

THE DEVELOPMENT CO-OPERATION REPORT 2016

*The Sustainable Development Goals
as Business Opportunities*



The Sustainable Development Goals

The new SDGs integrate social, environmental and economic goals into an universal agenda.

- The SDGs were adopted in September 2015 at the UN meetings in New York
 - Implications for developed and developing countries.
- The Third International Conference on Financing for Development took place in Addis Ababa, Ethiopia in July
 - The FfD conference sought to build support for the implementation of the post-2015 development goals.
 - To achieve the SDG targets, the private sector will need to be an active partner.



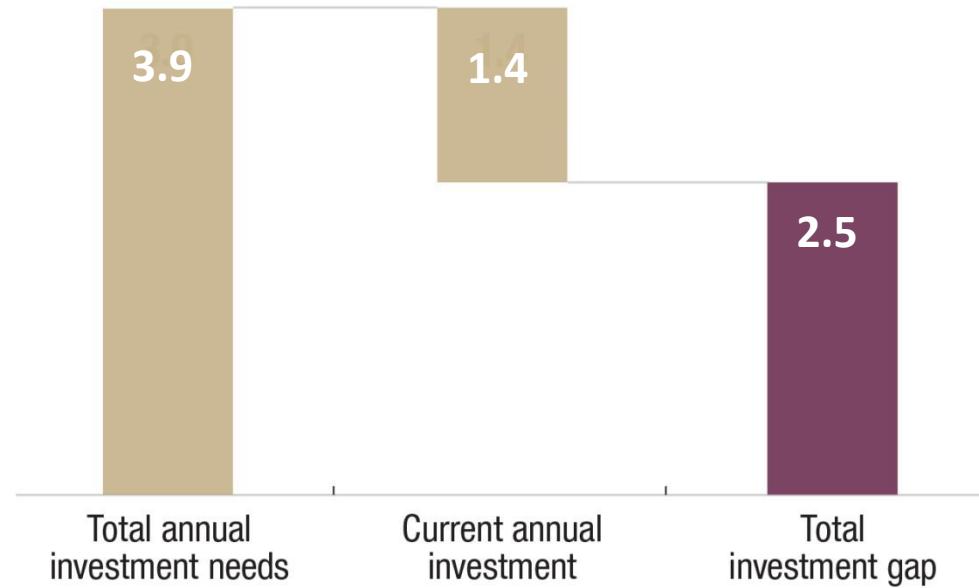
The OECD is actively involved in the FfD and SDG discussions and follow up

The SDGs: 17 Goals, 169 proposed targets, 230 indicators



SDG funding gap: From billions to trillions

Estimated annual investment needs and potential private sector contribution
(trillions of dollars)



Source: UNCTAD 2014

- Investment needs for the SDGs in developing countries are estimated at USD 3.3-4.5 trillion/year
- 2.5 trillion gap could be filled by private sector investment

Potential of the private sector

- Business provides 60% of economic output, 80% of capital flows and 90% of jobs in developing countries.
- Companies provide jobs, infrastructure, innovation and social services, among others.
- The public sector can leverage this contribution, helping to manage risk and providing insights into effective policy and practice.

Sustainable investment is smart investment

Companies that introduce sustainability into their business models reap benefits that include:

- ✓ positive returns on capital
- ✓ reduced risk
- ✓ diversification of markets and portfolios
- ✓ increased revenue
- ✓ lower costs
- ✓ higher-value products
- ✓ better reputation



Foreign direct investment creates new jobs, boosts productivity and technology transfers, while enabling local firms to access new markets in developing and emerging economies.



Blended finance offers huge, largely untapped potential for public, philanthropic and private actors to improve the scale of investment in developing countries.



Monitoring and measuring private funds mobilised enhances transparency, improves financing strategies and good practices.



Social impact investment empowers the poorest to lead more productive lives, while bringing effectiveness, innovation and scale to sustainable business.



Responsible business conduct enhances business and development results, matching investment quantity with business quality to produce social, economic and environmental benefits.



People



Planet



Prosperity

Five pathways to achieve the SDGs

1. Foreign direct investment

- creates new jobs
- boosts productivity and technology transfer
- enables local firms to access new markets in developing and emerging economies

BUT

- worrying trends indicate that foreign direct investment may slow down, or at best suffer cyclical patterns of rise and fall

Five pathways to achieve the SDGs

2. Blended finance

- uses public funds strategically to dramatically improve the scale of private investment in development
- includes grants, guarantees, debt, equity
- offers huge, largely untapped potential for public, philanthropic and private actors to improve the scale of investment in developing countries

Five pathways to achieve the SDGs

3. Monitoring/measuring mobilization effect of public interventions

- enhances transparency
- improves financing strategies
- supports good practice

BUT

- extremely challenging in the increasingly complex development finance context
- TOSSD has a role to play

