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The Role of Public Development Banks & Institutions in the Implementation of the United Nations' Agenda 2030: A Survey in Europe

Martina Colombo and Matteo Cuda

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The Role of Public Development Banks & Institutions in the Implementation of the United Nations' Agenda 2030: A Survey in Europe

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Abstract

The 17 Sustainable Development Goals (SDGs or Goals) were introduced by the United Nations as a blueprint to achieve a better and more sustainable future for all. Financial systems play a key role in this transition by providing funding for economic activities and reorienting capital flows towards a more sustainable economy and many private sector players have been adopting the SDGs as a guide for their sustainability programmes. In this context, 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 mobilise 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 an enhanced 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 defining 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. Findings of this study show that PDBIs in Europe are well aligned with the European policymakers' goals and aim to contribute to the EU climate objectives.

JEL Classification: G23, M14, O19, Q58.

Keywords: UN Agenda 2030, Sustainable Development Goals (SDGs) Disclosure, EU Climate Goals, European Policy, Institutional Theory, Public Development Banks and Institutions.

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Contact: Martina Colombo, European Commission, Directorate-General for Economic and Financial Affairs, martina.colombo@ec.europa.eu. Matteo Cuda, Vrije Universiteit Brussel, matteo.cuda@vub.be.

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INTRODUCTION

Building on the United Nations Millennium Declaration, signed in September 2000, 15 year later, on 25th September 2015, the United Nations Agenda 2030 for Sustainable Development, with its 17 Sustainable Development Goals (SDGs) and 169 targets, was presented as a "*plan of action for people, planet and prosperity*" (United Nations, 2015[1]) with the aim to "*stimulate action over the following 15 years in areas of critical importance for humanity and for the planet*" (ibidem).

Together with the Paris Agreement shortly thereafter (December 2015) – "*the first-ever universal, global climate deal to adapt and build resilience to climate change and to limit global warming to well below 2°C*" – "*governments from around the world chose a more sustainable path for our planet and for our economy*" (European Commission, 2018[2]).

Extensive and multi-faced bibliography has been written on sustainable development there since. This issue has become a central theme in the recent years' (and current) debate, and it will continue to be a main topic in the decades ahead. Consequently, a new study can only be justified by looking at this theme from a different perspective: the perspective of some specific financial players, peculiar by nature and mandate, that more than others can play a crucial role in accelerating the implementation of the sustainable development strategy pursued by European policymakers, both at national and international level.

Such players are identified by the authors in this study as Public Development Banks and Institutions (PDBIs). PDBIs are legislatively defined as "*legal entities carrying out financial activities on a professional basis which are given a mandate by a State or a State's entity at central, regional or local level, to carry out development or promotional activities*" (European Commission, 2015[3]). Moreover, "*due to their peculiar characteristics, expertise and knowledge of the local context, business and investor communities as well as national policies and strategies*" (ibidem), PDBIs play a unique role in catalysing long-term finance. An ideal *status* to intervene "*in policy areas such as climate change, environment, innovation, social and human capital development*" (ibidem), and more broadly to adopt strategies to anticipate future social changes and respond to social pressure.

These players can accelerate the implementation of policymakers' strategies, acting as a bridge between public stakeholders and the private sector, and matching and channelling their patient strategic capital towards the goals set by the UN Agenda 2030 for Sustainable Development and the European Union's action plans for a sustainable growth. Indeed, the role and scope of PDBIs are different from those of commercial banks. They can set selective conditions for access to their capital in an effort to maximise economic and social impact to their home country, as well as they can "*seek to invest in areas that have high social value and are willing to make risky loans that the commercial sector would shy away from*" (Mazzucato, 2018[4]).

But how can stakeholders monitor the effective implementation of their sustainable development strategies? Among the 17 SDGs and their 169 targets, SDG 12 aims to ensure sustainable consumption

[1] Transforming our world: the 2030 Agenda for Sustainable Development. A/RES/70/1.

[2] Action Plan: Financing Sustainable Growth. COM (2018) 97 final.

[3] Communication from the Commission to the European Parliament and the Council: Working together for jobs and growth: The role of National Promotional Banks (NPBs) in supporting the Investment Plan for Europe.

[4] Mazzucato, M. The Entrepreneurial State: debunking public vs. private sector myths. Penguin books (2018). See also: Mazzucato, M., Penna, C. The Rise of Mission-Oriented State Investment Banks: The Cases of Germany's KfW and Brazil's BNDES. SPRU Working Paper Series, 2015-26 (2015).

and production patterns. In particular, target 12.6 states: "*encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle*" (United Nations, 2015[1]).

In Europe, the *Non-financial reporting Directive (NFRD),* Directive 2014/95/EU, issued in 2014 represents the first European attempt to fill in the gap of insufficient information on the companies' activities related to sustainability. It lays down the rules on disclosure of non-financial information by certain large companies and encourages the preparation of non-financial reports, with the expectation of promoting a long-term approach in corporate governance (Official Journal of the European Union 2014[5]; De Chiara 2015).

Seven years after the adoption of the UN Agenda 2030, where do we stand? The main aim of this paper is to reflect on some key policy aspects, as well as to advance theoretical and practical proposals on how the financial sector can contribute to a more sustainable economy. This investigation is therefore guided by three main reflections:

1) Why are we are witnessing an enhanced public intervention in the economy in Europe?

2) If the Public Development Banks and Institutions (PDBIs) have a *unique* role to play in the UN Agenda 2030, are they supporting Sustainable Development Goals (SDGs) in line with the European policymakers' objectives? To understand the kind of support PDBIs provide, the study looks at their SDGs reporting and disclosing across Europe.

3) Is there a link between PDBIs' reporting and disclosing of their SDGs results and the institutional pressure stemming from their stakeholders?

The findings outlined by authors in the survey of this paper provide an overview of the state of play on SDGs' implementation among PDBIs in Europe and this provides some insights for European policymakers that assess the process and aim to drive the progress towards the achievement of the 2030 Goals.

The paper is organised as follows: in the first section we provided an overview of the policy situation, the regulatory framework and SDG performance in Europe; in the second section, we summarised the recent contributions of academia and professionals on sustainable development and the SDGs; in the third section, after outlining the recognised role of PDBIs in economics, both by lawmakers and academia, we completed the conceptual framework by recalling the *Institutional Theory* and formulating propositions. In the fourth section, after explaining the database, we conducted a survey among 115 PDBIs in Europe on reporting and disclosing SDGs and we outlined the main findings. We also looked more in depth at a subset of 59 PDBIs that specifically have a local, regional and/or national mandate to investigate how much they can contribute to the achievement of the SDGs in the European Union (EU 27) both at aggregate level and within their respective Member States[6]. Final section is for the conclusions.

[5] Official Journal of the European Union (2014) - Directive 2014/95/Eu of The European Parliament And Of The Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups. 15.11.2014.

[6] The latter will be further developed in the next release of this paper.

1. OVERVIEW OF MAIN LEGISLATIVE FRAMEWORKS RELATED TO THE UN AGENDA 2030 WITHIN THE EUROPEAN UNION

In 2015, both with the United Nation Agenda 2030 for Sustainable Development (September) — with its 17 Sustainable Development Goals (SDGs) and 169 targets — and the Paris Agreement (December) – "*the first-ever universal, global climate deal to adapt and build resilience to climate change and to limit global warming to well below 2°C* "– "*governments from around the world have chosen a more sustainable path for our planet and our economy"* (European Commission, 2018). European lawmakers have consequently accelerated the process and have pledged to sustainability and decarbonisation through *ad hoc* measures for sustainable finance; moreover, many of the European Commission's priorities for 2014-2020 have fed into the climate goals and work towards implementing the UN Agenda 2030 for Sustainable Development that was incorporated into the European Semester in 2019 (see section 5).

According to the European Commission, "*sustainable finance generally refers to the process of taking due account of environmental and social considerations in investment decision-making, leading to increased investments in longer-term and sustainable activities*" (European Commission, 2018).

In May 2018, with the Action Plan *Financing Sustainable Growth*, the European Commission adopted a package of measures with the aim of setting out a comprehensive strategy to further connect finance with sustainability. This Plan was aimed at: 1) reorienting capital flows towards sustainable investment in order to achieve sustainable and inclusive growth; 2) managing financial risks stemming from climate change, resource depletion, environmental degradation and social issues; 3) fostering transparency and long-termism in financial and economic activity. In order to implement the above purposes, the Action Plan covered 10 areas of action:

The European Commission Action Plan for Financing Sustainable Growth

Areas of Action		Plan Targets
1	Establishing a clear and detailed EU taxonomy, a classification system for sustainable activities	**Reorienting capital flows towards a more sustainable economy**
2	Creating EU Green Bond Standards and labels for green financial products	
3	Fostering investment in sustainable projects	
4	Incorporating sustainability in financial advice	
5	Developing sustainability benchmarks	
6	Integrating sustainability in ratings and market research	**Mainstreaming sustainability into risk management**
7	Clarifying asset managers' and institutional investors' duties regarding sustainability	
8	Introducing a 'green supporting factor' in the EU prudential rules for banks and insurance companies	
9	Strengthening sustainability disclosure and accounting rule-making	**Fostering transparency and long-termism**
10	Fostering sustainable corporate governance and attenuating short-termism in capital markets	

Source: Authors, based on the European Commission Action Plan: Financing Sustainable Growth (2018).

Specifically, European policymakers placed corporate transparency and corporate reporting on sustainability issues as prerequisites to inform market participants and "*enable investors and stakeholders to assess companies' long-term value creation and their sustainability risk exposure"* (European Commission, 2018), as well as "*to help to steer companies in a more sustainable and long-term direction"* (ibidem).

1.1 THE NON-FINANCIAL REPORTING DIRECTIVE (NFRD), THE CORPORATE SUSTAINABILITY REPORTING DIRECTIVE (CSRD) AND THE EUROPEAN UNION GREEN DEAL

The main tool to achieve the aforementioned prerequisites has been Directive 2014/95/EU, otherwise known as the *Non-Financial Reporting Directive* (NFRD). If the Directive, on one hand, requires large public interest entities to disclose material information on key environmental, social and governance aspects as of 2018, on the other, it "*allows companies to report sustainability information in a flexible manner"* (European Commission, 2018).

