

# Financing the Social Dimensions: SDG Goals and Sustainable Finance Overview and Challenges

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Shining a light on the Social Dimension of Sustainable Finance  
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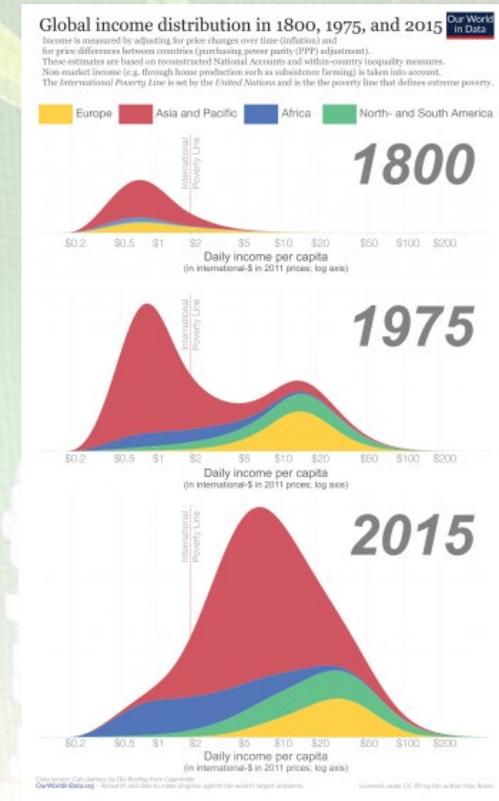
# Social versus Environmental Goals



Easy to measure, simple to install, easy to calculate returns and recoup investment



More difficult to measure, long and complicated investments, difficult to calculate returns and recoup investment



# Goals **NOT** mutually exclusive



# SDG investing and outcomes – an example:

Invest in health, education, incentives for hiring women managers .....

**Human Development Index (HDI) Ranking**  
From the 2020 Human Development Report

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Rank	Country	HDI value (2019)	Life expectancy at birth (years) SDG3	Expected years of schooling (years) SDG 4.3	Mean years of schooling (years) SDG 4.6	Gross national income (GNI) per capita (PPP \$) SDG 8.5
1	Norway	0.957	82.4	18.1	12.9	66,494
2	Ireland	0.955	82.3	18.7	12.7	68,371
2	Switzerland	0.955	83.8	16.3	13.4	69,394
4	Hong Kong, China (SAR)	0.949	84.9	16.9	12.3	62,985
4	Iceland	0.949	83.0	19.1	12.8	54,682
6	Germany	0.947	81.3	17.0	14.2	55,314
7	Sweden	0.945	82.8	19.5	12.5	54,508
8	Australia	0.944	83.4	22.0	12.7	48,085
8	Netherlands	0.944	82.3	18.5	12.4	57,707
10	Denmark	0.940	80.9	18.9	12.6	58,662

