United Nations Economic Commission for Europe
Committee on Innovation, Competitiveness and PPPs
Eleventh Session _ Geneva 20..22 March 2017

Impact Investing & SDGs for Least Developed Countries

Pedro Neves

THE GLOBAL GOALS
For Sustainable Development

Global Goals are Global Challenges that require Global Solutions

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Impact Investing & SDGs, for Least Developed Countries

1 _ UN @ SDGs, Partnerships & Impact Investing .. Connecting the dots , aligning the stars

2 _ Impact Investing, Infra Gap & Infra Impact Business Creating a Pipeline of "Impact able" Projects

3 _ DRC Case Study .. .. .. Implementing Impact Investing & Goals: 17,16,13,12,11,10,9,8,4,2,1

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Declaration of Interdependence

"… it is **crucial to build a new generation of partnerships**, with governments, civil society, regional organizations, international financial institutions, academia and the business community.

In particular, there is a **striking alignment between the interests of many companies and the strategic goals the international community**…"

"… (the need for development) represents an **enormous investment opportunity for the corporate sector**, whose contribution will be **vital for innovation, improved skills, job creation, and developing new markets, products and services**."

António Guterres
U.N. Secretary-General
24 January 2017
New York, USA

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TASK FORCE to explore ways of contributing to the Sustainable Development Goals

Ethics +

Environment +

Economics +

= Sustainable Development

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UN @ SDGs, Partnerships & Impact Investing

Impact investment today constitutes one of the more proactive and promising approaches on the responsible investment continuum, representing a huge opportunity to contribute to the implementation of the Sustainable Development Goals (SDGs), as well as the funding of inclusive and green businesses.

A September 2015 study by the UN Sustainable Development Solutions Network (SDSN) concluded that to deliver on the SDGs, developing countries will need to **increase their level of public and private annual expenditures by some $1.3 trillion.**

The same study noted that low income countries, the majority of which are located in **Africa, will require US$342-355 billion annually to deliver on the SDGs**, but will not meet these huge investment needs with their own domestic resources, and consequently there will be a **funding gap of approximately US$130 -160 billion.**

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key challenges (1 .. 4) :

1. **Difficulty Sourcing Viable Investments that meet Both Financial and Social/ Environmental Objectives as a Result of Limited Capacity of Sustainable Social Enterprises**

Low deal flow is partly due to the limited number of sustainable enterprises to demonstrate a sufficient track record and capacity development in accordance with the risk appetite of impact investors. This is coupled with limited ability to measure and report adequately on impact performance.

2. Limited Innovative Fund and Deal Structures

Finding deals and funds that align with investors' risk and return expectations is a challenge.

Deal and fund structures that incorporate instruments such as "first loss reserves" and guarantees can mitigate this risk, but are still a challenge to source.

3. Difficulty Exiting Investments

Value in private equity investments in the traditional financial markets is sought and realized through an exit point at which the investor sells their stake in a firm. This can be done through Initial Public Offerings (IPOs) as the end point of the funding value chain. The challenge of finding profitable and varied exit options stems from the fact that most African capital markets are still at a relatively early stage of development.

4. Poor Visibility and Credibility of Sustainable Social Enterprises in the Absence of a Sustainable Social Enterprise "Label"

Currently, most sustainable social enterprises in Africa operate without a 'label' that provides them with external, third party identification against an agreed sustainable social enterprise definition.

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key challenges (5 .. 8) :

5. Limited Capital Supply Across the Risk/Return Spectrum

As with sustainable social enterprises globally, those in Africa have even more limited access to funding particularly at their early stages of implementation, suggesting a low appetite for risk and reinforcing the funding gap at this critical stage of development.

6. Unclear Regulatory Environment

One of the key challenges facing the impact investment sector ecosystem in all African countries is to create an enabling and stable regulatory and policy environment for both investors and sustainable social enterprises.

7. Poor Linkages Between Sustainable Social Enterprises, Entrepreneurs, Investors and Innovation Networks

The majority of Africa's sustainable social enterprises are not members of professional associations or other formal networks, which makes finding investible enterprises and entrepreneurs a challenge for investors.

8. Poor and Inconsistent Impact Measurement Practice

Measuring, understanding and improving the impact created by an investment are central to the definition of impact investment, but continue to be a challenge for investors and sustainable social enterprises alike in Africa.