The aim of this Directive was to help *"investors and stakeholders - as civil society organisations, consumers, policy makers and others - to evaluate the non-financial performance of large companies and encourage them to develop a responsible approach to business"* (European Commission[7]).

Companies subject to this Directive should give "*a fair and comprehensive view of their policies, outcomes, and risks"* (Official Journal of the European Union, 2014[8]) through the publication of non-financial statements. In providing non-financial information, the Directive allows companies to rely on various regulatory frameworks:

- national frameworks as well as Union-based frameworks, such as the Eco-Management and Audit Scheme (EMAS);
- international frameworks, such as the United Nations (UN) Global Compact, the Guiding Principles on Business and Human Rights implementing the UN 'Protect, Respect and Remedy' Framework, the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises, the International Organisation for Standardisation's ISO 26000, the International Labour Organisation's Tripartite Declaration of principles concerning multinational enterprises and social policy, the Global Reporting Initiative (GRI);
- other recognised international frameworks (European Commission, Directive 2014/95/EU).

This very flexible approach dates from the *EU strategy 2011-14 for Corporate Social Responsibility* - where the European Parliament called on the European Commission "*to bring forward a legislative proposal on the disclosure of non-financial information by undertakings allowing for high flexibility of action" (*Official Journal of the European Union, 2014).

Such flexibility would allow *"to take into account of the multidimensional nature of corporate social responsibility (CSR) and the diversity of the CSR policies implemented by different businesses, matched by a sufficient level of comparability to meet the needs of investors and other stakeholders, as well as the need to provide consumers with easy access to information on the impact of businesses on society"*

[7] Overview on Corporate Sustainability Report – Financial Markets. https://finance.ec.europa.eu/capital-markets-union-and-financial-markets/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting_en.

[8] L 330/1 (2014). https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L:2014:330:FULL&from=IT.

(Official Journal of the European Union, 2014. See also: De Chiara, 2015; Ferrer, López-Arceiz & del Rio, 2020).

At the same time, in its 2018 Action Plan, the European Commission called for an "*appropriate balance*" that would need to be "*struck between flexibility and standardisation of disclosure, necessary to generate the data needed for investment decisions*" (European Commission, 2018)[9].

In December 2019, with the *European Green Deal*, the European Commission confirmed and strengthened its process towards sustainable development setting a new growth strategy that aimed to transform the European Union into "*a fair and prosperous society, with a modern, resource-efficient and competitive economy where there are no net emissions of greenhouse gases in 2050 and where economic growth is decoupled from resource use*" (European Commission, 2019[10]).

With this project, the European Union has made the ambitious commitment of making Europe the first climate-neutral continent while ensuring that the transition to this new green growth model is just and fair for all European Union citizens, providing extra support to territories facing serious socioeconomic challenges related to this transition towards climate neutrality (Cameron, Claeys, Midões & Tagliapietra, 2020).

In April 2021, the European Commission presented its proposal for a *Corporate Sustainability Reporting Directive (CSRD)* with the purpose of amending the existing reporting requirements of the NFRD. This proposal aims, among other things, to:

- extend the scope to all large companies and all companies listed on regulated markets (except listed micro-enterprises)
- require the audit (assurance) of reported information
- introduce more detailed reporting requirements, and a requirement to report according to mandatory EU sustainability reporting standards (European Commission, 2021).

With the CSRD European policymakers wanted to address and overcome the trade-off between flexibility and standardisation stating in the Directive proposal and in its impact assessment[11] "(..) *Even when companies do report, the information is usually not sufficiently relevant, comparable, reliable or easy to access and use* (by investors, civil society and others), moreover "*the flexibility and lack of specificity in the NFRD is one reason for this. In addition, there are many overlapping reporting standards and frameworks, and consequently no consensus on what companies should report*" (European Commission, 2021)[12].

[9] In June 2017, the European Commission published a set of guidelines to help companies to disclose environmental and social information. Confirming the flexibility approach, these guidelines were not mandatory, and companies can decide to use international, European or national guidelines according to their own characteristics or business environment (Communication from the Commission: Guidelines on non-financial reporting - methodology for reporting non-financial information; 2017/C 215/01). Also in June 2019, the EC published guidelines on reporting climate-related information, which in practice consist of a new supplement to the existing guidelines on non-financial reporting, which remain applicable (source: Communication from the Commission: Guidelines on non-financial reporting: Supplement on reporting climate-related information; 2019/C 209/01).

[10] COMMUNICATION FROM THE COMMISSION - The European Green Deal. COM(2019) 640 final.

[11] COMMISSION STAFF WORKING DOCUMENT EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT Accompanying the document Proposal for a Directive of the European Parliament and of the Council amending Directive 2013/34/EU, Directive 2004/109/EC, Directive 2006/43/EC and Regulation (EU) No 537/2014, as regards corporate sustainability reporting.

[12] The CSRD is currently under discussion in the European Parliament; it is expected to be implemented by the end of 2023.

1.2 RECOVERY PLAN FOR EUROPE TO ADDRESS THE COVID-19 CRISIS

In May 2020, in response to the unprecedented crisis caused by the COVID-19 pandemic, the European Commission proposed targeted reinforcements to the long-term EU budget for 2021-2027 (the so-called Multiannual Financial Framework, MFF) through a new recovery instrument, the *Next Generation EU* (NGEU). With a budget of EUR 806.9 billion, NGEU aims to "*help repair the immediate economic and social damage caused by the pandemic and make the EU fit for the future"* (European Commission, 2021[13]).

NGEU aims to build a post-COVID-19 EU that should be "*greener, more digital, more resilient and better fit for the current and forthcoming challenges"* (European Commission, 2021). Whitin this recovery instrument, the "*centrepiece"* Recovery and Resilience Facility (RRF) is set to provide *grants and soft loans to support reforms and investments in the EU Member States at a total value of EUR 723.8 billion"* (ibidem).

One of the key aspects is that the European Commission started to raise funds on the capital markets to finance NGEU with dedicated *Next Generation EU green bonds*[14]. The RRF finances reforms and investments in Member States from the start of the pandemic in February 2020 until 31 December 2026. In order to benefit from the support of the RRF, national governments have to submit their *recovery and resilience plans* to the European Commission and each plan must set out the reforms and investments to be implemented by end-2026. Each plan should effectively address the green and digital transitions to make the European Union "*greener, more digital, more resilient and better fit for the current and forthcoming challenges*" (European Commission, 2021).

Alongside the creation of a dedicated instrument, the *State aid Temporary Framework* was adopted in March 2020[15] to enable EU Member States to use the full flexibility foreseen under State aid rules to support the economy in the context of the pandemic crisis.

According to the European Commission "*well-targeted public support was deemed necessary to ensure that sufficient liquidity remained available in the markets, to counter the damage inflicted on healthy undertakings and to preserve the continuity of economic activity during and after the COVID-19 outbreak and given the limited size of the EU budget, the main response could only come from Member States' national budgets*" (European Commission 2020[16]).

EU State aid rules enabled Member States to take swift and effective action to support citizens and undertakings, in particular SMEs, facing economic difficulties due to the pandemic crisis.

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[13] European Commission, Directorate-General for Budget, The EU's 2021-2027 long-term budget and NextGenerationEU: facts and figures, Publications Office of the European Union, 2021.

[14] The EC is seeking to raise up to 30% of the NextGenerationEU funds through the issuance of NextGenerationEU green bonds and use the proceeds to finance green policies. With the NextGenerationEU green bond programme of up to €250 billion, the EU could become the largest green bond issuer worldwide (European Commission, 2020).

[15] The Temporary Framework was first amended in April 2020 to increase possibilities for public support to research, testing and production of products relevant to fight the coronavirus outbreak, to protect jobs and to further support the economy. In May 2020, the EC adopted a second amendment extending the scope of the Temporary Framework to recapitalisation and subordinated debt measures. In June 2020, the European Commission adopted a third amendment extending the scope of the Temporary Framework to further support micro, small and start-up companies and incentivise private investments. In October 2020, the EC prolonged the Temporary Framework until 30 June 2021 (with the exception of recapitalisation measures that could be granted until 30 September 2021) and enabled Member States to cover part of the uncovered fixed costs of companies affected by the crisis (European Commission, 2021).

[16] Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak.

All these European regulatory initiatives mentioned above have probably opened a new season for public intervention in the economy: its concrete arrangements and consequences are not yet clearly perceived because they will unfold with the coming years (Bassanini, Napolitano & Torchia, 2021).

At the time of writing two other reasons lead to a reflection on an enhanced public intervention in the economy. With geopolitical tensions that now rage in Europe, the arms race is back; the role of public finance and policymakers' orientation in a race for armaments and defence is a suggestion for another research. The second reason is due to the end of prolonged accommodative monetary policy by the ECB, accompanied by inflation pressures that have broadened and intensified, with prices for many goods and services increasing strongly; the spectre of a possible economic recession may therefore require further public intervention.

2. DEBATE ON SDGs BETWEEN ACADEMIC RESEARCH AND PRACTITIONERS

In the academic research and practitioners' studies, the link between the role of the public sector and the SDGs is gaining momentum. According to Mio, Panfilo and Blundo (2020) the SDGs are addressed to all actors in society, but both academia and professionals recognise the particular importance of businesses; at the same time, research is still needed to understand the role of companies as sustainable development agents (Mio *et al*, 2020).

On the professionals' side, surveys and studies show how in less than two years since their launch, the SDGs had resonated strongly with businesses worldwide and many companies were already connecting their corporate responsibility activities to these SDGs in a trend that was expected to continue in the next years (KPMG, 2017); moreover, there is a general acknowledgement of the importance of the Goals, as well as there is room for more concrete action to take place in support of the achievement of the SDGs if they are to be realised by 2030 (PWC, 2019).