Source: Human Development Report Office 2020. • Created with Datawrapper

## Female share of employment in senior and middle management (%)

Dimension: Gender

SDG 5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life

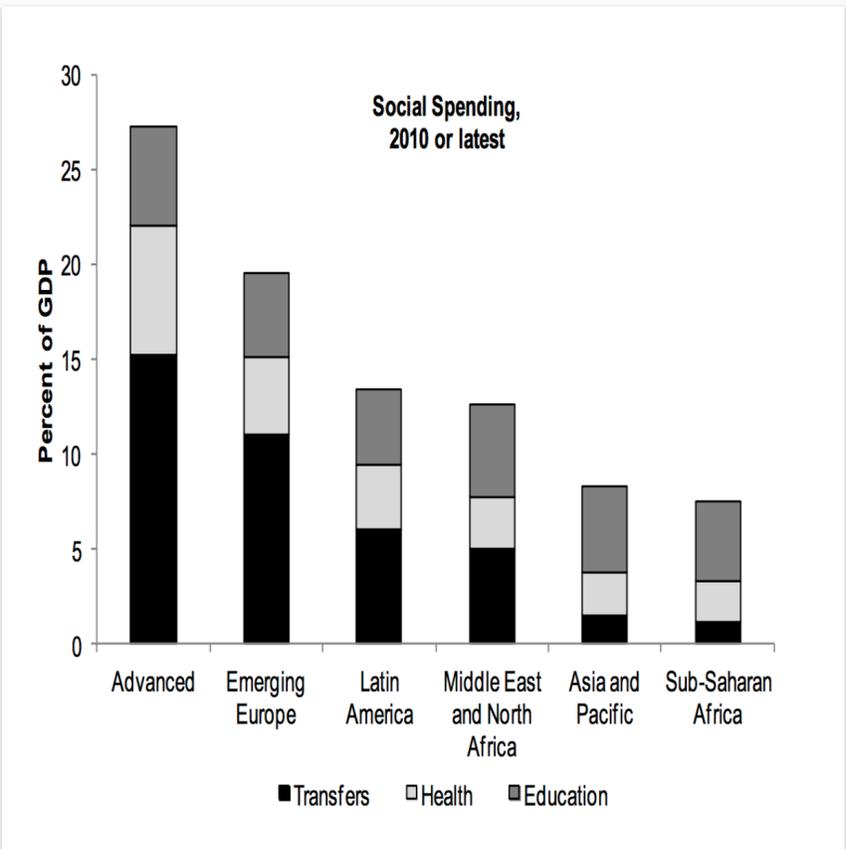
Definition: Proportion of women in total employment in senior and middle management.

Source: ILO (2020). ILOSTAT database. <https://ilostat ilo.org/data/>. Accessed 21 July 2020.

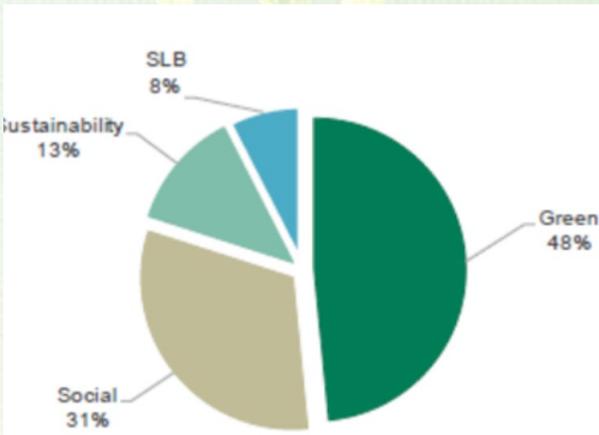
HDI Rank	Country	2009-2019
169	Afghanistan	4.3
69	Albania	41.3
46	Argentina	33.1
18	Austria	32.0
133	Bangladesh	11.5

# Public and Private Investment in “S”

Levels and composition of public social spending (% GDP), World Regions- Figure 6 in Bastagli et al (2012)<sup>5</sup>



In EUR bn	2018	2019	2020*	2021F	YoY %
Corporate - Non-financials	30	80	111	180	63%
Corporate - Financials	47	64	60	70	16%
SSA excl. sov	35	69	137	190	38%
Sovereign	15	22	77	159	106%
<b>Grand total</b>	<b>127</b>	<b>236</b>	<b>386</b>	<b>599</b>	<b>55%</b>

