

## International Mayors Forum

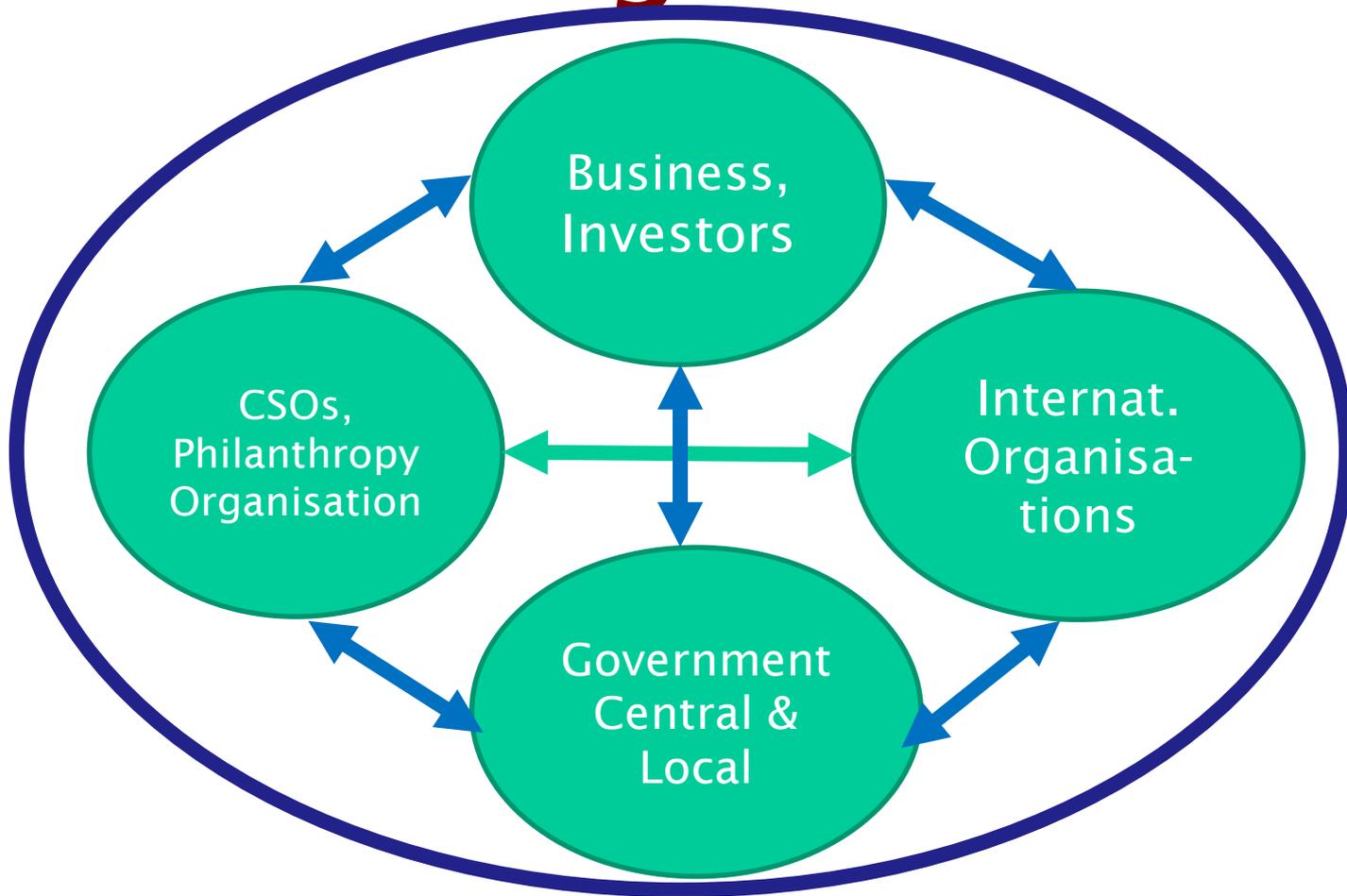
**“Impact Investment in Cities- Innovations to  
finance the SDGs locally**

