IMPACT INVESTMENT FOR UN SDGS VIA PPP

March 20th, 2017, Geneva, UNECE
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"From insight to impact"

Why impact investment has been raised in the context of PPPs?

- The Sustainable Development Goals (“SDGs”), adopted in September 2015 as a global mandate by 2030 to end all forms of poverty, fight inequalities and tackle climate change to the interests of people all over the world, come with a high price tag.
  - “Growing recognition that existing resources are insufficient to address severe poverty, inequality, environmental destruction and other complex, global issues, especially among Western nations that are already reducing their aid budgets and domestic social spending”. (The Rockefeller Foundation, 2012)
  - Recent reports have estimated that **global infrastructure will need USD 3.3 trillion of investment per year** just to keep pace with projected growth. (GIIN, 2016)
  - \$5 - \$7 trillion (£3.4 - £4.8 trillion) will be needed every year to achieve the SDGs on infrastructure, clean energy, water, sanitation and agriculture. **In the developing world alone, the financing gap is estimated at \$2.5 trillion (£1.7 trillion) a year**. (UNCTAD, 2014)

- The Third International Conference on Financing for Development in July 2016 of the UN recognized the key roles of “both public and private investment” in infrastructure financing through various institutions, tools and mechanisms such as PPPs and blended finance.

Why impact investment has been raised in the context of PPPs?

- UNECE is one of five regional commissions of the United Nations that aims to promote sustainable development and economic prosperity among and beyond its 56 member States in Europe, North America and Asia.

- For years, UNECE helps implement the SDGs by translating the global goals into norms, standards and conventions, developing statistical recommendations and capacity, undertaking performance reviews and studies, building capacity and engaging in partnerships with the private sector and civil society.

- By the same token, UNECE is also looking at how to engage all stakeholders of impact investment discuss how to tap the potentiality of impact investment for SDGs and help create a global movement for more SDGs-oriented impact investment. In particular, UNECE should fully utilize PfPPP as a catalyst to drive that process.

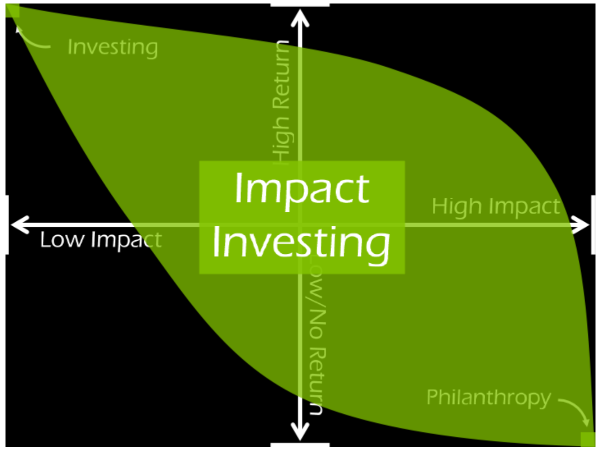
"Promoting People first
Public-Private Partnerships
that meet the
SUSTAINABLE DEVELOPMENT GOALS"

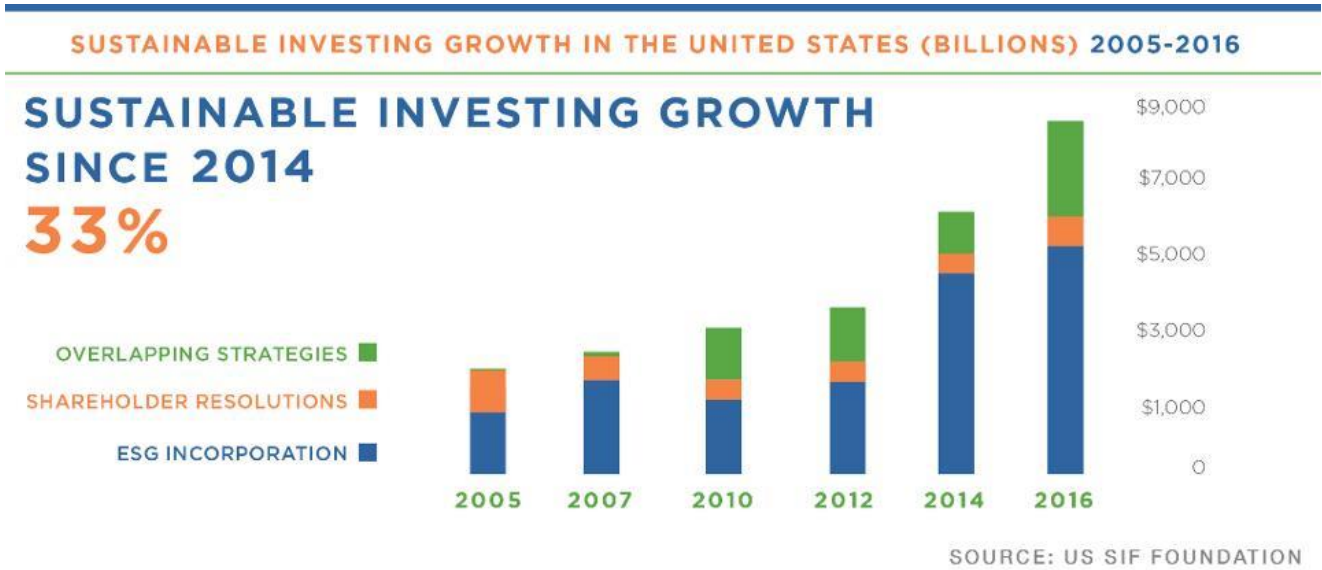
Why impact investment has been raised in the context of PPPs?

