Impact Investing & SDGs for Least Developed Countries

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Global Goals are Global Challenges that require Global Solutions
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

Global Goals are Global Challenges that require Global Solutions
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.”
Global Goals are Global Challenges that require Global Solutions
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.
UN @ SDGs, Partnerships & Impact Investing

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.
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.
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.

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

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
2. Geneva 2015 September 2nd
3. NYC 2015 October 13th
4. Barcelona 2015 November 18th

5. Geneva 2016 March 30th
6. Qingdao 2016 June 20th
7. Lisbon 2016 July 7th
8. Shenzhen 2016 September 20th
9. Geneva 2016 October 20th
10. London 2016 October 26th
11. Barcelona 2016 November
12. Beijing 2016 December 12th
13. Zurich 2017 February 28th
14. London 2017 March 14th
15. Geneva 2017 March 21st
16. H.Kong 2017 May 11th

- Brochure Launched
  - 1st meeting
  - Awareness Launched
  - Upgrade strategy

- Compendium presented
  - SDGs for Cities
  - SDGs & Impact Investing
  - Education & Health
  - Evaluation Methodology
  - Impact Investing Africa
  - Smart Cities PPPs
  - OBOR projects

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

*Global Goals are Global Challenges that require Global Solutions*
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.
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