

# 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.



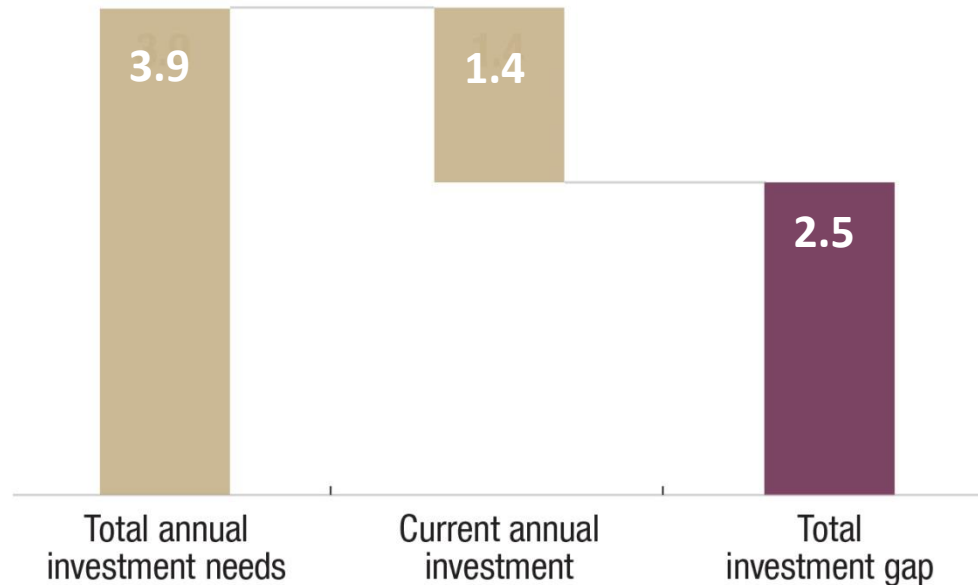
*The OECD is actively involved in the FfD and SDG discussions and follow up*

# 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.



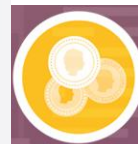
**People**



**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

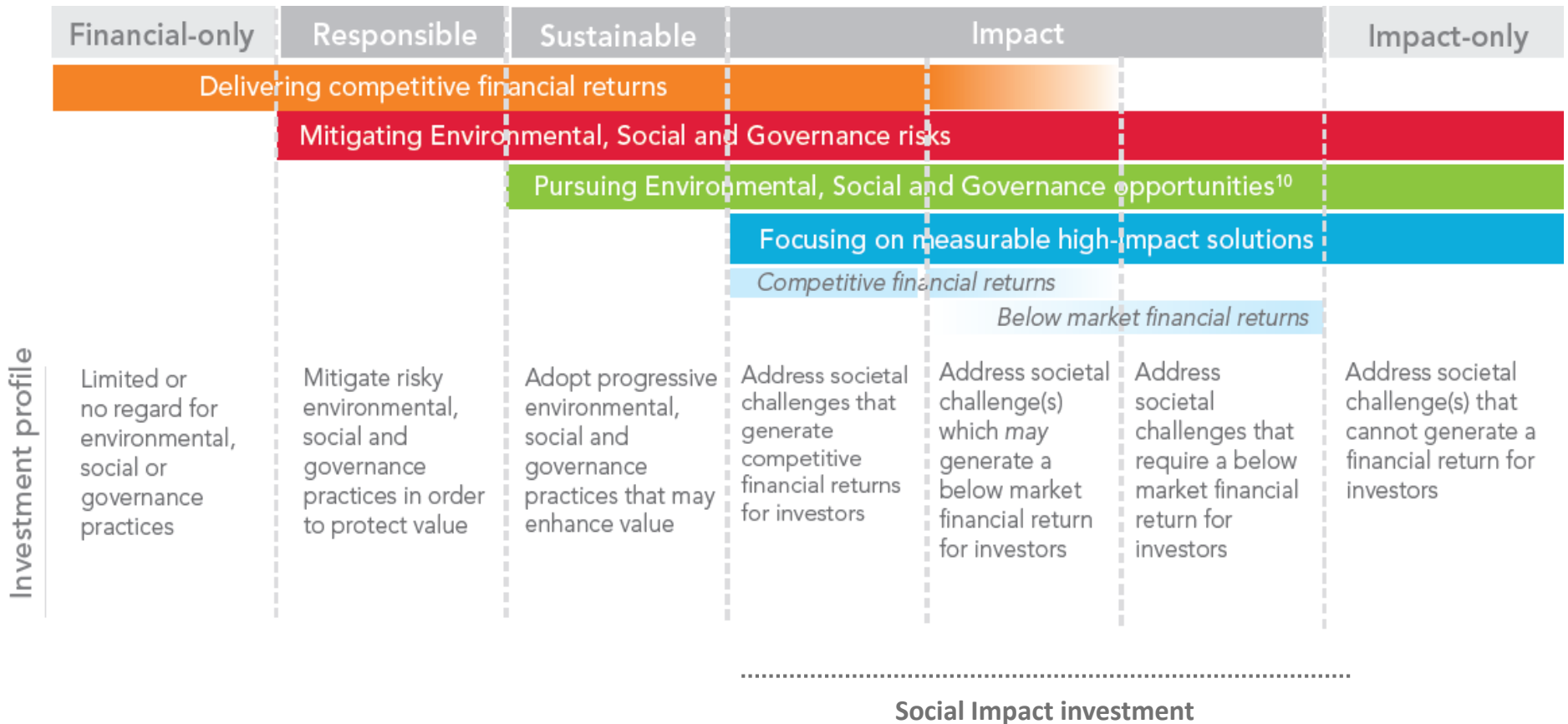
- empowers the poorest to lead more productive lives
- brings effectiveness, innovation, accountability and scale to development efforts
- complements existing models, especially in areas not traditionally popular with business – but essential to the poor – such as education, health and social services

# 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.*



People



Planet



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# Thank you!

*For more information:*

<http://oe.cd/dcr2016>



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