The KPMG surveys[17] suggest the SDGs have resonated strongly with business since their launch in 2015; furthermore, their influence on reporting has increased significantly between 2017 and 2020 (KPMG 2020); this leap in reporting and disclosing sustainability issues is due to "*the greater pressure on companies from stakeholders - including investors and peers - to be more transparent on issues such as the impacts of supply chains, labor standards and diversity"* (KPMG 2020).

Finally, five years after the adoption of the UN Agenda 2030*"it is also likely that more companies now have a better understanding of the SDGs and feel more comfortable in addressing them in their sustainability reporting*" (ibidem).

According to van Zanten and van Tulder (2020) the alignment between corporate strategies and the Sustainable Development Goals (SDGs) can be an important indicator of long-term sustainability success (Van Zanten & Van Tulder, 2020). The effective achievement of the SDGs requires a successful contribution both from Member States and private sector for their realisation, and progress can be accelerated if the private sector's and Member States' impacts on sustainable development is better understood (Pizzi, Caputo, Venturelli & Adamo, 2020; Van Zanten & Van Tulder, 2020).

[17] See: (1) The KPMG Survey of Corporate Responsibility Reporting 2017 and (2) The time has come. The KPMG Survey of Sustainability Reporting 2020.

Pizzini, Rosati and Venturelli (2020) also introduced the SDG reporting score (SRS) as a tool of business contribution to the UN Agenda 2030. The results show a positive relationship between a firm's SRS and various determinants, such as the presence of independent directors on the board, expertise with non-financial reporting, and length of the report (Pizzini *et al*, 2020). According to Pizzi, Caputo, Venturelli & Adamo (2020), in Europe, the Directive 95/2014/EU (NFRD) has represented one of the main innovations, because it was introducing within the national jurisdictions of the 28 Member States a set of common rules about non-financial reporting and because it was already incorporating the aforementioned SDG 12.6 requirements before the adoption of UN Agenda 2030 in 2015 (Venturelli *et al*, 2020).

However, Venturelli *et al*, and other investigations have shown that NFRD effect has been limited to an increase on the overall quantity of non-financial reports yearly prepared by the firms and especially by firms interested to disclose non-financial information; the surveys also suggest that corporate reporting on the SDGs focuses almost exclusively on the positive contributions companies make towards achieving these goals but there is a lack of transparency and/or omissions on their negative impacts. (Manes-Rossi, Tiron-Tudor, Nicolò, Zanellato, 2018; Venturelli et al., 2020, KPMG 2020)[18].

3. DEFINITIONS AND ROLES OF PUBLIC DEVELOPMENT BANKS AND INSTITUTIONS

To carry out this study, it was necessary a review of key academic and policy literature on the Public Development Banks and Institutions (PDBIs), as well as the regulatory aspects that draw a clear profile of these entities, their role and mandates. The second paragraph develops a conceptual model by resorting the *Institutional Theory* and describing the motivational forces behind the adoption of SDGs reporting and disclosing practices by PDBIs.

3.1 WHAT IS A PUBLIC DEVELOPMENT BANK?

There is not internationally agreed-upon terminology to refer to PDBIs that perform development financing on behalf of governments. Generally speaking, PDBIs are "*all mission-driven institutions which use financial instruments to execute a public mandate on behalf of their governments*" (Xu, Marodon & Ru, 2021[19]).

In 2015, the European Commission provided a definition of *National Promotional Banks and institutions* (NPBIs) in the regulation establishing the European Fund for Strategic Investments (EFSI), as a part of the Investment Plan for Europe, the so-called *Juncker Plan*. At that time, in the aftermath of sovereign debt crisis in Europe, there was "*the urgent need to boost investment in a limited fiscal space*

[18] For a broader view about investigation and insights on the effects related to the transposition of Directive 2014/95/EU and the non-financial declarations, reader is referred, among the others, to: Venturelli & Caputo, 2017, 2018; Dawid, Magdalena & Karolina, 2019; La Torre, Sabelfeld, Blomkvist, Tarquinio, & Dumay, 2019; Mion & Loza Adaui, 2019; Popescu, Raluca & Banța, 2019; Rizzato, Busso, Fiandrino, & Cantino 2019; Ferrer, López-Arceiz, & del Rio, 2020.

[19] Xu, J. Marodon, R. Ru, X. (2021) Mapping 500+ Development Banks: Qualification Criteria, Stylised Facts, and Development Trends. NSE Development Financing Research Report.

available on average in Europe, and an optimal use of public resources was needed more than ever" (European Commission, 2015[20]).

The Juncker Plan aimed to better exploit the synergies between the EU budget, the European Investment Bank Group (EIB) and NPBIs in policy areas such as climate change, environment, innovation, and social and human capital development (ibidem). Therefore, NPBIs are defined as "*legal entities carrying out financial activities on a professional basis which are given a mandate by a Member State or a Member State's entity at central, regional or local level, to carry out development or promotional activities*"(Article 2(3), EFSI Regulation, 2015[21]); this definition comprised NPBIs in very different forms and Member States could decide whether to establish an NPBI, as well as on its shape and form according to country specific needs (European Commission, COM (2015) 361).

In this regulation, the European legislator recognises to the NPBI the following *virtutes*:

- an institution with a public mandate that is better placed than private operators to address and overcome market failures as well as to ensure the most effective and strategic use of public money;
- an institution with particular expertise and knowledge of the local context business, investor communities as well as national policies and strategies that is considered necessary to enhance impact on investment, growth and employment of the EU investment programmes;
- a role in catalysing long-term finance in policy areas such as climate change, environment innovation, social and human capital development;
- a role in implementing EU financial instruments beyond the scope of the EU Investment plans (e.g. the Juncker Plan) and EFSI;
- a function aiming to counterbalance the necessary deleveraging process in the commercial banking sector.

With regard to the goal of fostering investment and mobilising private capital for sustainable projects, in the Action Plan to finance sustainable growth mentioned above, the European lawmaker made explicit the pivotal role of NPBIs as the European Commission's implementing partners, together with the European Investment Bank (EIB), to *"provide financial support and related technical assistance to crowd in private investment for sustainable infrastructures"* that are considered essential for the transition to a more sustainable economic model" (European Commission, 2018).

The EC's Investment Plan for Europe and the enduring economic crisis have brought PDBIs again to *"the fore of public - and scholarly - debate in Europe"* (Mertens & Thiemann, 2017[22]).

In view of the deadline of the Juncker Plan, the European Commission proposed to merge EFSI and other financial instruments into a new single EU structure, the *InvestEU Fund*. InvestEU is implemented through financial partners who invest in projects using the EU guarantee; the main partner will be the EIB Group, but in addition to the EIB, the "*NPBIs role have been confirmed and strengthened as they*

[20] COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL Working together for jobs and growth: The role of National Promotional Banks (NPBs) in supporting the Investment Plan for Europe. COM(2015) 361 final .

[21] Official Journal of the European Union L 169/1. REGULATION (EU) 2015/1017 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 25 June 2015 on the European Fund for Strategic Investments, the European Investment Advisory Hub and the European Investment Project Portal and amending Regulations (EU) No 1291/2013 and (EU) No 1316/2013 — the European Fund for Strategic Investments .

[22] Mertens, D., Thiemann, M. (2017) - "Building a hidden investment state? The European Investment Bank, national development banks and European economic governance". Journal of European Public Policy, 1-21.

will have the possibility to direct access to the EU guarantee" (Rubio, 2018[23]; European Commission, 2018[24]).

InvestEU represents a paradigm shift of policy in the investment field, the EIB works in synergy with the PDBIs which works in their turn to meet public national interests but more and more in a European context. A vertical-type collaboration and cooperation which could potentially become horizontal (Screpanti, Vigneri, 2021).

Alongside the regulatory definition and role assigned to PDBIs by the legislator, academics provided a variety of descriptions which presents a common ground for these players. According to Rubio (2018) the most used and common definition is that of a bank fully or partially owned by the State which has a clear legal mandate to develop certain socioeconomic goals in a given region or country (Rubio, 2018). Therefore, the PDBIs are mainly associated to the *State Investment Banks* (Mazzucato & Penna 2015, Mazzucato & Macfarlane 2017) or to the *National Development Banks* and *Development Finance Institutions* (Fried, Shukla & Sawyer, 2012; Luna-Martínez and Vicente, 2012; Wruuck 2015) or to *State-owned Development Banks* (Mertens & Thiemann, 2017; Brei & Schclarek, 2017; Volberding, 2018) and to *Public Development Banks* (Garonna, 2020).

Brei and Schclarek (2017) use a 50% threshold to define State-owned Development Banks, whereas De Luna-Martínez and Vicente (2012) use the 30% threshold in the World Bank's survey on Development Finance Institutions in 2012.

From a different point of view, Xu, Marodon and Ru (2021) argued that state ownership may not be the necessary condition for ensuring that PDBIs are development-oriented, as government support can come in many forms. Moreover, these authors use the terms *Public Development Banks* (PDBs) and *Development Financing Institutions* (DFIs) in parallel, considering PDBs as the main category in the DFIs family and also because in Europe the term *development banks* is the most general, while institutions that mainly finance private sector activities in developing countries are often called *development financing institutions;* this includes development banks as well as guarantee and equity-focused financial institutions carrying out a public policy financing mission on behalf of the State (Xu, Marodon, & Ru, 2021).

According to Fried, Shukla and Sawyer (2012), the main factor that distinguishes National Development Banks from private sector lending institutions is "*the ability of development banks to take more risk associated with political, economic and locational aspects"*[25]; furthermore, since they are not required to pay dividends to private stakeholders, the development banks take higher risks than commercial banks to match various national or international public good objectives; additionally, "*long-term finance provided from these players goes beyond the sources of finance provided by the private sector that are hardly available for more than 10 year maturity period"* (Fried *et al*, 2012).

Mazzucato, Macfarlane and Penna (2014-2017) have carried out comparative studies on State Investment Banks. These authors outlined the leading role of these players in driving growth and innovation and linking public finance with real economy through the so-called *patient capital* (Mazzucato *et al*, 2014-2017). Even within the broad category of "financing projects", State Investment Banks play multiple roles, specifically four: provision of countercyclical lending, funding of long-term

[23] Rubio, E. (2018) - Making better use of public funding: the role of National Promotional Banks and Institutions. Jacques Delors Institute. Study No. 115, July 2018.