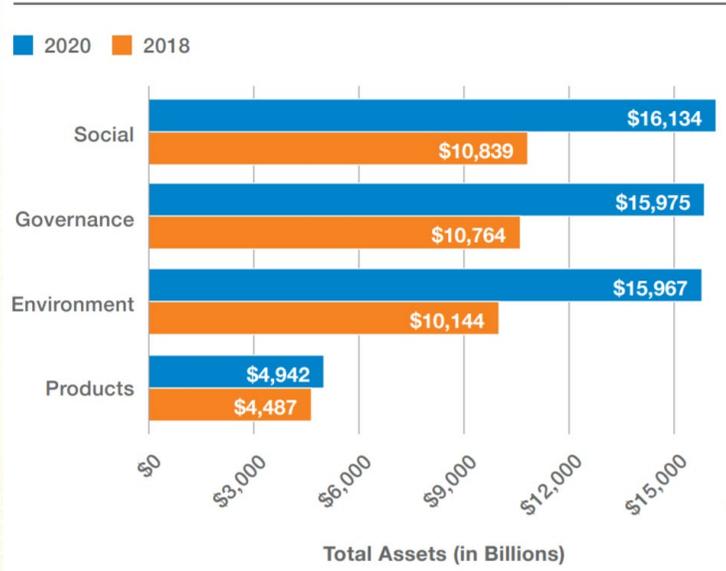


Social bonds 2021: 186B  
 EUR = **0.23%** of world GDP

Crédit Agricole CIB ESG 2021 Outlook on December 16<sup>th</sup>, 2020

# ESG Investing – bottom up – WOW!

ESG Categories Incorporated by Money Managers 2018–2020



SOURCE: US SIF Foundation.

Leading ESG Issues 2018–2020, by Number of Shareholder Proposals Filed

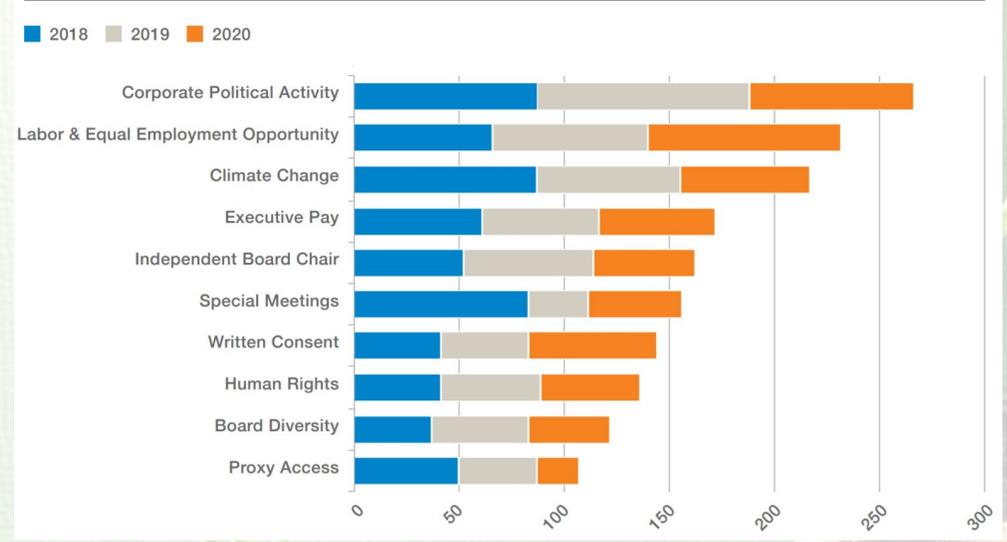
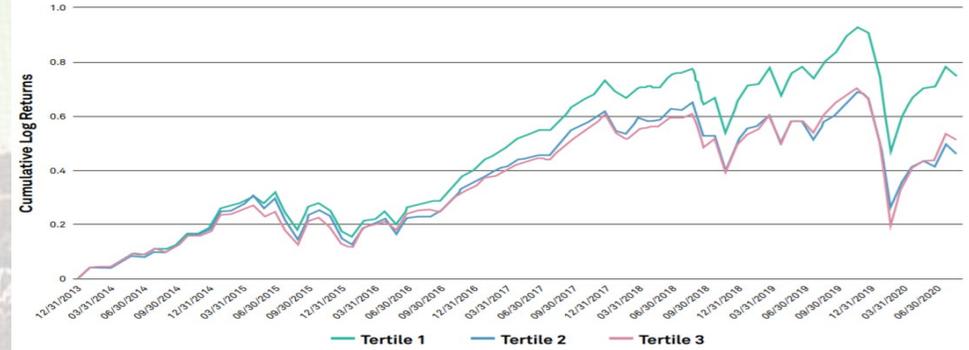


Figure 4: SDG Portfolio vs MSCI World Returns



Source: Trucost analysis. Current as at October 2020.

