

<b>Committee(s)</b> Public Relations and Economic Development Sub Committee	<b>Dated:</b> 29 May 2018
<b>Subject:</b> Development Finance	<b>Public</b>
<b>Report of:</b> Director of Economic Development	<b>For Decision</b>
<b>Report author:</b> Simon Horner	

### Summary

Following the Commonwealth Business Forum, this paper seeks approval from the committee for a proposal from the Economic Development Office (EDO) to begin a new programme of work focussing on development finance, strongly linked to our work on infrastructure, fintech, green finance and the Green Belt and Road Initiative Investor Alliance. It will be advised by a High-Level Steering Group (hereafter the Steering Group).

The Steering Group will be led and managed by the EDO's Innovation, Inclusion and Growth team from within current resource. The Steering Group in principle has the approval of Her Majesty's Government, supporting delivery of the Department for International Developments (DfID) mandate to position the City of London as the global capital for development finance. The Steering Group will be populated by experts in the field including insurers, lawyers, asset managers, Government actors, NGOs, technology providers and others.

The Steering Group will act as the interface between the private and public-sector, utilising the strengths of both to drive this agenda forward by setting priority objectives and means for achieving them. The first output will be to identify and map the full suite of UK capabilities in development finance, in both products, services and markets.

### Recommendations

Members of the Public Relations and Economic Development Sub Committee are asked to recommend to the Policy and Resources Committee to:

- Approve EDO's proposal to begin a new programme of work in development finance.
- Approve EDO's proposal to establish a High-Level Steering Group to guide, advise and set the direction to the new programme of work in development finance.

## **Main Report**

### **Background**

1. The UK has an opportunity to redefine and reinforce its place in the world as Global Britain.
2. The UK is the world's second largest investor, trader and donor. It makes a vital contribution to economic development in the world's poorest countries and it serves our national interests to fully articulate and leverage this leading role on the international stage.
3. There is an annual investment shortfall of USD 2.5 trillion in the world's poorest countries, despite the significant opportunities they present: a more prosperous world means greater opportunities for UK business.
4. As one of the world's largest capital markets and global financial centres, the UK has a central role in channelling private capital and expertise into developing economies.
5. The City of London can become the financial centre for the developing world by closing this deficit, supporting economic growth, job creation and the route away from aid to trade.

### **Current Position**

6. The City Corporation has the opportunity to be the first to convene relevant actors from the public and private sector to actively pursue and reinforce London's position as the global capital of development finance ("Global Britain").
7. There is significant support from Her Majesty's Government, namely the Department for International Development (DfID) who have announced their ambition for a new partnership with the City of London to bring down the barriers to trade and unlock investment for emerging markets in Africa and Asia.
8. This is in line with the publication of DfID's Single Department Plan, and the broader UK Aid Strategy, which prioritise the growth of emerging and developing economies by harnessing the potential of the UK's private sector.
9. Furthermore, the UK is committed to achieving The United Nations 2030 Agenda for Sustainable Development consisting of 17 Sustainable Development Goals (SDGs) (appendix A) and estimated at requiring approximately \$4 trillion annually to be realised worldwide.
10. The private sector has been mobilising to achieve the SDGs, and there has been growing demand from institutional investors for funds tackling environmental and social challenges. Notably, in November 2017, a prominent UK asset manager issued the world's first corporate sustainable development bond.

### **Proposal**

11. EDO's Innovation, Inclusion and Growth team propose they begin a dedicated programme of work in development finance, in particular driving progress from the Commonwealth Business Forum and leveraging upon EDOs successful work in supporting the City of London to be a hub for green finance, infrastructure and fintech.

12. The proposal will help to ensure the City of London can continue to make tangible progress in emerging markets. For example, extending the City of London's Green Finance Initiative's international reach and supporting the Green Belt and Road Investor Alliance.
13. It is proposed that the shape of this work should be directed by a High-Level Steering Group with the power to:
  - Provide public and private leadership on development finance
  - Commission reports and research (subject to resources)
  - Advocate for specific regulatory and policy developments
  - Convene time-limited and expert workstreams for the exploration and resolution of key issues
  - Consult with external stakeholders and act as a repository for market insight
  - Act as an informal broker between project issuers and UK investors and capital markets
14. The Steering Group will be managed by the City of London Corporation.
15. The Steering Group will welcome industry leaders and public-sector officials.
16. The first output is expected to be a commissioned comprehensive audit of activities, assets, services and competencies offered by UK development finance providers or otherwise available to development capital issuers globally.

## **Corporate & Strategic Implications**

17. This proposal will make an important contribution to the objectives in the corporate plan. In particular the aim 'to support a thriving economy'. Delivering predominantly on objective 7, a 'global hub for innovation and enterprise' as well as objective 5 'businesses are trusted and socially and environmentally responsible' and objective 6 'world's best legal and regulatory framework and access to global markets'.

