

COVID-19 crisis – The SDGs can't be under “lockdown” too



In this article, co-authored by KPMG Ireland and KPMG South Africa, we share how a country's performance against the United Nations Sustainable Development Goals (SDGs) impacts their ability to respond to the COVID-19 crisis. We also look at the potential impact of the COVID-19 crisis on the progress of various stakeholders in achieving the SDGs across European and African countries.

“Smooth seas do not make skilful sailors” - African Proverb

SDG targets - Are we on track?

Over the centuries, the progress of humankind has been made possible due to our ability to discover, innovate and/or invent revolutionary technologies and solutions. To navigate successfully out of the COVID-19 crisis will certainly require innovation and revolutionary technologies, as well as solutions to cater for even basic needs such as availability of food, water, health & well-being and safety.

The announcement by the United Nations of the SDGs in 2015 was a wake-up call for world leaders to embark on a journey – metaphorically, on an enormous hope-laden ship for a sustainable future. As they navigate through this journey, each country's progression towards a common goal is guided by a list of targets and measured against specific indicators. These targets are often viewed as key guiding principles for formulating and making important business decisions, to ensure that all stakeholders' needs from the economic, environmental and social perspectives are taken into consideration.

The European countries - Denmark, Sweden, Finland, France, Austria and Germany - emerged as top performers worldwide in 2019, by achieving the top six highest scores on the SDG Index . In general, most of the top performers are progressing well in the areas related to socio-economic

development and enabling access to basic infrastructures (e.g. SDG 1 (No Poverty), SDG 3 (Good Health and Well-Being), SDG 6 (Clean Water and Sanitation) and SDG 7 (Affordable and Clean Energy). Substantial efforts are required to improve on SDG 13 (Climate Action) and SDG 14 (Life below Water).

Within an Irish context the report shows major challenges to Ireland meeting SDG 12 (Responsible Consumption and Production), SDG 13 (Climate Action) and SDG 17 (Partnerships). This is in part due to an absence of information, but also reflects our known challenges on climate action. Ireland is improving or on track to meet all other Goals.

In the African region, Algeria and Morocco are the top scorers on the SDG Index. Access to fundamental infrastructures imposes a great challenge on the progression towards SDG 1 to SDG 9 for sub-Saharan African countries. Poor performance on SDG 16 (Peace, Justice and Strong Institutions) is reported for some countries due to ongoing conflicts. An improved performance on climate mitigation and biodiversity protections (SDG 12 to SDG 15) was noted, relatively due to low consumption of resources.



COVID-19 crisis - “SDG-friendly” or “not-SDG-friendly”?

The COVID-19 pandemic has put the global economy under a “lockdown,” and will have resounding impacts on the economic and social wellbeing of countries.

The Organisation for Economic Co-operation and Development (OECD) recently reported that the global economic growth prospects remain uncertain – with projections indicating an overall drop in GDP growth across the globe, even for the largest and strongest economies.

China’s economic slowdown is likely to have a knock-on effect throughout various regions – depending on exposure. In the global manufacturing market, China is the main supplier of intermediate inputs for companies abroad – and represents about 20% of global trade (up from 4% in 2002).

The impact of the pandemic on SDGs can be analysed from multiple perspectives. The immediate response by many countries - to embark on a collaborative effort between public and private companies, funds and other institutional partnerships like never before - are working in favour of SDGs. There are also positive signs of behavioural changes associated with maintaining a healthy society and a potential drop in the global carbon emissions.

Positive transformations such as these have been long advocated by the principles underlying the SDGs and beg the questions. If some of these efforts (and acceptance of changes) had been adopted earlier, would governments, businesses and all stakeholders been more prepared to address the crisis? Are these efforts sufficient to address the long-term impacts of the crisis? In 2015, 10% of the world’s population lived at or below \$1.90 a day – gradually progressing from 16% in 2010 and 36% in 1990. The economic crisis due to the pandemic is expected to push millions of people back into poverty and will further slow-down the poverty declination rates - with many years of sustained and significant efforts required to get back on track. The vulnerable groups in society (e.g. women, children, people with disabilities, the marginalised/ displaced, poor communities, etc.) are most at risk of suffering from financial hardship and devastating social consequences.