[24] Proposal for establishing the InvestEU Programme. COM(2018) 439 final.

[25] Fried, L., Shukla, S., Sawyer, S. (2012) - Global wind report: annual market update 2011. Global Wind Energy Council.

capital development projects, finance for technology development and start-ups, and finance for projects that help address societal challenges (Mazzucato *et al*, 2014):

- *Countercyclical role*: directing finance to productive opportunities throughout the swings of business cycles, providing a counterbalance to the processes of financialisation and speculation.
- *Capital development role*: involving supply of capital to public goods areas such as infrastructure and new knowledge.
- *Venture capitalist role*: providing risky and long-term loans to individual entrepreneurs or high-tech start-ups.
- *Mission oriented role* (or *Challenge-led role*): driving the direction of techno-economic change and promoting radical innovations that address key societal challenges.

To sum up, privatisation is not a panacea for the effective provision of long-term finance, and commercial banks and capital markets backed down from risky and long-cycle financing projects, as they often prioritise short-term performance or benefits (Kay 2012 in Xu, Ren & Wu, 2019).

There is a widespread consensus in academia and policy circles that is recognising the importance of PDBIs in playing a countercyclical role, bridging infrastructure financing gaps, addressing defects in capital markets, and enhancing structural transformation (Xu, Marodon, & Ru, 2021).

Finally, according to Garonna (2020) the role of PDBIs has been revamped in response to the financial crisis and the pandemic, as *"both crises have highlighted the need for strong public intervention in relation to systemic shocks of extraordinary nature and the inability of markets on their own to respond and adjust"* (Garonna, 2020[26]).

3.2 WHY DO PDBIS DISCLOSE SDGS? THE INSTITUTIONAL THEORY AND PROPOSITIONS

Although governments around the world committed to implement the United Nation Agenda 2030 for Sustainable Development and its 17 Sustainable Development Goals (SDGs), PDBIs do not have any legal requirements to fulfil and disclose these Goals.

In the following section authors went through the academic literature to explain why PDBIs disclose SDGs. Authors propose a conceptual framework making use of the Institutional Theory and provide propositions on the SDGs disclosing by PDBIs. The Institutional Theory proposes that organisational behaviours and practices are largely influenced by a broader external social environment, such as laws, regulations, cultures, norms, values and social expectations, and any firms can maintain or obtain legitimacy only if they conform to these external social environments (DiMaggio and Powell, 1983; Scott, 2005; Colwell & Joshi, 2013). This theory has been broadly applied in several investigations to observe and analyse the diffusion and variations of Corporate Social Responsibility (CSR) initiatives in different countries and organisations (Blasco & Zolner, 2010; Jackson & Apostolakou 2010; Brammer, Jackson & Matten, 2012).

According to Scott (2004), the institutional theory attends to the deeper and more resilient aspects of social structure. It considers the processes by which structures, including schemas, rules, norms, and

[26] Garonna, P. (2020) - The Transition to the Post-Covid Economy in the Pan European Region: a Crisis not to be Wasted. Trieste – Eastern Europe Investment Forum 2020. Trieste, Italy.

routines, become established as authoritative guidelines for social behaviour. it inquiries into *how these elements are created, diffused, adopted, and adapted over space and time* (Scott, 2004[27]).

According to institutional theorists, conformity to social expectations - in other words "*legitimacy*" - contributes to firm success and survival (DiMaggio & Powell, 1983; Carroll & Hannan, 1989; Baum & Oliver, 1991). Hence, in order to garner this legitimacy, firms are prone to adopt "*socially prescribed*" practices and become similar to each other, demonstrating the attribute termed as "*isomorphism*" (Meyer, 1979; Fennell, 1980; DiMaggio & Powell, 1983; Suchman, 1995, Lu & Koufteros, 2014).

The phenomena of legitimacy and isomorphism are key concepts within the Institutional Theory and are defined respectively by why and how different organisations adopts similar practices (Geerts, Langenus & Dooms, 2017). Isomorphism is the concept that best captures the process of homogenisation, as it describes a constraining process that forces one unit in a population to resemble other units that face the same set of environmental conditions (Hawley, 1968 in DiMaggio & Powell, 1983). At the population level, such an approach suggests that organisational characteristics are modified in the direction of increasing comparability with environmental characteristics and the number of organisations in a population is a function of environmental carrying capacity; it means that the diversity of organisational forms is isomorphic to environmental diversity (DiMaggio & Powell, 1983).

Academicians (Meyer, 1979; Fennell, 1980; DiMaggio & Powell, 1983, Scott,2005, Heugens & Lander, 2009) have employed the institutional theory to identify and describe four types of isomorphism: coercive, mimetic, normative (institutional pressures) and competitive:

1) *Competitive*: it assumes a system rationality that emphasises market competition, niche change, and fitness measures in order to achieve a competitive advantage (Hannan & Freeman, 1977; DiMaggio & Powell 1983). In the specific case of SDGs reporting and disclosing, the PDBIs go beyond the boundaries of traditional reporting and disclose their progress toward UN Agenda 2030. For example, the InvestEU Programme, in line with the European Green Deal objectives, shall support financing for investments that contribute to EU's climate objectives; in this regard performance pressure to obtain the EU budget guarantee can drive the adoption of these practices by the PDBIs. Therefore, we propose:

   Proposition 1: *the higher the level of the pressure to improve performance linked to the SDGs, the more PDBIs will implement.*

But organisations compete not just for resources and customers yet for political power and institutional legitimacy, for social as well as economic fitness (Carroll & Delacroix; 1982). According to Aldrich, "the major factors that organisations must take into account are other organisations" (Aldrich, 1976). Thus:

2) *Coercive*: it results from both formal and informal pressures exerted on organisations by other organisations - e.g., governments - upon which they are dependent and by cultural expectations in the society within which organisations function (DiMaggio & Powell 1983); the typical sources of coercive pressure could be traced to the government who sets regulations or powerful stakeholders who provide business opportunities (Lu & Koufteros, 2014). In the case of PDBIs, the State's entity at central, regional or local level who gave mandate to PDBIs as well as the European policymaker setting rules for non-financial reporting (e.g., NFRD). Therefore, we propose:

[27] Scott, W.R. (2004) - Institutional theory: contributing to a theoretical research program. In Smith, K.G. & Hitt, M.A. (eds.), Great Minds in Management: The process of Theory Development. Oxford University Press, Oxford, UK.2004.

Proposition 2: *the higher the perceived pressure placed by the government, policymakers and powerful stakeholders, the more PDBIs will report and disclose their support and progress towards the SDGs.*

3) *Mimetic*: it derives from standard responses to uncertain nature of business (DiMaggio & Powell, 1983; Scott, 1995) When a particular practice is poorly understood, when the expected outcomes are unclear, or when the environment creates uncertainty, organisations are inclined to mimic other organisations in order to avoid liability, therefore adopt similar practices that have been applied by successful players in the same field (Lu & Koufteros, 2014). Within the flexibility allowed by NFRD, the mimetic isomorphism is expected to be more prevalent among PDBIs. Therefore, we propose:

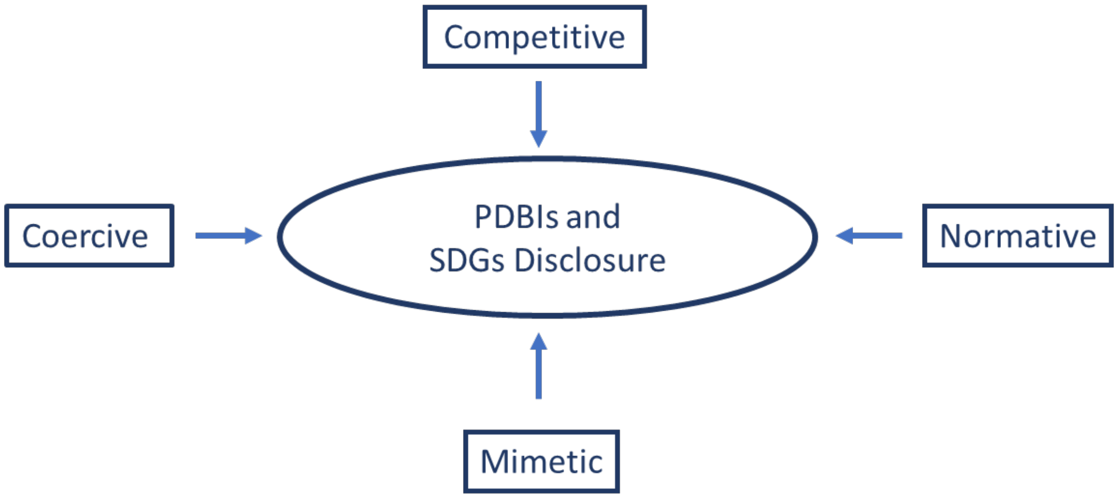
   Proposition 3: *the higher the perceived pressure exerted by the peer PDBIs in the adoption of SDGs reporting and disclosing practices, the more PDBIs will implement these practices.*

4) *Normative*: it relates to professionalisation and conditions for which external actors - from media, industrial associations, academic institutions and other focal social actors as suppliers and customers - may induce an organisation to conform to its peers by requiring it to perform a particular task and specifying the profession (or professional figure) responsible for its performance inside the organisation (DiMaggio & Powel, 1983; Scott, 2004). Since it is indispensable for firms to keep in touch with these actors when they do business, these actors may define appropriate standards, norms and behaviours for firms to follow (Roxas & Coetzer, 2012). For example, establishing the professional figure of *sustainability manager* or the *sustainability department,* as well as adopting ESG benchmarks and labels, and reporting and disclosing SDGs in dedicated *sustainability reports.* Therefore, we propose:

   Proposition 4*: the more articulate the level of industry and professional norms among PDBIs to improve SDGs reporting and disclosing practices, the more PDBIs will implement these industry standards.*

The concept of institutional isomorphism is a useful tool for understanding the politics and ceremony that pervade much modern organisational life and the core message of isomorphism is that organisations with similar institutional pressures will eventually adopt similar strategies and practices to gain legitimacy (Di Maggio & Powel, 1983; Herold, 2018).

