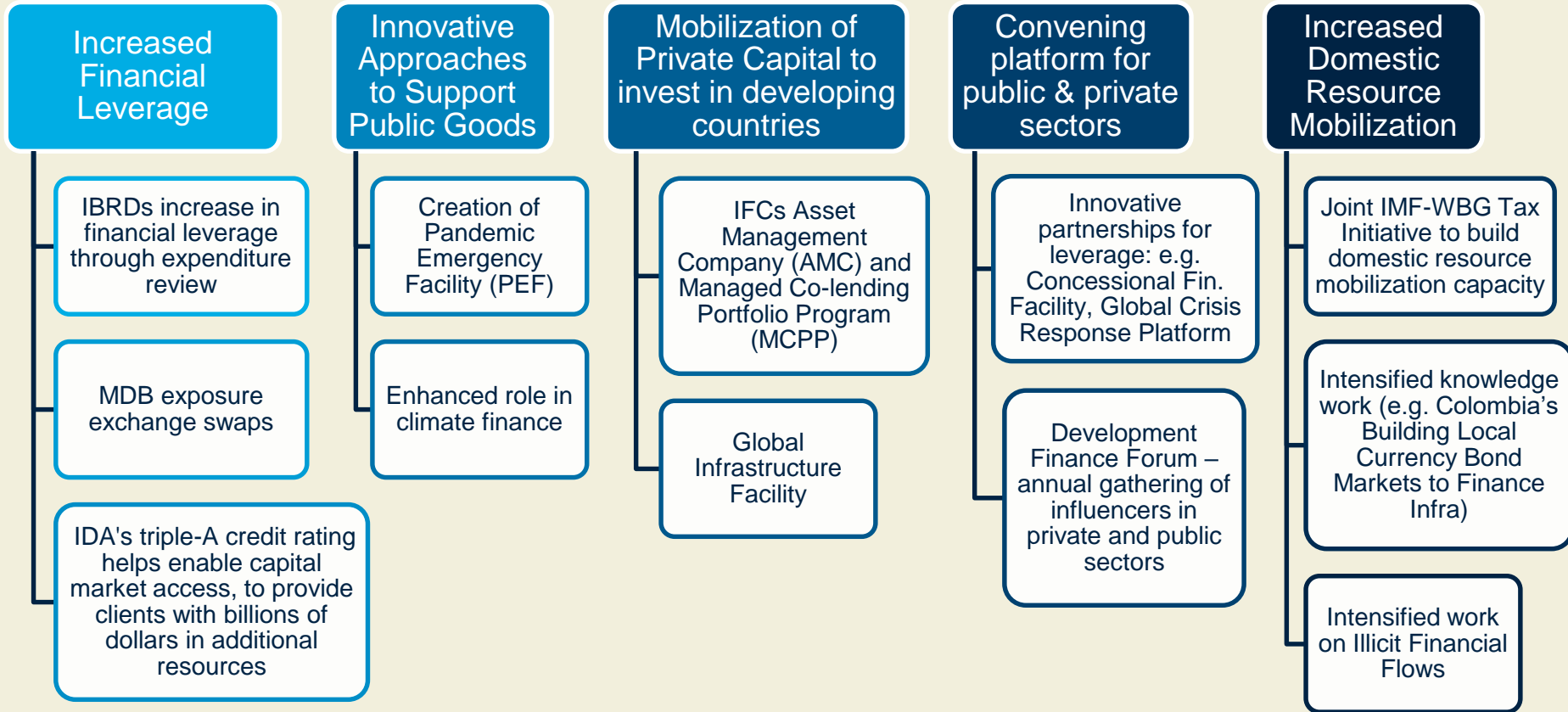
# Use of Private Finance in Colombia

## Savings and Investment



# WBG Mobilizing Agenda:

## Areas of focus





# SDG everyone:

## Equity - index linked bonds



- Bonds that for the first time directly link returns to the performance of companies advancing global development priorities set out in the 2030 Agenda
- The equity-index linked bonds raised a total of EUR163 million from institutional investors in France and Italy
- World Bank Group Treasury anticipates coming to market with similar issuances that would attract a range of investors across the world

# IFC: the private sector arm of the WBG

- IFC was founded on the idea that **the private sector is essential to development**.
- It helps address constraints in areas such as finance, infrastructure, skills, and the regulatory environment
- In FY16, long-term investment commitments totaled about **\$18.8 billion**, including **\$7.7 billion** mobilized from investment partners.
- IFC's investments in fragile and conflict-affected areas climbed to nearly **\$1 billion**, an increase of more than **50 percent** over the previous year.

Products & Services
Loans
Equity
Trade and Supply Chain Finance
Syndications
Treasury Client Solutions
Venture Capital
Advisory
Asset Management

Expertise
Agribusiness and Forestry
Financial Institutions
Funds
Health and Education
Infrastructure
Manufacturing
Oil, Gas, and Mining
Public-Private Partnerships
Telecommunications, Media and Technology
Tourism, Retail and Property

# IFC's Priorities in the LAC Region

**Inclusive growth:** Increasing access to finance, basic goods and services, and infrastructure

**Competitiveness and innovation:** Addressing bottlenecks in infrastructure by increasing public-private partnerships and improving the investment climate; expanding vocational and tertiary education; and supporting new sectors, such as mobile banking

**Regional and global integration:** Improving legal frameworks for trade logistics; integrating regional financial markets; and strengthening energy networks and transportation

**Climate change:** Catalyzing private-sector solutions to address mitigation and adaptation issues in the region

# IFC Investment in Colombia

**2017:**

**Bancolombia**, Colombia's largest bank, issued the first green bond by a private bank in Latin America with IFC's support. The bond was fully subscribed by IFC and will open a path for other financial institutions to issue green bonds in the region.

**1959:**

IFC's **first investment** in Colombia was Industrias Alimencitias Noel, a food company based in Medellin, which received an \$800,000 loan from IFC. The company has grown to become one of the largest food companies in Latin America. The company has changed its name to Grupo Nutresa.

# Thank You

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