An effective approach for achieving the SDGs is often associated with leveraging on the interlinkages i.e. the synergies and trade-offs between relevant SDG targets. As a result, the adverse, systemic negative impacts of the crisis may push back countries’ progression towards achieving the SDGs by decades. Nonetheless, we can expect countries with strong performance on SDGs to be more resilient in combating the crisis.

Which SDGs are being “hit hardest”?



Goal 2: **Zero Hunger**

The temporary shut-down of food and agricultural products manufacturing factories may affect the overall global food security, with a potential impact on prices. In some countries, restrictions on movement may cause the planting season to be missed, resulting in local food demand not being met. The food distribution channels are also facing heightened challenges, and in most developing countries, there is a growing fear that citizens will die of hunger rather than from the pandemic.



Goal 3: **Good Health and Well-being**

The World Health Organisation (WHO) reported that there is a major shortage of health workers, largely in low- and lower-middle income countries - with a projected shortfall of 18 million health workers by 2030. This is largely due to critical lack of investment in education and training, mismatch between education and employment strategies in relation to health systems and population needs.

The number of deaths of health workers infected by the virus is rising since the initial phase of the outbreak. The lack of proper personal protective equipment (PPE) due to shortage in the global supply, may have contributed to an increase in infection rate amongst front line workers. Healthcare companies have been assisting to ease the problem by donating PPE, hospital supplies and providing support for COVID-19 testing for hospitals and medical service providers around the world. Other companies have also repurposed manufacturing processes to begin making PPE, sanitisers/ disinfectant and ventilators.

In Africa, whilst the pandemic outbreak is expected to threaten its underfunded healthcare systems many are resorting to creative solutions. As an example, The African Development Bank has raised \$3 billion in a three-year social bond to help alleviate the impact of Covid-19 on Africa’s economies and livelihoods. It is listed on London Stock Exchange, and is the largest social bond to date to be issued in the capital markets.



Goal 4: **Quality Education**

Around 1.25 billion learners, or 72.9 % of total enrolled learners, worldwide have been affected by the coronavirus outbreak. Leading technology providers are partnering with governments to ensure education and learning is continued for students. In Ireland, IBM and Cisco have joined forces to offer teachers in schools across Ireland free access to video conferencing to support the Department of Education and Skills with remote teaching across the country.

In disadvantaged communities, access to digital learning facilities is limited and school closures may also lead to other potential social issues (e.g. child labour, increased drop-out rates, violence against children, no access to subsidised school meal programmes, etc.). Those that are more educated are often more likely to have jobs that allow them to work from home, with the privilege of being less exposed to the virus. Those with poor educational qualifications are at a higher risk of losing their jobs first.



Goal 5: **Gender Equality**

The restriction on movements during the lockdown period has had severe consequences on women exposed to domestic violence – given that they are confined with their abusers and have limited access to healthcare and social support services, in the event they require urgent assistance.



Goal 6: **Clean Water and Sanitation**

Basic sanitation is crucial for preventing the continuous transmission of the virus - there are 3 billion people across the world, who do not have adequate access to basic hand-washing facilities at home. In South Africa, for example, the government responded swiftly, by providing water tanks and standpipes, to increase access to water for residents living in rural areas and informal settlements. Other African countries have also responded in this manner. However, it is only an interim solution, demonstrating how integrating the principles of this SDG much earlier, in planning and managing long outstanding water and sanitation infrastructure issues, would have prepared these countries better for an outbreak of this nature.



Goal 8: **Decent Work and Economic Growth**

International Labour Organization (ILO) has projected that the pandemic is expected to wipe out 6.7 per cent of working hours globally in the second quarter of 2020 – equivalent to 195 million full-time workers. Governments across the world, who can afford it, are offering various

social protection measures, especially for informal and low-paid workers that may be worst affected by the economic impacts of the lockdown. Vulnerable migrant workers are at risk of exclusion from adequate access to healthcare services – and further by border closures and travel disruptions. There is also a potential risk of manufacturers targeting migrant workers for cheap labour to meet the production demand for essential supplies.