Figure 1. **Public Development Banks and Institutions and Four Isomorphisms**



Source: Authors.

4. SURVEY METHODS AND FINDINGS

In this section, we researched and analysed 115 PDBIs in Europe and their public disclosure of SDGs through their website and online reports as of May 2022[28].

4.1 INSE DATABASE AND DATA PROCESSING

The data is collected from the Institute of New Structural Economics at Peking University (INSE). INSE, together with French Development Agency (AFD), have mapped worldwide more than 550 Public Development Banks and Institutions (Public Development Banks or Development Financing Institutions) proposing a set of five qualification criteria that should be met simultaneously to qualify this kind of entity, as[29]:

1) A stand-alone entity: *the entity should have a separate legal status, dedicated personnel, separate financial statements, and is not set up to accomplish a short-term, specific goal, thus distinguishing it from public agencies affiliated with governments, like certain ministerial agencies with credit programs and special purpose vehicles (SPVs).*

2) Fund-reflow-seeking financial instruments as the main products and services: *the entity should deploy financial instruments as its main products and services, which helps to distinguish PDBs and DFIs from other public entities that pursue public policy objectives, such as central banks.*

[28] It is worth clarifying that we took in consideration explicit SDGs disclosure as of May 2022; some PDBIs despite having clear and even best practices in terms of sustainability reporting, do not explicit SDGs in their website and online reports.

[29] See: https://www.nse.pku.edu.cn/dfidatabase/.

3) Funding sources go beyond periodic budgetary transfers: *the institution must be able to finance itself beyond periodic budget transfers from governments to borrow from capital markets or financial institutions (though mobilising funds from market actors requires government support such as public guarantees).*

4) Proactive public policy-oriented mandate: *the official mandate of the entity should focus on proactively implementing the public policy for which it was created. They are mandated to fill the financing gaps where private capital markets and commercial banks are unwilling or unable to offer financial support.*

5) Government steering of corporate strategies: *governments should play a steering role in ensuring that entity pursues public policy objectives. The most used means is for governments to be the majority shareholder. However, in some exceptional cases, governments have decided to join hands with private partners in creating and owning PDBs and DFIs. Government steering may be achieved by offering support for fundraising or subsidised interest rates, nominating the chief executive officer (CEO) or the president of the board, or sitting on the board of directors or designating directors.*

From the size of their balance sheet, the INSE database provides a classification of PDBIs into five categories: mega (more than \$500 billion), large (between \$100 billion and \$500 billion), medium (between \$20 billion and \$100 billion), small (from \$500 million to \$20 billion), and micro (less than \$500 million). We processed the data provided by the INSE database and selected 115 PDBIs in Europe. We researched every single website of these 115 PDBIs to find the SDGs disclosure and related reports. 4 levels of disclosure have been identified:

1) **No** disclosure.
2) **Low** level of disclosure: a few sentences of a generic support for SDGs; no SDGs reporting.
3) **Average** level of disclosure: sustainability policy statement with SDGs specified, dedicated reporting - such as *sustainability report*, *integrated report*, *impact report*, or annual report with the integration of sustainability issues - with SDGs specified until 2018/2019 or even earlier.
4) **High** level of disclosure: dedicated reporting - such as *sustainability report*, *integrated report*, *impact report*, or annual report with the integration of sustainability issues - with SDGs specified updated to 2020/2021.

Finally, we indicated whether the country is a member of the European Union (EU 27).

4.2 MAIN FINDINGS

What are the SDGs most disclosed (and the least ones) by the PDBIs in Europe? Are these SDGs aligned with the targets laid down by the EU policymakers? Which characteristic and institutional pressures occur together and play a role in disclosing SDGs?

This survey provides evidence, answers some questions, raises and leaves open important issues that can be addressed with further research but nevertheless can start to target or re-direct EU policymakers' future action.

4.2.1 SDGs disclosing: matching EU's climate objectives

- The survey shows that SDG 8 (*Decent Work & Economic Growth*), SDG 13 (*Climate Action*), SDG 9 (*Industry, Innovation & Infrastructure*) and SDG 7 (*Affordable & Clean Energy*) are the most disclosed (see fig. 2; it expresses the percentage of PDBIs in the sample disclosing SDGs in their reports). The 8th and 9th are not surprising: they reflect and confirm the main role of PDBIs in promoting growth and intervention in policy area such as infrastructure investment innovation, and social and human capital development. But the 13th and 7th show how PDBIs in Europe are well aligned with the European policymakers' goals and aim to contribute to EU's climate objectives. Both isomorphisms *competitive* and *coercive* could be the reason.

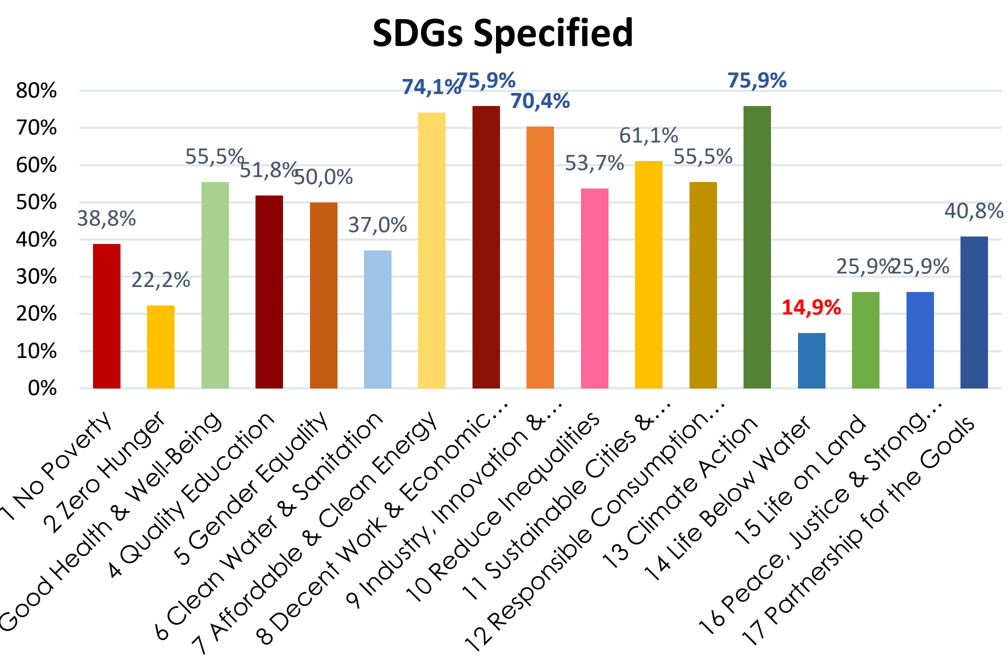
- Reporting practices are not standardised, nevertheless dedicated reports - e.g., *sustainability report* - are the most common way to disclose contribution to the SDGs. This might be due to the flexibility allowed by regulators in terms of reporting of non-financial information (see fig.3).

- In this regard, a *normative* isomorphism could be the reason. It would be interesting to investigate how many PDBIs have established sustainability departments and hired dedicated professional figures over the last few years.

- The SDG 14 (*Life Below Water*) and SDG 2 (*Zero Hunger*) are the less disclosed. Whilst the 2nd can be understood in a European context where the pro capital income is medium-high, the 14th - the least disclosed with 14,9% of detection - could draw the attention of policymakers.

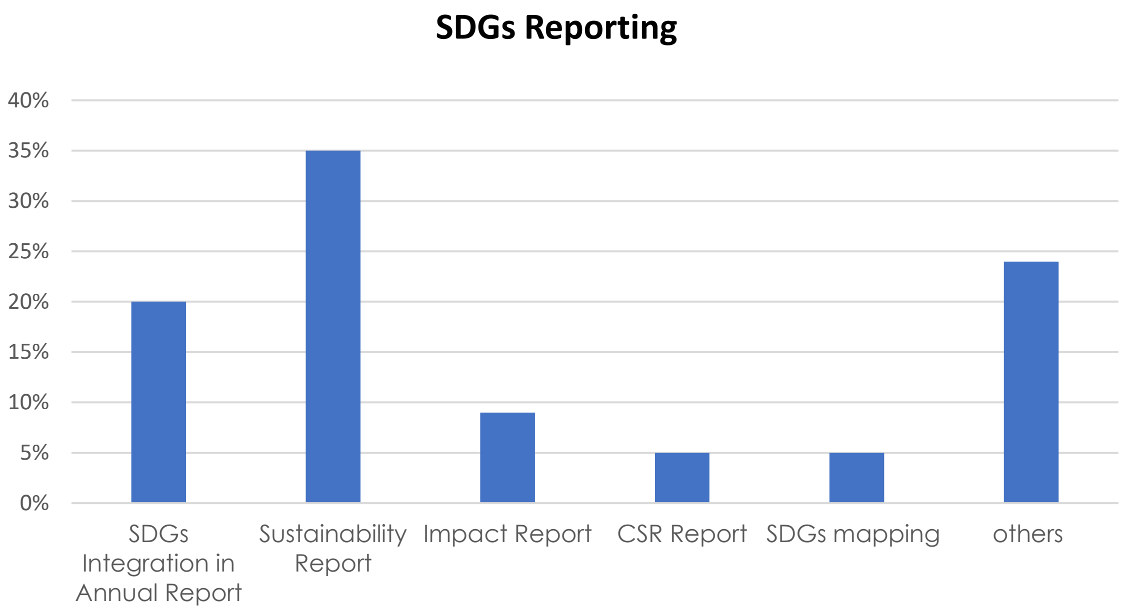
- Are European Union and PDBIs doing enough to – paraphrasing the SDG 14's definition - *conserve and sustainably use the oceans, seas and marine resources for sustainable development*? Are there enough institutional pressures around this goal?

Figure 2. **SDGs specified by PDBIs in their reporting and disclosure**



Source: Authors.