**UNOSD**

**Prof. Raymond Saner; University of Basel  
Director, CSEND, Geneva**

**22<sup>nd</sup> October 2020**

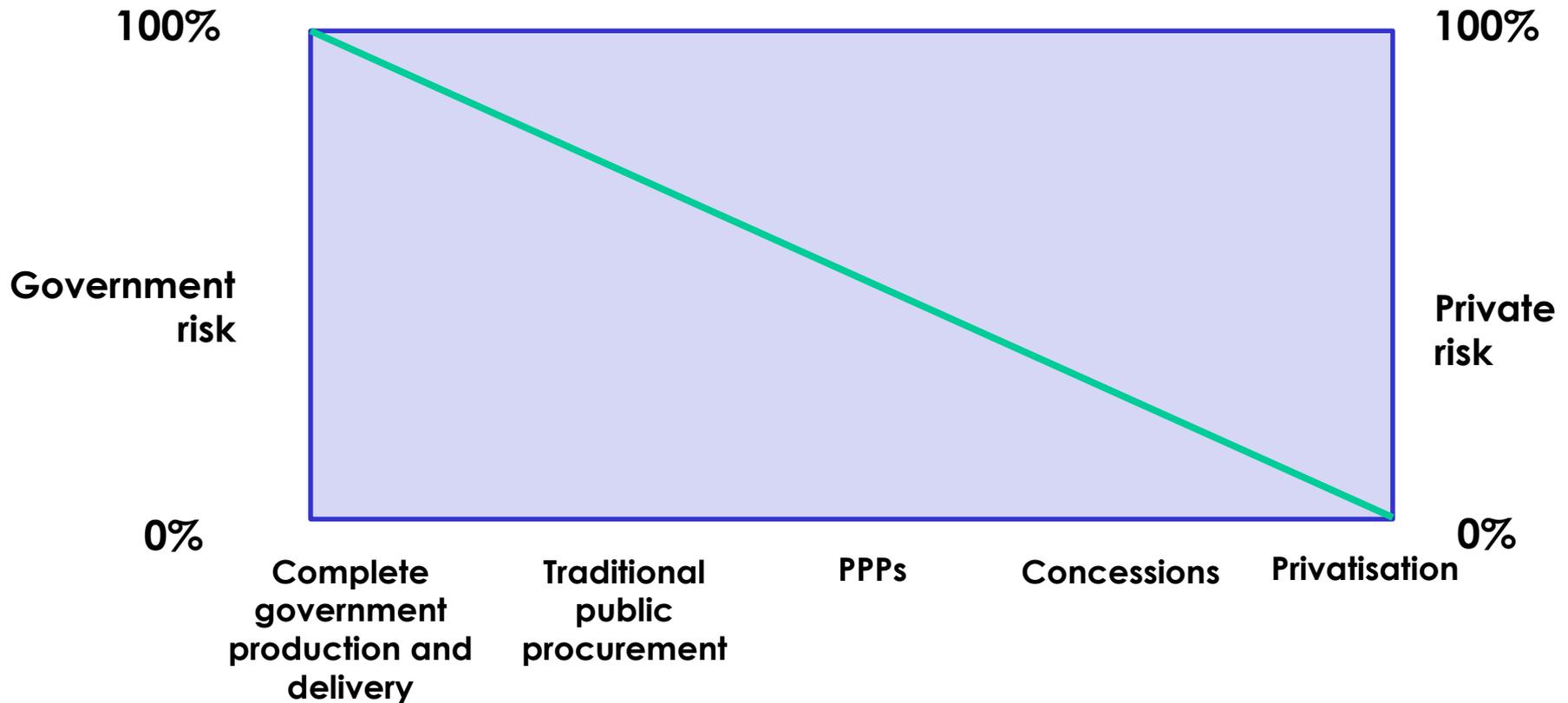
# Financing the SDGs



(Adopted from Saner & Michalun, 2009)

# Government

# Public and private participation classified according to risk and mode of delivery



Source: OECD (2008), Public-Private Partnerships: In Pursuit of Risk Sharing and Value for Money, OECD Publishing, Paris. P.21.

# Financing – option PPPs.. ?? What kind of PPP? For what objective?

1. Build & transfer (BT)
2. Build-lease & transfer (BLT)
3. Build-operate-& transfer (BOT)
4. Build-own-& operate (BOO)
5. Build-transfer & operate (BTO)
6. Contract-add-&operate (CAO)
7. Develop-operate & transfer (DOT)
8. Rehabilitate-operate & transfer (ROT)
9. Rehabilitate-own-& operate (ROO)

# Risks of PPPs for SDG financing



1. Who knows about PPPs in national and local governments?
2. Competence only with a few civil servants in Ministry of Finance? If so, risk of hoarding of information
3. How about line ministries which have to implement PPPs- any PPP experts present?
4. Make-or-Buy: hire expensive external PPP experts? What about after they have finished their job? Who picks up from them?
5. If locally made- capacity building needed + training + exposure to commercial sector often leading to job hopping- ROI or loss of investment



Diplomacy  
Dialogue



# Mapping Policy Coordination/Consultation at Local Administration

## Central Government

(control of currency, issuing of debt, nat. SDG dev  
plan)

