

Key findings



Public finance and SDGs alignment *The role of Public Development Banks and Institutions in the UN Agenda 2030: a survey in Europe*

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The 17 Sustainable Development Goals (SDGs) have been introduced by the United Nations as a blueprint to achieve a better and more sustainable future for all, by addressing global challenges including climate change, environmental degradation, poverty, inequality, peace and justice. Many private sector players have since adopted the SDGs as a guide for their sustainability programs. Financial systems play a key role in this transition by providing funding for economic activities and reorienting capital flows towards a more sustainable economy.

Public Development Banks and Institutions (PDBIs) - entities initiated by governments at regional, national, and multinational level to proactively pursue public policy objectives – may have specific mandates to provide and/or help mobilize financial support for additional investments with social and environmental objectives that the market fails to finance. Therefore, these players are by their nature called to action and to contribute to the SDGs.

This paper offers a first attempt to track the sustainability performance of PDBIs in Europe where, for several reasons, we are witnessing the return of public intervention in the economy, and PDBIs' contribution to the alignment of EU Member States to the SDGs. By making use of the Institutional Theory, the results of this analysis show an overview of the state of play on SDGs' implementation among PDBIs in Europe; findings have theoretical and practical implications both for PDBIs in their strategy to carry out these goals, and for European policymakers that assess the process and aim to promote achievement of the SDGs across Europe.



Objectives and research questions

Authors are questioning whether and to what extent PDBIs are contributing to the alignment of EU Member States to the SDGs. This investigation is guided by two main reflections:

- Assuming PDBIs have a unique role to play in reaching the targets of the UN Agenda 2030, is their contribution to SDGs alignment in line with the European policymakers' objectives? To investigate the level of support PDBIs are providing, the investigation looks at European PDBIs' disclosure and SDGs reporting.
- Is there a correlation between European PDBIs' contribution to the SDGs and the institutional pressures stemming from their stakeholders? Is this evident in their SDGs' reporting and disclosing?



Methods

Theoretical aspects are based on the Institutional Theory. For survey methods, authors researched and analysed public disclosures (through a web site research) and detection of SDGs by 59 selected European PDBIs. Four levels of disclosure have been established. There is a comparison with the climate's objective adopted by the European policymakers (qualitative survey), and a comparison with SDGs performance at EU level/Eurostat (qualitative survey).

In a drill down section, there is a focus on the three largest Member States (DE, FR and IT) and their respective three mega PDBIs (KfW, CDC, CDP): funds committed in 2021 by the three mega PDBIs vs SDGs detected by Eurostat at country level (both qualitative and quantitative survey).



Results

This paper offers a first attempt to track the sustainability performance of PDBIs in Europe. The results of this analysis provide an overview of the state of play on SDGs' implementation among PDBIs in the EU. Findings show that PDBIs in Europe are well aligned with the European policymakers' goals and aim to contribute to the EU climate objectives. Results also confirm PDBIs' main role in promoting growth and intervention in policy areas such as infrastructure investment, innovation, social and human capital development, as well as their countercyclical role as they (re)direct finance to fill in the investment gaps throughout the swings of the business cycles. There is a positive correlation between the size of PDBIs and the level of sustainability disclosure. At the same time, some SDGs, namely SDG 2 and SDG 14 among the worst performers, that are left behind, both at European and country level (FR, DE and IT).



Recommendations

Findings have theoretical and practical implications both for PDBIs in their strategy to carry out the Agenda 2030 goals, and for European policymakers that assess the process and aim to promote achievement of the SDGs across Europe. Namely, this survey provides evidence and answers to some questions, raises and leaves open important issues that can be addressed with further research but nevertheless it represents a first attempt to target or re-direct EU policymakers' future action: for example by reviewing the current European Non-financial reporting Directive (NFRD) – that now applies only to large public-interest companies (with more than 500 employees) – in order to include minimum reporting requirements also for small PDBIs. The lack of support for SDG 14 should draw the attention of the EU policymakers. Promotion of dedicated issuances of corporate and/or sovereign bonds linked to SDG 14 targets could be envisaged, as well as expanding to the EU scope joint reporting initiatives such as the Clean Oceans Initiative currently promoted by PDBIs in their investment activities outside Europe.