Figure 3. **SDGs reporting among PDBIs**



Source: Authors.

4.2.2 PDBIs: too big to avoid disclosing the SDGs

By investigating how many PDBIs out of 115 report and disclose SDGs, we find that nearly half of them reveal these goals publicly through their website, 54 PDBIs (47% of our sample). However, it is worth deepening this first result. By analysing the distribution in terms of size, we realise that 100% of *mega* and *large* PDBIs, and 85% of *medium* PDBIs, report and disclose SDGs with a high level of detection (Fig. 4).

The assumption that there is a positive relationship between the size of an organisation and the level of sustainability disclosure has been widely investigated and confirmed by multiple studies in recent years, with several arguments supporting this positive correlation (Naser *et al*., 2006; Brammer & Pavelin, 2008; Monteiro & Aibar-Guzman, 2010; Hahn & Kühnen, 2013; Kouloukoui *et al*., 2019; Geerts, Dooms & Stas, 2021). To sum up, larger organisations occupy leading positions that make their activities more visible to the public, governments and outside agents (Geerts, Dooms, & Stas, 2021).

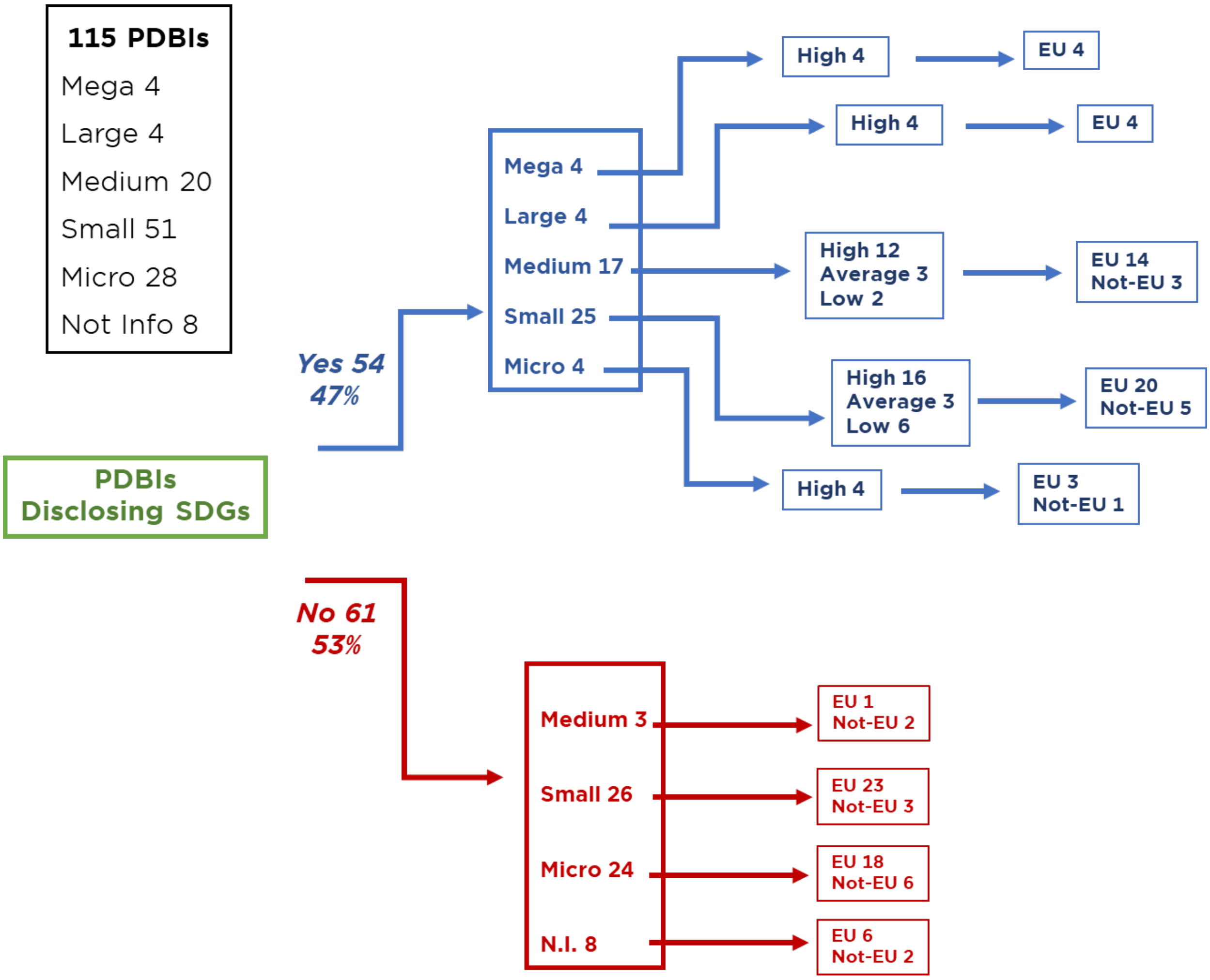
According to Brammer and Pavelin (2008) and Kouloukoui *et al* (2019) the exposition to a higher degree of attention from stakeholders in relation to their sustainability efforts turns into greater pressures, and in order to limit these pressures they are more willing to voluntarily disclose information.

Moreover, Geerts, Dooms and Stas (2021) argued that the preparation and disclosure of sustainability information is costly. Compared to small and medium sized organisations, larger ones possess the necessary resources (financial and human) to collect, analyse and report data (Monteiro & Aibar-Guzman, 2010; Naser *et al*. 2006, Geerts, Dooms, & Stas, 2021).

This may be an explanation for the high number of *micro* PDBIs that, instead, do not disclose SDGs (86% of our sample). *Competitive* and *coercive* isomorphisms could therefore push larger PDBIs to report and disclose SDGs compared to small and micro-ones. As a further confirmation, it is worth pointing out that the current *Non-financial reporting Directive* (NFRD) in EU applies to large public-interest companies with more than 500 employees.

Different is the point of view on *medium* PDBIs. The majority of them disclose SDGs and with a high degree of detection. That may be due to the presence of a *mimetic* isomorphism. According to Lu and Kourfteros (2014) firms are likely to mimic counterpart under the assumption that counterpart's decisions are rational and "good enough". Medium PDBIs could tend to copy the actions of successful, bigger and/or more legitimate counterparts, choosing SDGs disclosure practices similar to the frontrunners in their field.

Figure 4. **115 PDBIs disclosing SDGs**



Source: Authors.

5. FOCUS ON THE EUROPEAN UNION

Authors further focused the study on the European context with the aim of providing an analysis on the state of play of the EU progress towards the SDGs. Moreover, they investigated whether and to what extent PDBIs are contributing to such alignment both at European level as well as and within their respective Member States of the EU 27. Authors therefore looked more in depth at a subset of 59 PDBIs that specifically have a local, regional and/or national mandate to investigate how much they can contribute to the achievement of the SDGs in the European Union (EU 27) both at aggregate level and within their respective Member States This further focus was deemed necessary since PDBIs that do not have a mandate to operate outside their respective Member States are not typically exposed to the international standards set by the World Bank and other Multilateral Development Banks when it comes to reporting their contribution to the achievement of the SDGs.

This investigation is therefore guided by two main reflections:

> 1) Assuming PDBIs have a unique role to play in reaching the targets of the UN Agenda 2030 also within Europe, 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.
>
> 2) 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?

5.1 COMPARISON WITH SDGS IN THE EU CONTEXT: EUROSTAT MONITORING

"*Sustainable development is a core principle of the Treaty on European Union and a priority objective for the Union's internal and external policies. The EU was instrumental in shaping the global 2030 Agenda that has become the world's blueprint for global sustainable development"* (European Commission, 2020[30]).

The EU has been pivotal in shaping the global Agenda 2030 and the European policymaker is "*fully committed to be a frontrunner in its implementation - together with its Member States and in line with the principle of subsidiarity"* (in the so called *National long-term strategies*) - and to "*become the world's blueprint for global sustainable development*" (European Commission, 2016[31]).

To achieve this role, the EU response to the Agenda 2030 can be summarised in the Commission's comprehensive 'whole of government' approach, which aims to fully integrate the SDGs in the European policy framework. This includes all European Commission political priorities[32], the European

[30] COMMISSION STAFF WORKING DOCUMENT Delivering on the UN's Sustainable Development Goals – A comprehensive approach. SWD(2020) 400 final.

[31] Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. Next steps for a sustainable European future European action for sustainability. COM(2016) 739 final.

[32] These include: the European Green Deal, an economy that works for people, a Europe fit for the digital age, promoting the European way of life, a stronger Europe in the world and strengthening European democracy.

Semester of economic governance, the Multiannual Financial Framework and the recovery instrument (Next Generation EU), as well as mainstreaming the SDGs in the EU engagement in the world. Further, integrating the SDGs in the European policy frameworks includes assessing where EU stands,identifying the most relevant sustainability concerns, strengthening monitoring and report as well as mainstreaming the SDGs in policymaking using better regulation tools.

