

SESSION NOTE

Financing Sustainable Development: The Impact Imperative

13 November 2018- 14:30- 15:45

This session will explore the importance of leveraging private finance to achieve greater impact for the Paris Agreement and Sustainable Development Goals (SDGs) and the need for finance to move beyond low-hanging fruits such as low-carbon infrastructure and into a broader set of green (e.g. resilience, water, biodiversity) and social sectors.

With an annual funding gap for the SDGs in developing countries in the trillions, blended finance is emerging as an important tool for mobilising private financing towards sustainable development by improving the risk-return profile of investments for private investors. Whilst investment mobilisation is important, new approaches to addressing social and environmental challenges are also needed to ensure these investments are sustainable in a broader sense. Sustainable impact investment not only provides private financing to contribute to achieving the SDGs and Paris Agreement but also, most importantly, brings innovation by catalysing the creation of new approaches to addressing social and economic challenges.

In addition, social impact investment brings accountability. Sustainable impact investment is predicated on the intention of having a social impact in addition to some financial return (including below market/partial return of capital). Therefore, defining and measuring impact is a key component of impact investment. As investors increasingly engage in sustainable finance, it is imperative that impact is explicitly monitored, measured and reported.

Recent OECD analysis highlights that roughly a fifth of climate-related development finance targets the private sector, and that this support needs to be scaled up and rolled out beyond the climate agenda to address other environmental issues. Similarly, other recent OECD analysis on water indicates that currently, water and sanitation attracts only 1.9% of commercial finance mobilised by development finance. Furthermore, the focus of development finance targeting private sector engagement in climate action has been, unsurprisingly, on the 'low-hanging fruit', i.e. in areas where there is a clear business case and potential for returns. Attention has also focused on countries and locations where the perceived risks of investment are relatively low and countries with more challenging business environments are often overlooked. However, the business case, especially in terms of making a profit, is not as easily applicable in all areas of environmental protection and in the countries that need the most support. Sustainable impact investment could help fill the gap for the SDGs and Paris Agreement by crowding private finance that both delivers on financial returns and impacts.

Useful Links

- [OECD Social Impact Investment Initiative](#)
 - Phase I report: [OECD \(2015\), “Social Impact Investment: Building the Evidence Base”, OECD Publishing, Paris](#)
 - Phase II forthcoming report on “The Impact Imperative” will be launched at the Private Finance for Sustainable Development Week
- [OECD work on Blended Finance](#)
 - [OECD \(2018\), “Making Blended Finance Work for the SDGs”, OECD Publishing, Paris.](#)
 - [OECD-DAC Blended Finance Principles](#)
 - [Tri Hita Karana Roadmap for Blended Finance](#)
- [OECD Centre on Green Finance and Investment](#)
 - [5th OECD Green Investment Financing Forum](#)
 - [Financing Climate Futures: Rethinking Infrastructure Synthesis Report](#)
 - [Investing in Climate, Investing in Growth \(see Chapter 7 on Mobilising Financing for the Transition\)](#)
 - [Crishna Morgado, N. and B. Lasfargues \(2017\), "Engaging the Private Sector for Green Growth and Climate Action: An Overview of Development Co-Operation Efforts"](#)
- [OECD Development Assistance Committee](#)
- [New Climate Economy](#)
 - [2018 report: “Unlocking the Inclusive Growth Story of the 21st Century : Accelerating Climate Action in Urgent Times”](#)
 - [2016 report: “The Sustainable Infrastructure Imperative. Financing for Better Growth and Development](#)