The sector still requires a standard approach to measure performance against clear impact criteria, targets and deliverables.

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GIIN (Global Impact Investing Network) developed a definition of impact investing with following **three criteria**:

Intentionality:
Impact investors aim to address a social and/or environmental challenge. This motivates them to support businesses they believe can tackle challenges, such as poverty, water, sanitation, primary education, health, land degradation habitat loss and others.

Investment with return expectations:
Impact investments have financial return expectations.
Depending on the investors, different levels of financial returns – from capital preservation to market-rate – are acceptable.

Impact measurement:
Apart from standard financial reporting, investors commit to measuring and reporting against social and environmental impact objectives.
This contributes to accountability of investment strategies.

TASK FORCE to explore ways of contributing to the Sustainable Development Goals

We aim to create a "bridge" between Communities with Infrastructure Gap and Private Capital Providers

An SDGs virtuous cycle is proposed to be the catalyzer to transform Infra Gap into Investable Projects

Investable Projects are then transformed into Sustainable Business with Private Sector Finance

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Committee on Innovation, Competitiveness and PPPs
Geneva _ March 20 .. 22 2017

SDGs Task Force 4 PPPs

Vector 1
Raising SDGs Awareness

- People , Planet and Profit agenda

Vector 2
SDGs & Investable Projects

- Case studies of existing projects
- Compendium of PPPs on SDGs
- Evaluation Methodology (NEW)

Vector 3
SDGs Private Financing

- Impact Investing approach (NEW)

Outputs:

1. London	2015 June 17th	Brochure Launched
2. Geneva	2015 September 2nd	1st meeting
3. NYC	2015 October 13th	Awareness Launched
4. Barcelona	2015 November 18th	Upgrade strategy
5. Geneva	*2016 March 30th*	*Compendium presented*
6. Qingdao	*2016 June 20th*	*SDGs for Cities*
7. Lisbon	*2016 July 7th*	*SDGs & Impact Investing*
8. Shenzhen	*2016 September 20th*	*Education & Health*
9. Geneva	*2016 October 20th*	*Evaluation Methodology*
10. London	*2016 October 26th*	*Impact Investing Africa*
11. Barcelona	*2016 November*	*Smart Cities PPPs*
12. Beijing	*2016 December 12th*	*OBOR projects*
13. Zurich	*2017February 28th*	*Impact Investing & SDGs*
14. London	*2017 March 14th*	*Evaluation Methodology*
15. Geneva	*2017 March 21st*	*Impact Investing in LDCs*
16. H.Kong	*2017 May 11th*	*500 people first PPPs*