## **Conclusion**

18. The Corporation should provide an avenue for sustained focus on development finance through the above proposal, to harness the City of London's unrivalled depth of capital and expertise. This proposal would position London as the global financial centre for the developing world and the primary conduit for private capital to finance economic development.

## **Appendices**

- Appendix A: UN Sustainable Development Goals (SDGs)
- Appendix B: Draft High-Level Steering Group Terms of Reference

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## Appendix A: UN Sustainable Development Goals (SDGs)

1. The 17 Sustainable Development Goals (SDGs) were adopted by 193 countries at a UN Summit in 2015, as a successor to the Millennium Development Goals.
2. The 2030 Agenda for Sustainable Development Agenda is a new plan of action for people, planet and prosperity, with 17 SDGs and 169 associated targets at its core.
3. They cover social, environmental and economic targets for global development, including issues as diverse and deep-rooted as gender inequality, climate change, access to education and the promotion of peaceful inclusive societies.
4. The SDGs officially came into force on 1 January 2016 and should be met by 2030.
  - GOAL 1: No Poverty
  - GOAL 2: Zero Hunger
  - GOAL 3: Good Health and Well-being
  - GOAL 4: Quality Education
  - GOAL 5: Gender Equality
  - GOAL 6: Clean Water and Sanitation
  - GOAL 7: Affordable and Clean Energy
  - GOAL 8: Decent Work and Economic Growth
  - GOAL 9: Industry, Innovation and Infrastructure
  - GOAL 10: Reduced Inequality
  - GOAL 11: Sustainable Cities and Communities
  - GOAL 12: Responsible Consumption and Production
  - GOAL 13: Climate Action
  - GOAL 14: Life Below Water
  - GOAL 15: Life on Land
  - GOAL 16: Peace and Justice Strong Institutions
  - GOAL 17: Partnerships to achieve the Goal

## Appendix B: Draft High-Level Steering Group Terms of Reference

<b>(1) OVERVIEW OF ISSUE</b>	
1.1 Description	The UK is the world's second largest donor of official development assistance (ODA) and is thus a significant contributor to global development finance. One of DfID's stated objectives is "working with, and challenging, the City of London to become the "development finance hub of choice". Part of this is to be delivered by strengthening capital markets abroad in partner countries.
1.2 Objective	The workstream will focus on a series of coordinated policies that will allow London to become the intellectual and financial centre for international development.
<b>(2) COMPOSITION OF THE STEERING GROUP</b>	
2.1 Workstream secretariat	The City of London Corporation

<p>2.2 Membership</p>	<p>Membership of the Steering Group will be agreed by the Chairman and Secretariat and will be reviewed each year.</p> <p>Members will be nominated to the Steering Group as representative of their firm or association.</p> <p>Members are not permitted to send alternates to Group meetings if they are unable to attend unless a speaking role was envisaged on that occasion.</p> <p>Members who are unable to attend three consecutive meetings will be asked to step down.</p>
<p>2.3 Selection criteria</p>	<p>Candidates for membership of the Group will be considered on:</p> <ul style="list-style-type: none"> <li>• Levels of seniority;</li> <li>• Expertise;</li> <li>• Broad financial services expertise;</li> <li>• Preparedness to participate actively in the workstream</li> </ul> <p>And the need to maintain the Board's overall:</p> <ul style="list-style-type: none"> <li>• Cross-sectorial representation;</li> <li>• Manageable size and diversity</li> </ul>

### (3) WORKING ARRANGEMENTS

<p>3.1 Meetings</p>	<p>The Steering Group will meet quarterly. Extraordinary meetings may be held at the discretion of the Chair.</p>
<p>3.2 Working groups</p>	<p>Where an area of work agreed by the Group requires the creation of an <i>ad hoc</i> working group, the Chair and Secretariat will oversee its establishment.</p> <p>Representatives from other bodies may be invited to join working groups</p>

### (4) DEVELOPING THE STEERING GROUP'S POSITION

<p>4.1 Initial perspectives and expected impact</p>	<p>Commission an initial report to provide a comprehensive audit of activities, assets, services and competencies offered by UK development finance providers or otherwise available to development capital customers globally.</p>
<p>4.2 Proposed approach and outputs</p>	<p>The initial approach will invite views on development challenges from group members, and identify cross-cutting themes to explore in depth.</p> <p>Output will be varied and will include reports and thought leadership on development finance.</p>
<p>4.3 Timeline and key milestones</p>	<p>The work will commence in Q3 2018, with first outputs expected in late 2018.</p>

**(5) OUTCOME EVALUATION**

5.1

Description of what success will look like for this workstream

A detailed plan of what the development challenges are and how London as a development hub can solve them.

Adoption of recommendations by government.

**(6) ASSUMPTIONS, RISKS, ISSUES AND DEPENDENCIES**

6.1

Description of potential challenges

Prioritisation - it will be important to identify cross-cutting themes where the workstream can add most value.