## Across Ministries

(lead, monitoring)

## Cross Sectors

(looking for  
multiplier effects)

SDG  
Targets

## Local Government

(consultation, participation, transparency, inclusiveness)

# **Policy Coordination and Consultation: crucial for SDG implementation:**



- 1. Clarify role of Ministries (who leads-supports)???**
- 2. improve credibility and competence of national and local government in holding dialogues with domestic and international stakeholders**
- 3. design and manage consistent inter-ministerial SDG policy coordination based on policy coordination and consultation mechanisms**
- 4. ensure effective SDG implementation of SDGs at national level with adequate monitoring for constant SDG policy updating and fine-tuning**

# Investors/Business

- 1. Social Impact Investing**
- 2. Impact Bonds**
- 3. Outcome based Contracting**
- 4. Results based Financing**
- 5. ESG (Economic, Social and Good Governance Investment)**
- 6. Other (new financing instruments being developed continuously see Prof Farber, IMF, webinars:**

<https://www.imd.org/elea/webinar-series/>

# Impactful Investment Focus on Investor

- *ESG- Environmental, Social and good Governance investment*



Diplomacy  
Dialogue

# History of ESG

Georg Kell, Jul 11, 2018, Forbes Magazine



In January 2004, former UN Secretary General Kofi Annan wrote to over 50 CEOs of major financial institutions, inviting them to participate in a joint initiative under the auspices of the UN Global Compact and with the support of the International Finance Corporation (IFC) and the Swiss Government.

The goal of the initiative was to find *ways to integrate ESG principles into capital markets*. The report suggested that embedding environmental, social and governance factors in capital markets makes good business sense and leads to more sustainable markets and better outcomes for societies.