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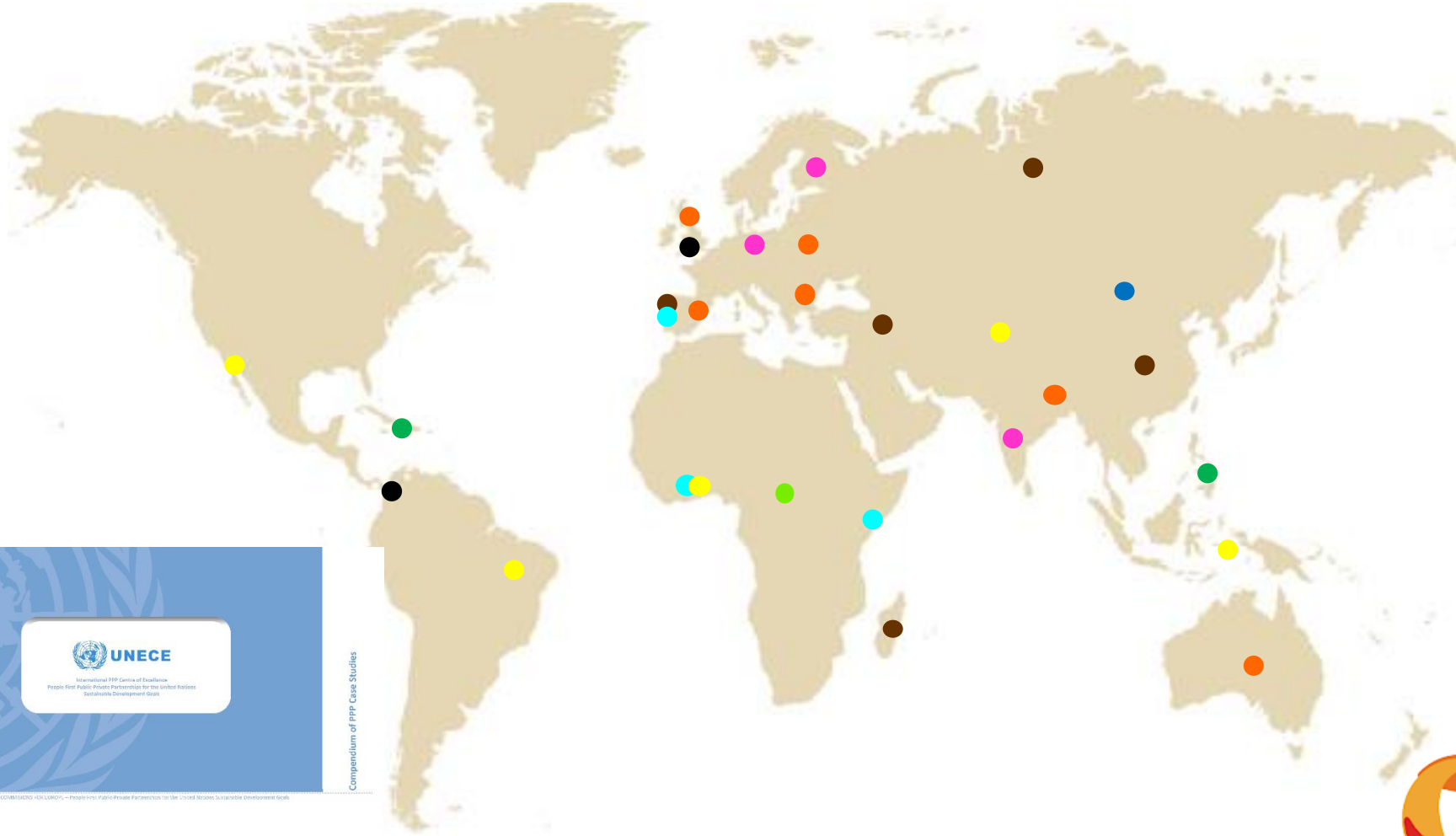
Geneva _ March 20 .. 22 2017

Africa
Ghana
Kenya
Madagascar
Americas
Brazil
Colombia
Haiti
USA
Asia
Armenia
Bangladesh
China
Indonesia
Mongolia
Philippines
Tajikistan
Australia
Europe
Belarus
Finland
Portugal
Russia
Slovakia
Spain
UK
Ukraine



- Agriculture
- Health
- Education
- Water
- Energy
- Entrepreneurship
- Roads
- Finance
- SDGs Origination

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Compendium of Case Studies on PPPs … *our way to end poverty, protect the planet while leaving no one behind*

International PPP Centre of Excellence
People First Public-Private Partnerships for the United Nations
Sustainable Development Goals

500 People First PPP Case Studies

From road and cross border to regional development cluster in Katanga DRC

To be beneficial for a country's development,

non-renewable resource extraction

should be leveraged to build long-term assets,

***such as infrastructure**, that will support sustainable and inclusive growth.*

Columbia Center on Sustainable Investment
A JOINT CENTER OF COLUMBIA LAW SCHOOL AND THE EARTH INSTITUTE, COLUMBIA UNIVERSITY

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Transforming Natural Finite Resources into Man Made Infinite Assets

Past
- Public Interest
- Mining
- Jobs
- Natural Finite Resources

Present
- Public Interest
- Mining
- Infrastructure
- Infinite assets
- More New Jobs

Future
- Public Interest
- Mining
- Infrastructure
- Agriculture & Industry
- Retail & Services
- Man made infinite assets

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WBG (IDA, IFC, MIGA) Country assistances strategy, comment on DRC Mobility

Project: Kasumbalesa → Mokambo | Road + Border Post + Tr

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INTERNATIONAL DEVELOPMENT ASSOCIATION

INTERNATIONAL FINANCE CORPORATION

AND

MULTILATERAL INVESTMENT GUARANTEE AGENCY

COUNTRY ASSISTANCE STRATEGY

FOR THE

DEMOCRATIC REPUBLIC OF CONGO
FOR THE PERIOD FY2013-FY2016

April 12, 2013

Public Disclosure Authorized

International Development Association
Central Africa Country Cluster 2 (AFCC2)
Africa Region

