



THE FINANCING GAP

The demand for social and critical infrastructure is increasing, and so is the funding gap for infrastructure, climate change and SDG-related projects. Additional funding of trillions of dollars is needed to bridge this gap.

As the global household wealth is estimated to be over \$250 trillion, mobilizing and fostering private capital is critical to bridge the financing gap needed for inclusive and sustainable economic growth.

BRIDGING THE GAP WITH SOCIAL CREDITS

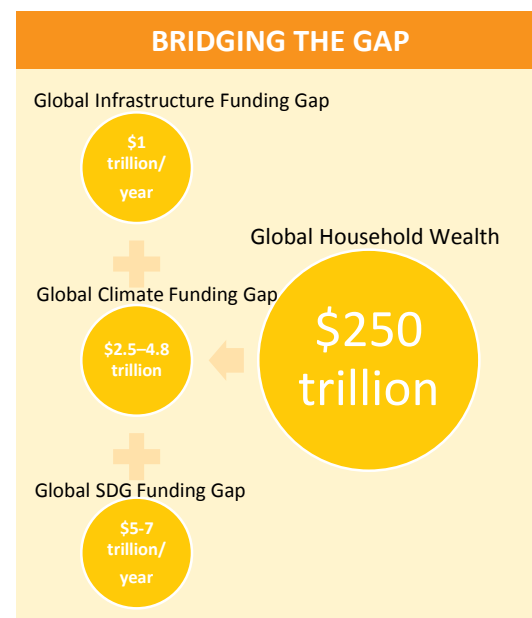
Social Credits is an investment incentive mechanism to attract private capital for sustainable economic development projects. As Social Credits are tax-adjustable and can be used in a number of innovative ways, Social Credits can help bridge the widening financing gap by harnessing the private capital and creating a win-win situation. The investors can get extra value/return by investing in qualified projects and instruments (eg, impact bonds, blended finance), and, correspondingly, funding for the development projects become available. *The process is further explained on the next page.*

SOCIAL CREDITS

- Can mobilize private investments to a new asset class, combining innovatively public and private financing
- Can facilitate long term investing, directing the capital flows to a wider range of new opportunities
- Can flexibly integrate with financing of infrastructure, climate change and SDG-related projects
- Can be linked with the value of Special Drawing Rights (SDRs) for per unit value

Market-based Inclusive Growth

The widening financing gap threatens the global resolve for seeking shared prosperity through a holistic and inclusive growth. As the world focuses on the 2030 Sustainable Development Agenda, sustainable economic development offers an unprecedented opportunity for the private capital. Harnessed by **Social Credits** mechanism and blended with other tools and safeguards, the private capital can not only help narrow the development financing gap, but it can also reach over 3 billion people living under \$2.5 a day.