- Good potentiality:
  - Impact investment is investment made into companies, organizations, and funds with the **intention** to generate **social and environmental impact** alongside a financial return (GIIN). With its triple factor of “impact, risk and return”, social and environmental objectives of impact investment are in line with the objectives of SDGs.

- Impact investing is expanding, offering new opportunities for social enterprises, especially those registered as Benefit Corporations.

- Impact investment is gaining traction among all stakeholders, governments, investors, NGOs, IGOs and academia.





What is the experience to date in countries in terms of projects？

<u>Opportunities:</u> Investors are optimistic about the prospect of impact investing and more and more of them engage in building an impact investing portfolio leveraging the SDGs goals as a framework for their investments (GIIN, 2016).

<u>Challenges:</u> Impact investing is transitioning from its initial phase of proving the concept through deals to a more mature phase in which we will have to muster a social movement to build new systems.

- Uncoherent regulations and policies;
- Missing new philanthropic leadership that puts all foundation assets to work for mission;
- Impact funding far from making a substantive difference.
- Lack of new capital markets products and services.
- Lack of mature measurement tools.

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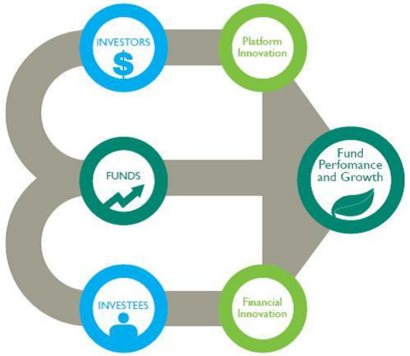
<u>Challenges:</u> Impact investing is transitioning from its initial phase of proving the concept through deals to a more mature phase in which we will have to muster a social movement to build new systems.

- Impact investing not in its rightful place.
  - “Where can I make an impact investment?”
  - “What social challenges do I want to address, and how can impact investing be one of the tools I use to address them?”
- 38% of the participants had invested in North America, 15% in Sub-Saharan Africa, 13% in Asia and 10% in Latin America. (A survey among the GIIN Impact Base)
- Lack of targeted capacity building: investors, NGOs, beneficiaries and, particularly, governments.

How should we work together with the private sector to make more impact?

- What's the role of impact investment for SDGs?
  - Impact investing has a **<u>central role</u>** to play;
  - Impact investing is **<u>an exciting tool but not a silver bullet</u>** (Antony Bugg-Levine, CEO of Nonprofit Finance Fund).
  - impact investment's share in global financial markets: only 0.2 per cent of global wealth. If this share rises to 2 percent, it could mean over US$2 trillion invested in impactdriven assets.
- Meaningful conversation for a positive ecosystem for impact investing.
- Coordination among all stakeholders: governments, IGOs, NGOs, donors, investors, academia, etc..
  - Enabling governments: New regulations and policies; co-financing with private impact investors (early-stage innovation, areas with a higher risk, or areas addressing purely social objectives.)
  - Investors: New capital markets products and services.
  - Academia: Capacity building: investors, NGOs, beneficiaries and, particularly, governments.



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UNECE and the Global Goals

- “multi-layered capital structure”:
  - Impact investing could scale significantly if it can come together with other investors around the SDGs.
  - The public sector, DFIs and foundations can play different roles along with impact and traditional investors.
  - Public entities can provide the “first layer” investment or extend credit enhancement services (e.g. guarantees) in order to crowd-in private investment.
- What’s the role of UNECE?
  - A dialogue beyond Europe, focusing on how to tap the potentiality of impact investing;
  - A standard on impact investment for SDGs and PfPPP with a project team.
  - A positive “ecosystem” for impact investment (seminars/workshops, training programmes.

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