International Finance Corporation
Sub-Saharan Africa Department

Multilateral Investment Guarantee Agency
Sub-Saharan Africa Department

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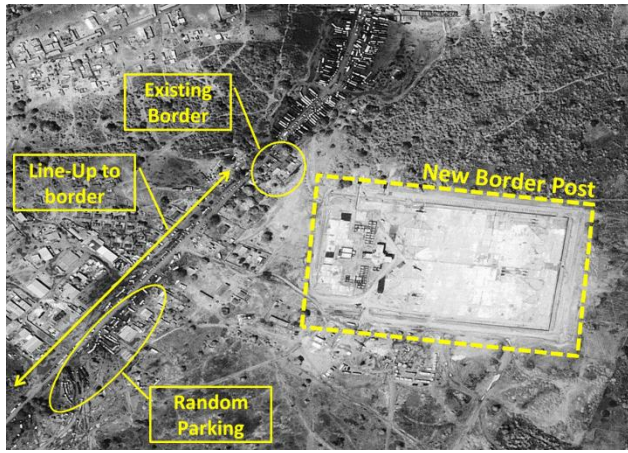
Country Development Goals	Issues and Obstacles	CAS Outcomes	Milestones	Bank Program (and Partners)
Improve infrastructure capacity (including the road network, railways, telecoms and electricity)	Poor quality of infrastructure High cost of movement of goods, people and services Lack of technical capacity Weak M&N system	**CAS Outcome 2.2. Improved connectivity and access to transport infrastructure** Average transit time between copper belt and Zambian border Baseline: 17 days (2011) Target: 5 days (end-2016) Number of days/year with roads not passable (R 4+2 in project areas(Provinces Orientale, Katanga, Equateur and South Kivu) Baseline: 90(R 4)/89 days(2011) Target: 30 days (2016)	Cumulative number of Km rehabilitated in project areas (Provinces Orientale, Katanga and Equateur) Baseline: 800 km (Dec 2011) Target: 1,150 km (June 2015) Cumulative number of Km maintained in project areas (Provinces Orientale, Katanga, Equateur and South Kivu) Baseline: 0 km (Dec 2011) Target: 2,017 km (June 2016)	**PROJECTS** **Ongoing:** Emergency Urban & Social Rehab (FY05) Agriculture Rehab & Recovery SL (FY10) Pro-Routes (FY06) Multimodal Transport project (FY11) **Pipeline:** Growth Poles (FY13) Urban development project (FY14) **AAA** Municipal Development (FY14) Spatial Economics of the Free Economic Priority Zones (FY13) **OTHER PARTNERS** UBS, AfDB, AFD, DFID, EC, EuroIB, BIS, JICA
Build a modern national infrastructure for telecoms Improve the accessibility to telecoms and new technologies	Landline telephone network almost completely destroyed Costly broadband internet and phone access	**CAS Outcome 2.3. Improved access to quality broadband network and services at reduced cost** Increased total broadband penetration (Household penetration) Baseline: 0.1% of population (Dec. 2011) Target: 2.5% of population (2016) Increased international Internet bandwidth	New legal and regulatory telecoms framework adopted by 2014 Design and signature of a Memorandum of Understanding between public and private stakeholders for the establishment of Special Vehicle	**PROJECTS** **Ongoing:** Telecom Component of the Regional Southern Africa Power Pool (APLU) (FY[illegible]) Tele[illegible]opment of the Pri[illegible] Development [illegible] (FY06)

33

CAS Outcome 2.2. Improved connectivity and access to transport infrastructure

Average transit time between copper belt and Zambian border
Baseline: 17 days (2011)
Target: 5 days (end-2016)



Infra Gap results from Country Assistance Strategy provided by World Bank Group, these Gap require integrated solutions adapted to local context. Integrated Solutions represent opportunities to promote UN SDG Projects