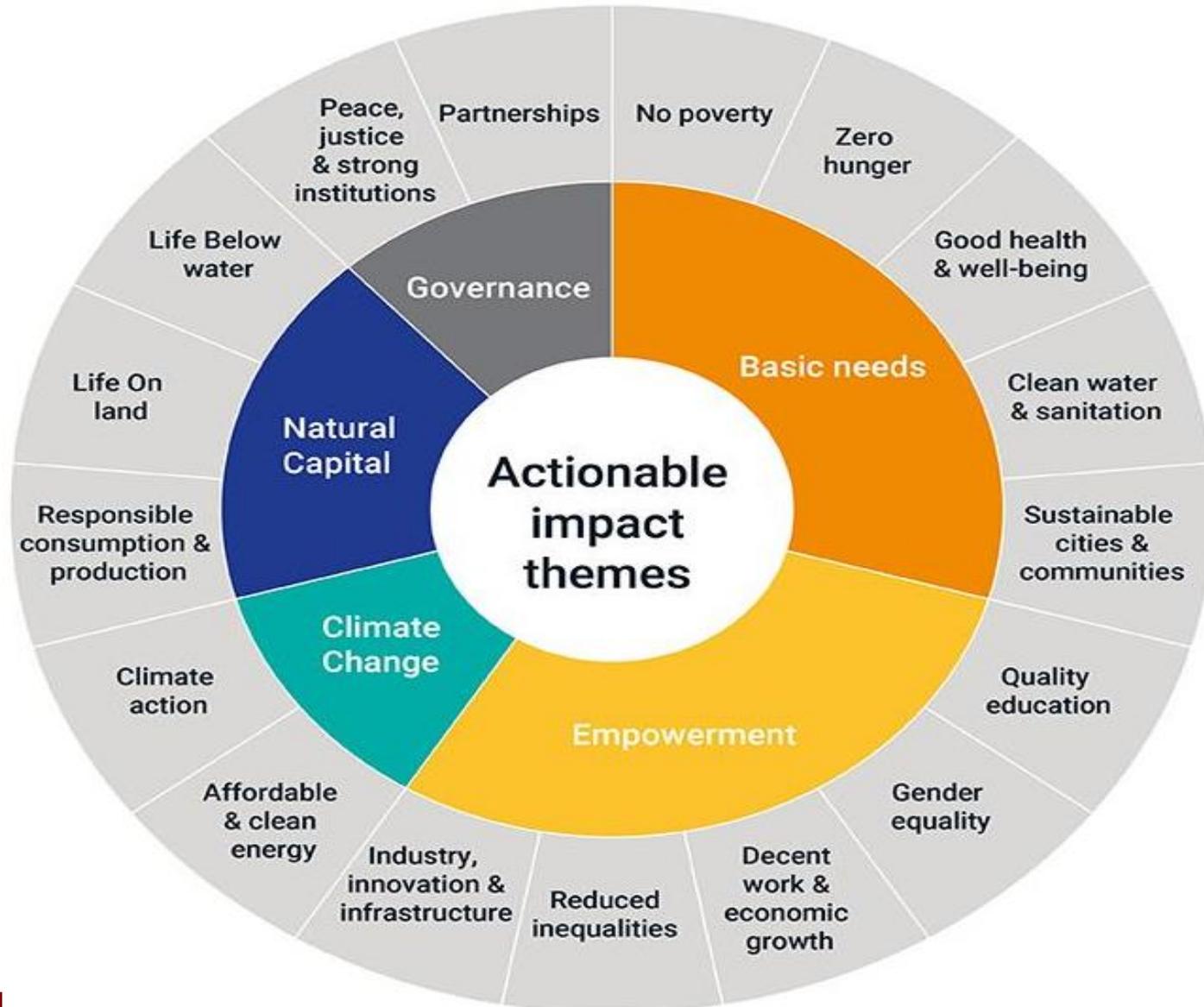


Diplomacy  
Dialogue

17 SDGs  
applicable to a broad  
set of stakeholders



5 Actionable impact themes  
applicable to a broad  
set of stakeholders





# ESG defined

Witold Henisz, Tim Koller, & Robin Nuttall, McKinsey 2019



**E, *environmental criteria*, e.g. company's energy consumption and CO2 emissions affecting climate change**

- ***S, social criteria*, S includes labor relations and diversity and inclusion.**
- ***G, governance*, company's internal system of practices, controls, and procedures to ensure effective decisions, compliance with the law, and to meet the needs of external stakeholders.**
- **ESG investing is estimated at over \$20 trillion in AUM (asset under management) or around a quarter of all professionally managed assets around the world (G.Kell, 2018)**

# ESG Current Application

(CFA/PRI 2018)



## FINDINGS (survey, 1100+ financial experts)

- There is no “one best way” to do ESG integration and no “silver bullet” to ESG integration.
- Governance is the ESG factor most investors are integrating into their process.
- Environmental and social factors are gaining acceptance, but from a low base.
- ESG integration is farther along in the equity world than in fixed income.
- Portfolio managers and analysts are more frequently integrating ESG into the investment process, **but rarely adjusting their models based on ESG data.**



Diplomacy  
Dialogue

# ESG is not 100% SDG compatible!

(CFA/PRI 2018)



- The SDGs are based on three interdependent dimensions namely: environmental, social AND ECONOMIC sustainable development.
- The G in ESG is not equivalent with ECONOMIC sustainable development!!!
- There are multiple models of sustainable economic development- private sector capitalism, public sector communism or third sector SSE (solidarity and social economic enterprises like e.g. cooperatives)
- ESG fund manager should be able to support scope of full SDG sustainable development.

# International Organisations

# Partnerships with: International Finance Institutions (WB/IMF); Multilateral Development Banks (MDBs) and UN Agencies



- **Mexico (2020). –Sovereign SDG Bond for Most Vulnerable Municipalities;** USD 890 million to be used through “SDG localized finance”
- Eligibility : geospatial and an enhanced governance (UNDP); 1,345 municipalities (22m of 120 m inhabitants)
- **Partnership with** Paribas, Credit Agricole, CIB and Natixis Co.
- **Partnership with UNDP;** advised on Framework’s eligibility criteria & reporting indicators

# Civil Society Organisations

# The Context: SDGs



## Funding gap

It is unlikely that government revenues & official development aid will be able to close the funding gap. Investments by the private sector and cooperation with CSO will be crucial in assisting the achievement of the SDGs

## SDG goal 17

### Partnership for the SDG goals

Target 17.17 Encourage and promote effective **public, public-private and civil society partnerships**, building on the experience and resourcing strategies of partnerships.

**17** PARTNERSHIPS  
FOR THE GOALS



# Stakeholder Participation-

1. invite contributions in kind to improve public services (HLPF Major Groups)
2. Organise crowd funding for local citizens and stakeholders
3. Provide legal environment for SEEs (solidarity and social economy) e.g UN Interagency Task Force on Social and Solidarity Economy:  
<https://unsse.org/>

# Conclusions

# Conclusions

1. Financing infrastructure can be done through governments' own means; **public procurement; PPPs (SDG target 17.17); concessions or privatization of services.**
- 2. The choice of financing depends on a government's **ability to collect taxes** (individual and corporate taxes), VAT, **or by borrowing from development banks and partner countries**
- 3- If financed through borrowing, the borrowed money has to be paid back by the next generation: hence **inter-generational justice has to be secured.**