Figure 2: MSCI World SDG Revenue Tertile Cumulative Log Returns

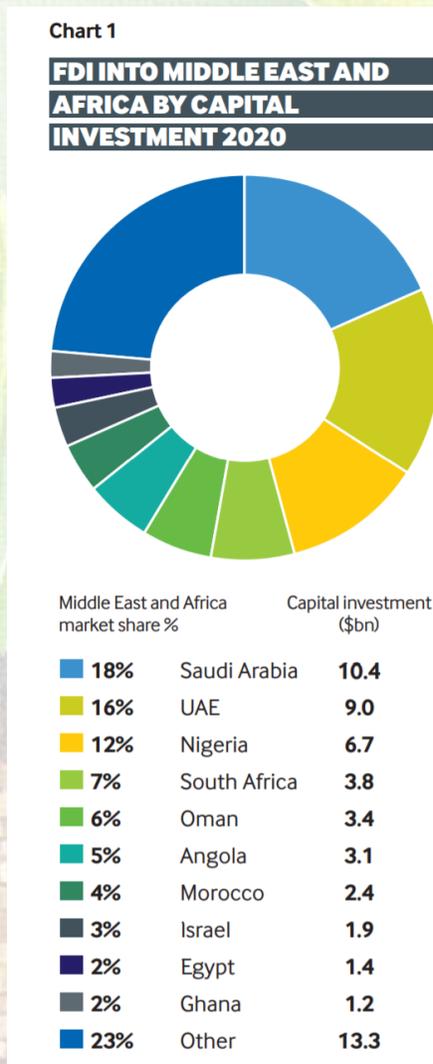
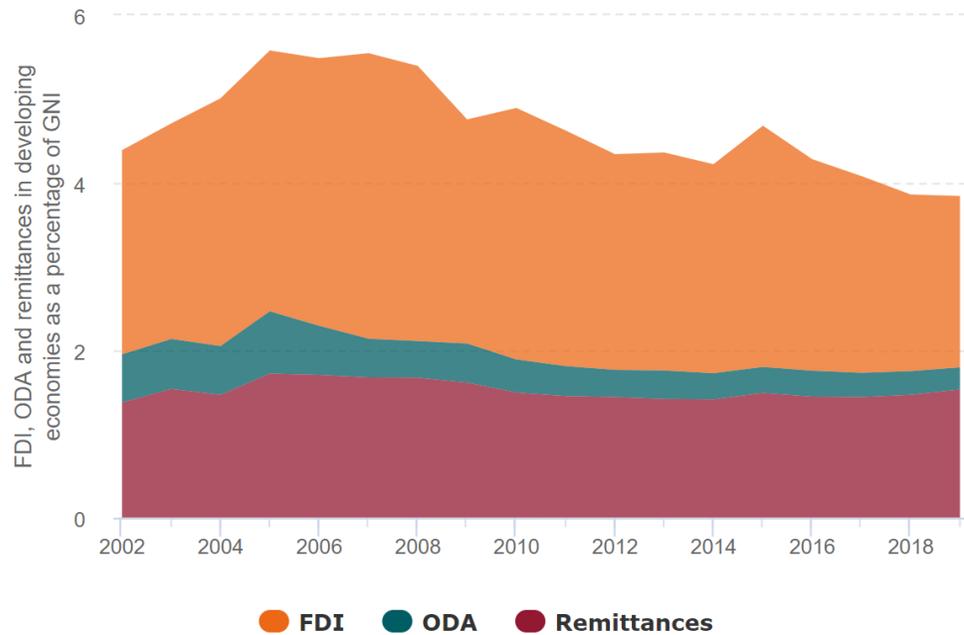


Source: Trucost analysis. Current as at October 2020.

# SDG Investing – the macro picture: AHAA...

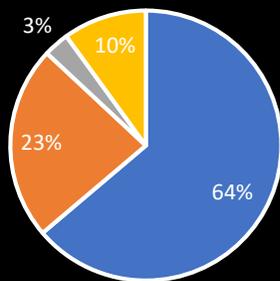
The weight of international financing sources for developing economies has decreased since 2005, but it still represents 4% of their GNI.