One of the most evident EU policymaking actions related also to the SDGs concerns, but is not limited to, the European Green Deal. Together with the political commitment of devoting at least 30% of the EU budget to climate action and the adoption of the European Green Deal in 2020, the EU and all the EU 27 Member States set out proposals to turn Europe into the first climate neutral continent by 2050, with a mid-term goal of reducing emissions by at least 55% ("Fit 55") by 2030, compared to 1990 levels (European Commission, 2016, 2020). Especially in the area of energy and climate, SDG 7 (*Ensure access to affordable, reliable, sustainable and modern energy for all*) and SDG 13 (*Take urgent action to combat climate change and its impacts*), the EU pledged to ambitious 2030 targets to reduce greenhouse gas emissions, improve energy efficiency and increase the share of renewable energy. The European Green Deal includes also many actions related to other SDGs, such as SDG 6 *Clean water and sanitation,* SDG 14 *Life below water* and SDG 15 *Life on land,* as well as addressing issues of just transition, and thus SDG 10 *Reduced inequalities.*

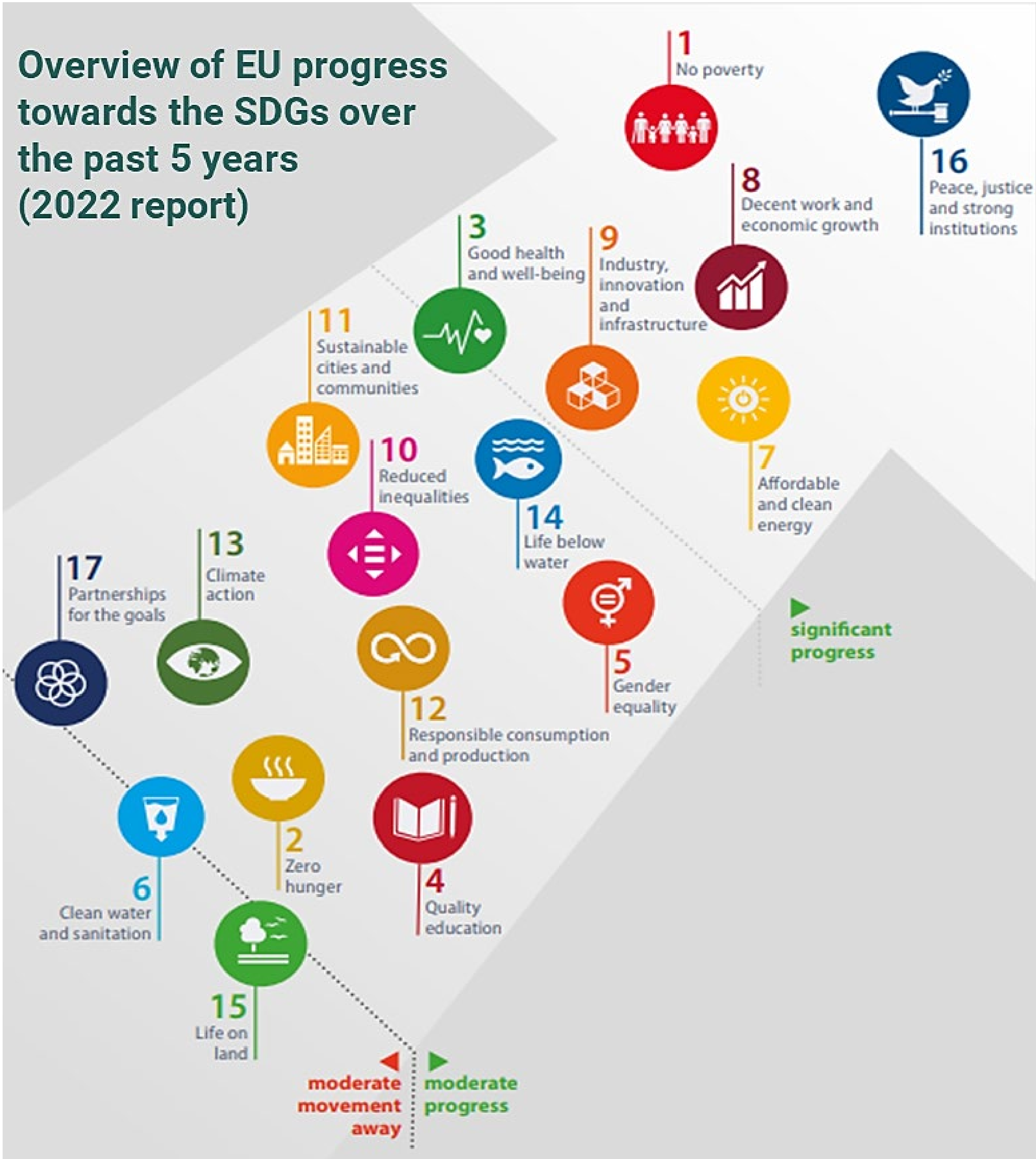
Within this context, Eurostat has been called to regularly monitor and score progress towards the SDGs in Europe; the statistical office of the European Union developed the *EU SDG indicators set* and it currently produces regular monitoring reports on progress towards the SDGs. In relation to this, the European Semester Country Reports include a country-specific analysis of each Member States' progress towards achieving the SDGs

In May 2022, Eurostat published *the latest monitoring report on progress towards the SDGs in an EU context* over the past five years. This report includes indicators relevant to the EU and it enables the monitoring of progress towards the goals in the context of long-term EU policies. Moreover, this monitoring report is a key tool for facilitating the coordination of SDG-related policies at both EU and Member State levels (Eurostat, 2022[33]).

Last findings show how significant progress has been achieved in the past few years for the goals on reducing poverty and social exclusion (SDG 1), on the economy and the labour market (SDG 8), on clean and affordable energy (SDG 7) and on innovation and infrastructure (SDG 9); at the same time an overall assessment of progress towards SDG 13 (Climate action) is slightly positive, even though the trends in the monitored areas — such as climate mitigation, adaptation and finance — show a somewhat mixed picture and further progress will be necessary to meet the EU targets (Eurostat, 2022).

[33] Sustainable development in the European Union Monitoring report on progress towards the SDGs in an EU context. Publications Office of the European Union, 2022.

Figure 5. **Eurostat and the SDGs in the EU**



Source: Eurostat 2022.

5.2 SCOPE AND METHODOLOGY

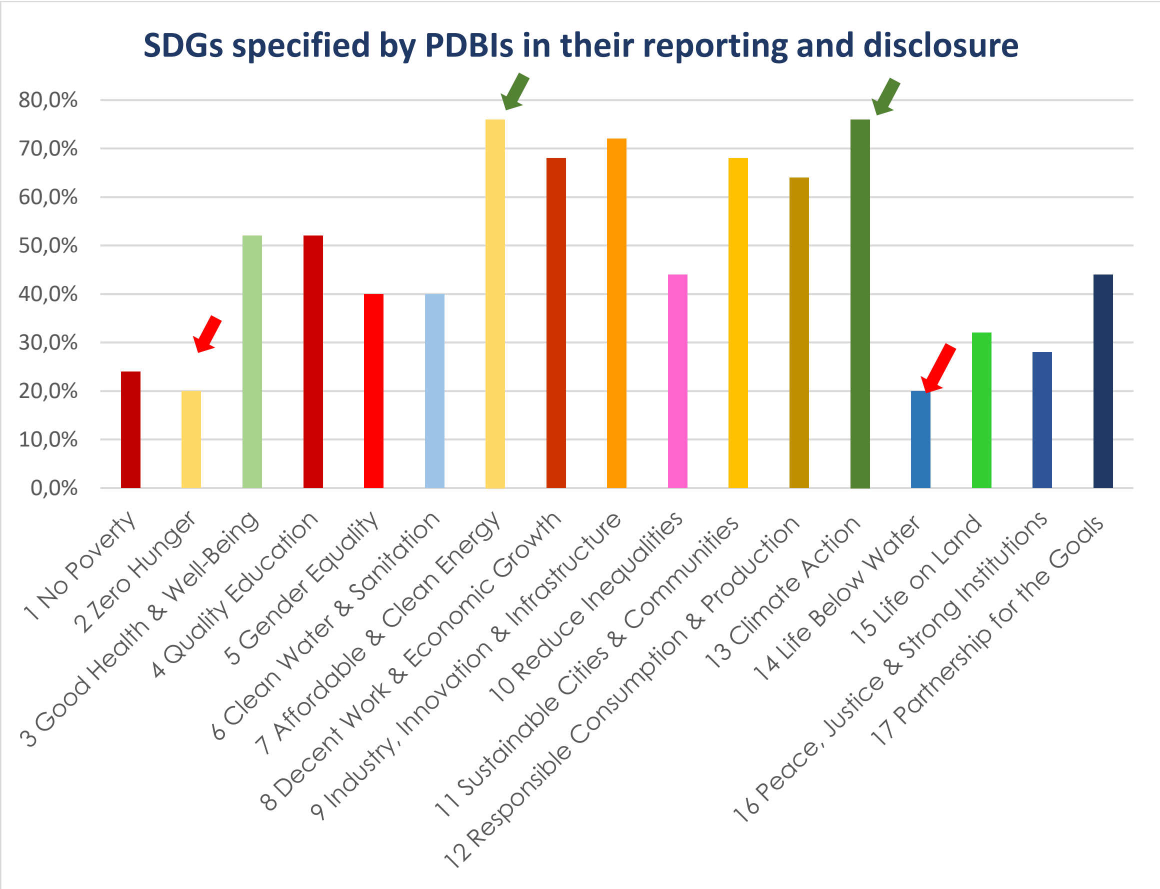
For survey methods, following the methodology previously described, authors researched and analysed public disclosures through web-site research and the detection of SDGs for a subset of 59 selected European PDBIs out of the bigger sample (115 PDBIs).

To select the subset, a geographical approach has been followed and it is based on the operational scope of PDBIs. According to Xu, Marodon and Ru (2021) and INSE database, three main categories have been established:

1) Primarily National: PDBIs providing financial support exclusively to the benefit of the national territory and within their boundaries.
2) Both National & International: PDBIs providing financial support to clients both within and beyond their national boundaries.
3) Primarily international: PDBI channelling funds internationally, exclusively outside the national territory, by providing resources to other countries, especially developing countries.