Goal 13: **Climate Action**

Experts project a drop in carbon emissions by more than 5% this year, predicted to be largest fall since the 2008 financial crisis. This is attributed to factors such as the shut-down of factories, grounding of airlines and temporary transition to the work-from-home culture. However, they warn that without structural change, the declines caused by the current crisis, may only last for a short-term period, with minimal impact on the concentrations of carbon dioxide that have accumulated in the atmosphere over decades.

Conclusion

European and African countries are being hit by the COVID-19 crisis with varying degrees of economic, environmental and social aspects. The crisis has triggered companies to re-think their business model with a refreshed sense of perspective, by evaluating positive and negative impacts of the crisis throughout the business value chain. Governments and industries will have to take a serious look at how their current governing structure, strategies, investments, operational activities (including products & services) and the needs of various stakeholders are aligned with the SDGs. Investment of capital and resources in achieving the SDGs would now make economic sense for stakeholder groups that did not take actions early enough, to prevent some of the detrimental effects of the crisis.

A good outcome would be the development of innovative products/services and solutions to manage the shortage of critical supplies in the market. In the wake of the crisis, the social bond market may gain traction with market participants, providing public and private sector organisations with an important source of funding for activities that can bring significant benefits to society.

External social and environmental impacts have usually been unpriced. We believe that quantifying these impacts in monetary terms, provides a more complete view of the business performance of a company. For the proactive business, we expect that if measured accurately, the value of its contribution to society during this crisis would be multiple times greater than its financial profit.

How Can We Help You – KPMG Sustainable Futures COVID-19-response

We have a dedicated cross-functional team of experts that can help you navigate through your transformational journey, in response to the COVID-19 crisis.

01 Sustainable Strategy, Risk & Governance

- Assess the impact of COVID-19 crisis on your overall sustainability strategy and aspirations.
- Assess the impact of COVID-19 crisis on your business operations & stakeholders - identify or review your material issues, risks and opportunities – including climate risk mapping and supply chain assessments.
- Design and assess its impact on your governance structures, KPIs, targets, policies, processes and reporting framework and its alignment with the United Nations Sustainable Development Goals (SDGs).
- Plan and implement the strategy through change management programmes that ensure organisational alignment and incentives, and address skills gaps.
- Communicate the changes in your business operations in response to the crisis (from the economic, environmental & social perspectives), both internally and externally.

02 Impact measurement and valuations (KPMG True Value Methodology)

- In the wake of the crisis, we can carry out a detailed assessment of your organisation's most significant economic, social and environmental impacts (both positive and negative), using a common financial metric.
- This will help you understand how your organisation's "true" earnings (including its socio-economic and environmental impacts) compare to its financial earnings.
- The results of the valuation will help you to look further than financial return-on-investment in decision-making. This also helps to strengthen your relationships with critical stakeholders & maximise the positive impacts of your products and services, thereby creating a point-of-difference in the marketplace and potential competitive advantage.
- Impact measurement would also be useful for businesses, funders, non-for-profit and foundations/charity organisations to make an informed decision to ensure that any form of giving (e.g. donations) derives maximum social impact.

03 Sustainable Finance

- Develop or assess your current ESG investment strategy, taking into account the ESG implications of the COVID-19 pandemic.
- Assess how the dynamic impacts of COVID-19 may influence other strategic aspects in responsible investment- decision making (e.g. climate risk), including stress testing.
- M&A strategy – Assess the impact of COVID-19 on your M&A strategy and its impact on proposed investments.
- Assess social & green options for your investments or fund raising such as social bonds, green bonds and sustainability-linked loans.
- ESG due diligence and valuations, for current and post COVID-19 crisis period.

04 Decarbonisation

- The changes in your business operations and activities in response to the crisis, has significant impact on your carbon footprint. We can measure and analyse the trends of your greenhouse gas (GHG) emissions.
- Assess the impact of the move towards a low-carbon society on your current operations, quantifying the costs and risks of business as usual.
- Understand the opportunities that might arise from an accelerated transition to net zero.
- Formulate a strategy to reduce and ultimately remove GHG emissions from your value chain.

05 Sustainable Supply Chain & Circular Economy

- Economic and environmental modelling to measure the impact of your supply chain and assess leakages.
- Benchmarking your business against international best-in-class practice for your sector.
- Circular strategy and implementation – prioritising opportunities, assessing the business case for individual initiatives and sourcing potential partners.
- Material flows analysis.

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