UNCTAD & OECD SDG indicator 17.3.1



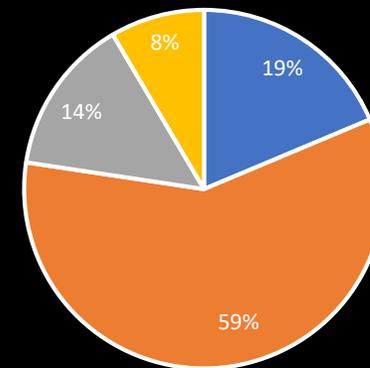
# Mismatch between Foreign direct investment and population

Total FDI 1990-2018



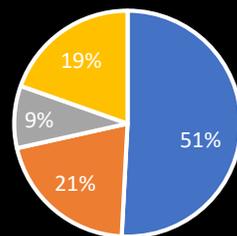
■ Developed economies      ■ Developing economies  
■ Africa                      ■ Latin America and the Caribbean

Population 1990-2018



Source: UNCTAD, FDI/MNE database ([www.unctad.org/fdistatistics](http://www.unctad.org/fdistatistics)).

Total FDI 1914

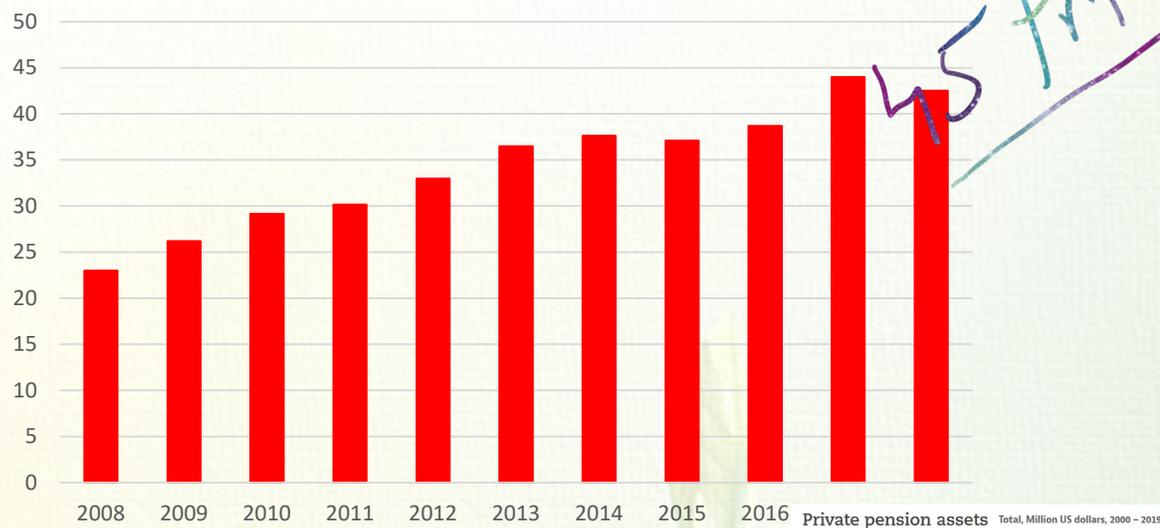


■ Developed economies      ■ Developing economies  
■ Africa                      ■ Latin America and the Caribbean

# Solutions?

## Pension fund assets on the rise

Total assets in funded and private pension plans, OECD, trillions of USD, 2008-2018



Total assets in funded and private pension plans, as % of GDP, OECD, 2008-2018



US: 33 trillion in 2019





Pension funds' assets:  
**\$45 Trillion**

Annual capital formation **ALL** low income countries  
**\$0.25 Trillion**

Annual expenditure on education **ALL** low income countries  
**\$0.23 Trillion**





Thank You!

# Example: Investing \$10 per month for African children 0-18

Annual Cost in billion \$U.S.

2020	2025	2030	2035	2040
69	77	84	90	97

Start up capital at age of 18 for a child born today

Rate of return	4%	6%	8%
Value of portfolio	\$3475	\$4465	\$5775