Diplomacy  
Dialogue

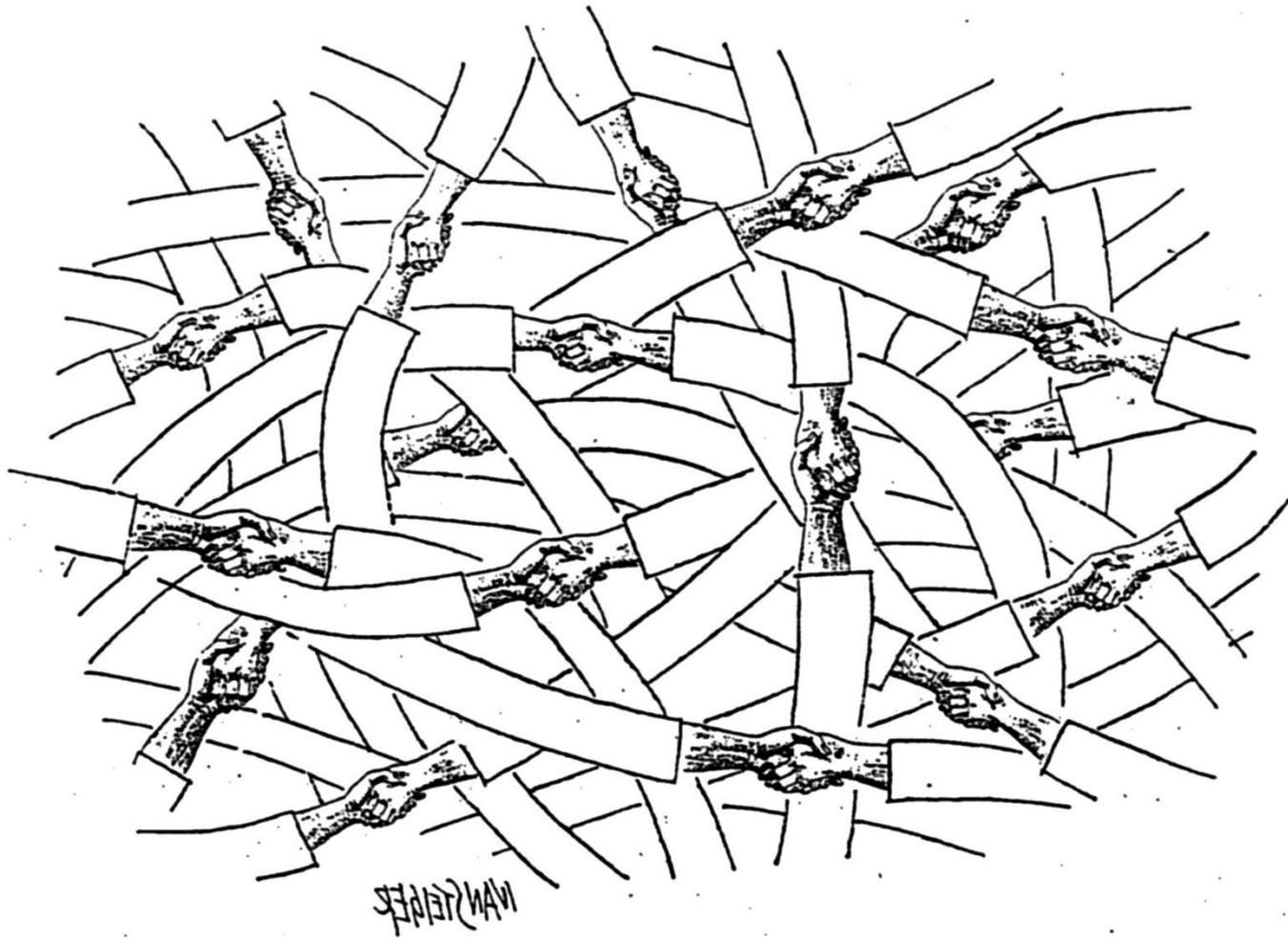
# Resources on PPPs including critical views



- **UNECE, Economic Cooperation & Trade Division, PPP Unit;**  
<https://www.unece.org/ceci/ppp.html>
- **WB-PPIAF, Public-Private Infrastructure Advisory Facility;** <https://ppiaf.org/>
- ***WAPPP (World Association of PPP units and PPP Professionals);*** <https://www.wappp.org>
- **EURODA, European Network on Debt and Development;** <https://www.eurodad.org/>
- **CSEND, Centre for Socio-Eco-Nomic Development;**  
<http://www.csend.org/search?q=PPP>



*Be a Partner for  
Development!*



**Thank you**