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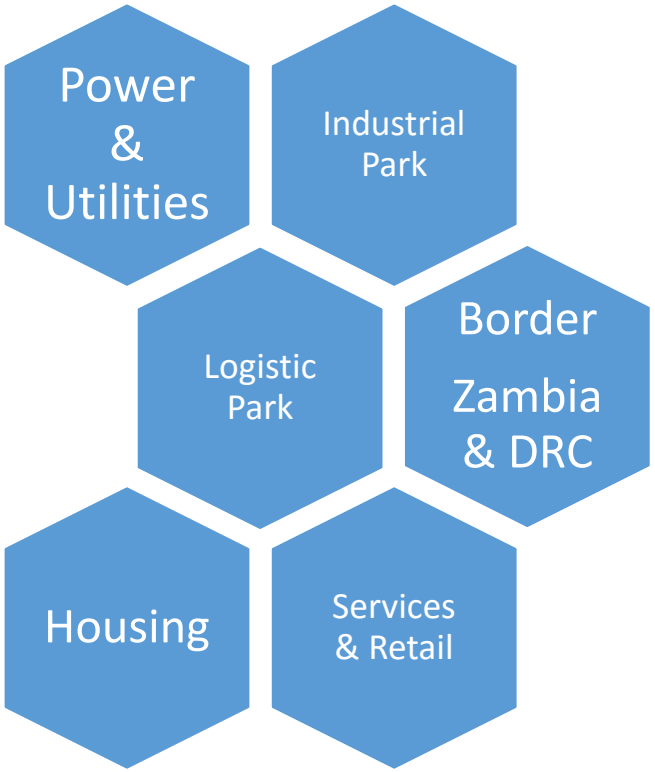
In DRC Katanga mobility PPPs have been signed to provide these integrated solutions



Border crossing in Katanga took up to 4 days.
As truck lined up fire accidents had devastating consequences.

The initial scope consisted on road and DRC border.

The project was then transformed to develop a regional cluster including:

1) Road and one stop border post
2) Logistic platform
3) Industrial park with power utilities
4) Agriculture hub & trading platform for farmers
5) Education and training center

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People First:

As the concept of the project was developed it was presented and shared with: **Ecole Supérieur des Ingénieurs Industriels de Lubumbashi.**

The development of the project assumes a **phase in phase out approach, where expatriates will be continuously be replaced by local staff.**

Integrating Young Engineers on a sustainable and integrated approach where managing simultaneously Capex, Opex, Revenue Stream and Eco footprint is key and SDGs.
For this a trainee program is established with the local professors.

Sharing the project goals with University is key to involve and integrate local community and initiate a leapfrog movement conducting to SDGs implementation.

Impact Investing criteria:

1) **Intent:** parties structuring the investment solution state explicitly the intention to generate positive social and / or environmental impact.

   → **Part of SPV mission statement**

2) **Measurement:** outcomes of the investment be tied with specific metrics.

   → **Cluster effect : + Jobs & – CO2**

3) **Verification:** establishing proof that invested capital is positively correlated with the intended outcome.

   → **Triple bottom line report: people, planet & profit**

Ecole Supérieur des Ingénieurs Industriels de Lubumbashi _ Katanga _ RDC

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Pedro Neves

Responsible for originating and managing over 10 billion USD in infrastructure asset deals in over 60 countries in Europe, Africa, the Americas and Asia.
Assets deals range from Oil & Gas (upstream and downstream), Power (fossil and renewable in production, transmission and distribution), Environment (water, water treatment & solid waste, Mobility (Airports, Ports, Roads, Railways, Metro), Social Infrastructure (Health, Education, Public Administration), Real Estate and Urban Development, Mining, Industry and Logistics.
Has achieved success managing investment operations, in new ventures, new markets and with new partners due to more than 25 years of experience operating management projects and SPV's (special purpose vehicles) in the development and exploitation phases. His, 10+ years of experience working with the public sector (United Nations, government and state owned entities) designing and implementing policies for public sector investment have given him a unique perspective on public interest that has been key in originating deals and developing PPPs throughout the world. These activities cover the full life cycle of asset development starting with interpreting infrastructure gaps, analyzing demographics and market tendencies, designing products and business models, defining strategy and aligning goals between share and stakeholders, starting up / reorganizing of management teams, carrying out fund raising (debt, equity, mezzanine), M&A and managing value growth.
Main organizations include: United Nations, Commonwealth Development Corporation, Tsinghua University, NDRC (Gov. of China), Deloitte, Mitsui Group.
Has been lecturing on Business Development Strategy since 2001 and is the founder of the first MBA on Urban Renewal for which he has lectured on Sustainable and Urban Development and Urban Renewal Business since 2010.

Pedro Neves _ Global Solutions
Founder & Managing Partner
UNECE _ Business Advisory Board
UNECE _ SDGs Task Force Leader
TUPPP _ Contributing Specialist

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