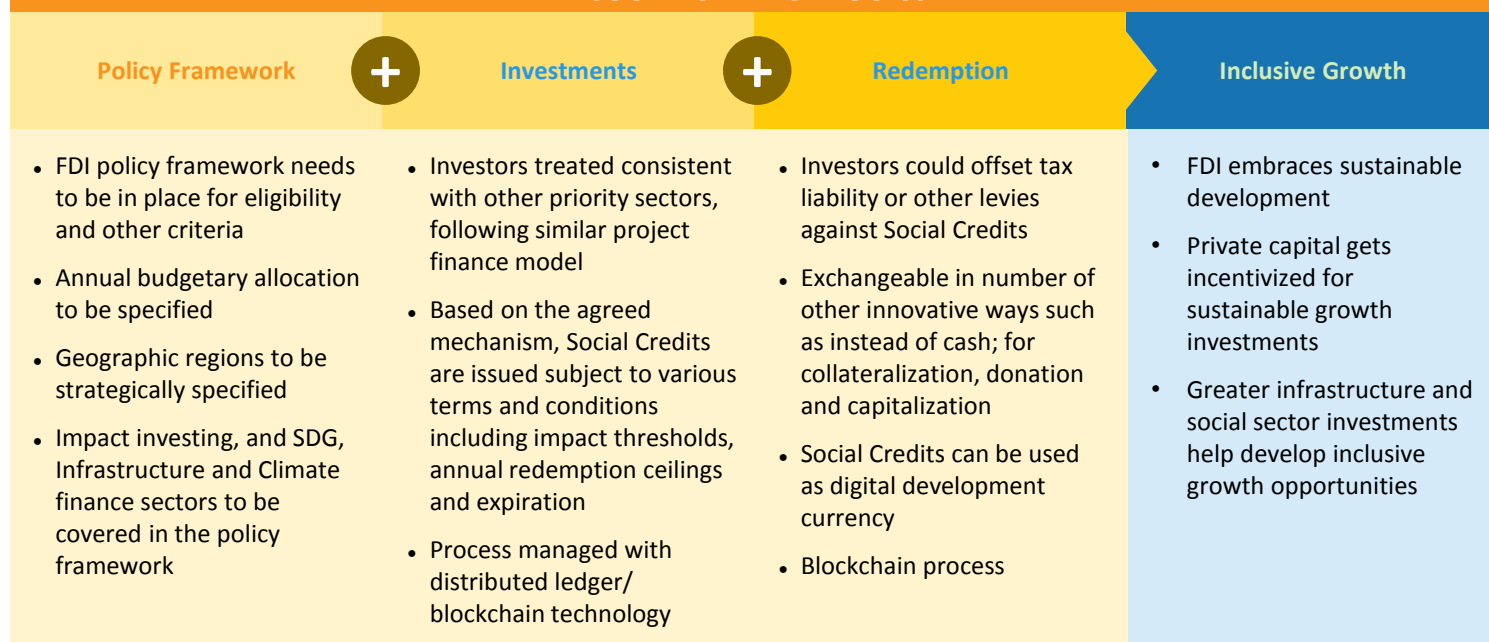
Combining SDG, Infrastructure and Climate Finance

The innovative incentive structure of **Social Credits** can help scale up the existing strategies to finance the massive funding shortfall for Sustainable Development Goals, social and critical infrastructure, and for climate change mitigation and adaptation projects.

Funding Impact and Enterprise

Greater investments are needed to scale-up impact investing, financial inclusion solutions and enterprise financing (such as SME finance, microfinance and crowd-funding). Empowered with the **Social Credits** incentive structure, the reality of inclusive growth could be nearer.

SOCIAL CREDITS PROCESS



PROCESS EXAMPLE



Framework

Assuming that the UK and South Africa (SA) agree on a clear policy to use **Social Credits** as a tool to harness private investments. The policy provides additional incentive to UK investors for SA's health sector. Each of the countries and the investors know in advance the applicable terms, the quantity and the (tax-adjustable) value of Social Credits to be issued. Both countries will have planned and budgeted for the quantity of Social Credits to be issued and the financial impact of their anticipated redemption.

Investments and Redemption

As a result of the incentive policy, a UK investor invests \$100m to finance 5 hospitals in SA. Based on the agreed mechanism, SA issues to the investor 10,000 **Social Credits** that are valued at \$100,000.

The investor happens to have \$30k tax liability in SA and \$70k in the UK. After meeting the applicable terms and conditions, the investor is able to offset its liability both in SA and the UK. Appropriate oversight processes are in place to avoid any unanticipated effect on the public finance of any country, and to protect the process from any abuse.

Inclusive Growth

As a result of the incentives, more capital becomes available to fund infrastructure, climate change and SDG-related projects—leading a sustainable pathway to inclusive growth and shared prosperity.

Social Credits mechanism has been recommended by the B20 Energy Forum. It has also been included in B20 Financing Growth and Infrastructure Taskforce Policy Paper 2017 (re "Compact with Africa").