Five pathways to achieve the SDGs

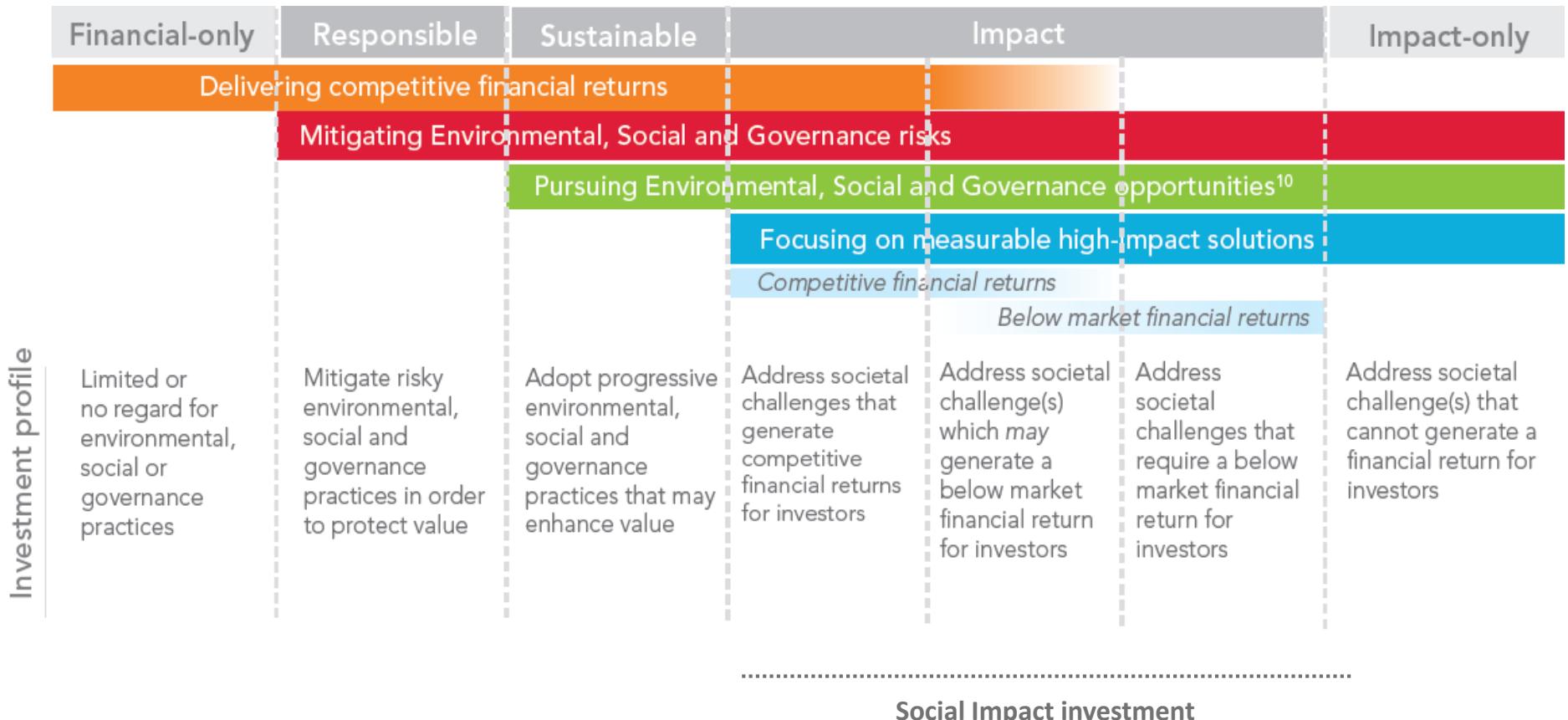
4. Social impact investment

- empowers the poorest to lead more productive lives
- brings effectiveness, innovation, accountability and scale to development efforts
- complements existing models, especially in areas not traditionally popular with business – but essential to the poor – such as education, health and social services

Role of Social Impact Investment

- New models are needed to fund, deliver and scale innovative solutions to social, environmental and economic challenges.
 - public funds in many countries have become depleted
 - social challenges have mounted
- Social impact investment - the provision of finance with the explicit expectation, and measurement, of a *social* as well as *financial* return.
 - Spurs social innovation
 - Increases accountability (measurement of social outcomes)
- New financing models are developing at multiple levels and in parallel to traditional markets.
 - A growing range of social investment instruments have been developed, all with a different financial/social return profile.

The Spectrum of Capital



Source: Adapted from SIITF WGAA (2014) adapted from Bridges Ventures.

Five pathways to achieve the SDGs

5. Responsible business conduct

- ensures the *quality* of investment
- safeguards social, economic and environmental benefits
- gives businesses an advantage that benefits their bottom lines
- founded on complementary roles of business and government
- contributes to creation of fair and equal jobs, development of skills and technology, and equitable distribution of wealth

10 key recommendations

1. Clarify the roles of each of the key actors.
2. Agree on common principles, standards, definitions, scope and methodology.
3. Align financial and development goals.
4. Share risks and innovate to ensure public goods for the poorest and most vulnerable.
5. Create global and local enabling environments, ensuring coherence of policies across sectors and countries.
6. Cultivate new business models and promote research on what does and doesn't work.
7. Encourage responsible citizenship to provide checks and balances.
8. Increase transparency and accountability by monitoring and reporting against international standards and indicators.
9. Establish platforms to enhance sharing of knowledge and technical know-how.
10. Build evidence on impact, outcomes, successes and failures.

The new mantra for sustainable business

Doing good while doing well.



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Thank you!

For more information:

<http://oe.cd/dcr2016>



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