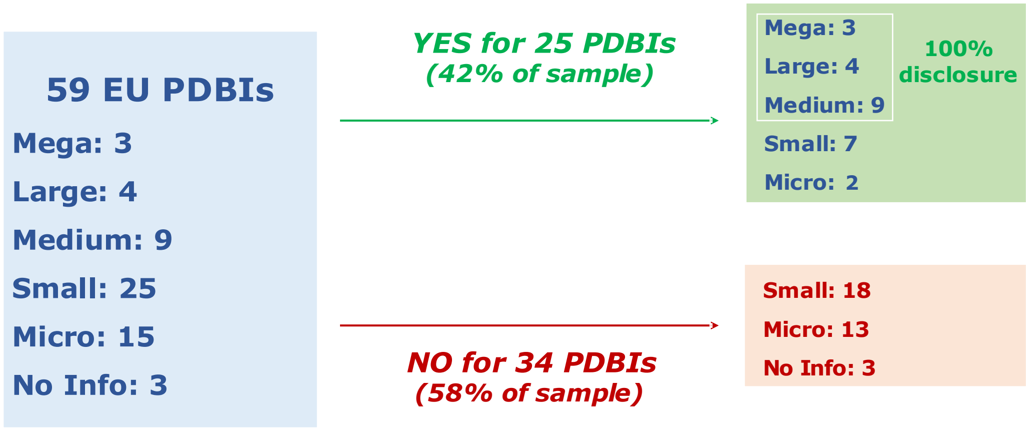
With the aim of focusing on the EU context, authors took therefore in consideration PDBIs in the in the first two categories, while they excluded the third one.
In the detection, the same four levels of disclosure previously defined have been replicated and findings of the investigation of the subset of the 59 EU PDBIs are in line with those stemming from the analysis on the wider sample.

Figure 6. **SDGs specified by 59 EU PDBIs in their reporting and disclosure**



Source: Authors.

Figure 7. **59 EU PDBIs disclosing SDGs**



Source: Authors.

6. CONCLUSION

The UN 2030 Agenda for Sustainable Development adopted in 2015 has at its core 17 Sustainable Development Goals (SDGs) and 169 targets, they are a call for action by all countries worldwide. Many companies have since adopted the SDGs as a guide for their sustainability programmes.

The European Union went further, adopting and implementing the Action Plan on sustainable finance and the European Green Deal. It committed to integrate the SDGs and put sustainability at the centre of the EU's policymaking. Besides that, the COVID-19 outbreak affected the whole economy of the EU, hitting businesses, jobs and households.

This background has highlighted the need for a strong public intervention and the mandate of Public Development Banks and Institutions is back in fashion (Garonna, 2020). Due to their multiple roles (European Commission, 2015; Mazzucato *et al* 2014-2017), the significant resources of finance under management and disposition to provide steady and patient finance, PDBIs could accelerate the process to achieve a sustainable future.

Findings of this study show that PDBIs in Europe are well aligned with European policymakers' goals as a whole, in particular when it comes to contributing to the EU climate objectives. Having said this, reporting on environmental policy objectives (e.g. SDG 6, 14, 15), as well as reducing inequalities, are rather lacking behind. 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.

Corporate reporting on sustainability issues enables investors and stakeholders to assess companies' long-term value creation as well as their sustainability risk exposure. Drawing on the Institutional Theory and the recently developed competitive isomorphism argument, this paper proposes four specific sources of pressure that impel PDBIs to adopt SDGs disclosure practices.

Even if more empirical work needs to be undertaken in order to examine the propositions advanced in this manuscript, the findings of the survey show that medium-large PDBIs, in one way or another, are taking charge of supporting and implementing the SDGs objectives that European policymakers have adopted.

The *Non-financial reporting Directive* (NFRD) in the European Union is doing its job, but the new *Corporate Sustainability Reporting Directive* (CSRD) could simplify and standardise the legislative framework; it could increase transparency and disclosure to the sustainability process as well as compensate the lack of standardisation in the reporting, although this new proposal does not address the issue of micro-small companies as they are out of the Directive's scope.

Increasing reporting and disclosure requirements would be useful not only for experienced investors, but for all other stakeholders, even unskilled ones. It would enhance the transparency, comparability, and credibility of financial system in the process to achieve a sustainable future.

Furthermore, findings of this investigation have theoretical and practical implications both for PDBIs in their strategy to carry out the UN 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 EU policymakers. Promotion of dedicated issuances of corporate and/or sovereign bonds linked to SDG 14 targets could be envisaged (e.g. Blue Bonds), as well as expanding the geographical scope of joint reporting initiatives such as the *Clean Oceans Initiative* that is currently promoted by PDBIs in their investment activities outside Europe and only at a limited extent also inside Europe.

ANNEX

ANNEX 1. **115 Public Development Banks and Institutions**

1	Albanian Development Fund	Fondi Shqiptar i Zhvillimit	Albania
2*	Austrian Promotional Bank	Austria Wirtschaftsservice - AWS	Austria
3	Austrian Development Bank	Oesterreichische Kontrollbank Aktiengesellschaft - OEKB	Austria
4	NÖ Bürgschaften und Beteiligungen GmbH	NÖ Bürgschaften und Beteiligungen GmbH – NÖBEG	Austria
5	Belgian Export Credit Agency	Credendo	Belgium
6*	Federal Holding and Investment Company	Société Fédérale de Participations et d'Investissement - SFPI/FPIM	Belgium
7	PMV Venture Capital Flanders	Participatiemaatschappij Vlaanderen - PMV	Belgium
8	Belgium Investment Company for Developping Countries	Belgian Investment Company for Developing countries - BIO	Belgium
9	Belgian Corporation for International Investment	Société Belge d'Investissement International - SBI/BMI	Belgium
10	Walloon SME financing and guarantee company	Sowalfin	Belgium
11	Development Bank of the Republic of Belarus	Банк развития Республики Беларусь	Belarus
12	Guarantee Fund of the Republic of Srpska	Garantni fond Republike Srpske	Bosnia and Herzegovina
13	Republic of Srpska Investment-Development Bank	Investiciono-razvojna banka Republike Srpske – IRBRS	Bosnia and Herzegovina
14*	Bulgarian Development Bank	Bulgarian Development Bank - BDB	Bulgaria
15*	Croatian Bank for Reconstruction and Development	Hrvatska Banka za Obnovu i Razvitak - HBOR	Croatia
16*	Croation Agency for MSMEs Innovations and Investments	Hrvatska agencija za malo gospodarstvo - HAMAG-BICRO	Croatia
17*	Czech Export Bank	Česká Exportní Banka - CEB	Czech Republic
18*	National Development Bank of the Czech Republic	Národní Rozvojová Banka - NRB	Czech Republic
19*	Export Guarantee and Insurance Corporation	EGAP - Exportní garanční a pojišťovací společnost	Czech Republic
20*	KommuneKredit	KommuneKredit	Denmark
21*	Denmark's Export Credit Agency	Danmarks Eksportkredit - EKF	Denmark
22	Investment Fund for Developing Countries	Investeringsfonden for Udviklingslande - IFU	Denmark
23*	Danish Growth Fund	Vækstfonden - VF	Denmark
24*	KredEx	KredEx	Estonia
25*	Municipality Finance	MuniFin	Finland
26*	Finnvera	Finnevera	Finland
27	Finnish Fund for Industrial Cooperation	Finnfund	Finland
28*	French Deposits and Consignment Fund Group	Caisse des Dépôts et Consignations - CDC	France
29*	Public Investment Bank	Bpifrance	France
30*	Local Investment Finance Company	Société de Financement Local - SFIL	France
31	French Development Agency	Agence Française de Développement - AFD	France
32	Promotion and Participation Company for Economic Cooperation	Proparco	France
33*	Agence France Locale	Agence France Locale - AFL	France
34*	STOA INFRA&ENERGY	STOA	France
35	Corsica Development Fund	CADEC-Corse	France
36*	Credit Company for Reconstruction	Kreditanstalt für Wiederaufbau - KFW	Germany
37*	KfW Ipex Bank	KFW IPEX Bank	Germany
38	German Investment and Development Company	KFW DEG	Germany

39	Promotional Bank of North Rhine-Westphalia	NRW.BANK	Germany
40*	Agricultural Bank of Germany	Landwirtschaftliche Rentenbank	Germany
41	Baden-Württemberg regional promotional bank	L-Bank Baden-Württemberg	Germany
42	Economic and Infrastructure Bank Hessen	WIBank - Wirtschafts- und Infrastrukturbank Hessen	Germany
43	Investment Bank Berlin	Investitionsbank Berlin - IBB	Germany
44	Development Bank of Saxony	Sächsische Aufbaubank - Förderbank - SAB	Germany
45	Thuringian construction bank	Thüringer Aufbaubank	Germany
46	Landersbank Saar	SaarLB	Germany
47*	Hellenic Development Bank	Ελληνική Αναπτυξιακή Τράπεζα	Greece
48*	Export Credit Insurance Organization Greece	Οργανισμό Ασφάλισης Εξαγωγικών Πιστώσεων (ΟΑΕΠ)	Greece
49*	Hungarian Development Bank	Magyar Fejlesztesi Bank - MFB	Hungary
50*	Hungarian Export-Import Bank Private Limited Company	EXIM Magyarország	Hungary
51*	Credit Guarantee	Garantiqa Hitelgarancia	Hungary
52	Municipality Credit Iceland	Lánasjóður sveitarfélaga - LV	Iceland
53*	Housing Finance Agency Ireland	Housing Finance Agency - HFA	Ireland
54*	Strategic Banking Corporation of Ireland	Strategic Banking Corporation of Ireland - SBCI	Ireland
55*	Deposits and Loans Fund	Cassa Depositi e Prestiti - CDP	Italy
56	Finance for the Development of Piemonte	Finpiemonte	Italy
57	Finance for the Development of Valle d'Aosta	Finaosta	Italy
58	Italian Society for Businesses Abroad	Simest	Italy
59	Finance for the Development of Lombardy	Finlombarda	Italy
60	Trust Tuscany	FidiToscana	Italy
61	Finance for the Development of Calabria	Fincalabra	Italy
62	Finance for the Development of Molise	Finmolise	Italy
63*	Italian Society for Exports and Foreign Trade	Sace	Italy
64*	Development Finance Institution Altum	Altum	Latvia
65*	Investment and business guarantees	INVEGA	Lithuania
66*	UAB Agricultural Loan Guarantee Fund	UAB Žemės ūkio paskolų garantijų fondas	Lithuania
67*	Public Investment Development Company	VIPA	Lithuania
68*	National Credit and Investment Company	Société Nationale de Crédit et d'Investissement SNCI	Luxembourg
69*	Luxembourg Export Credit Agency	Office du Ducroire	Luxembourg
70	Development Bank of North Macedonia	Развојна банка на Северна Македониј	Macedonia
71*	Malta Development Bank	Malta Development Bank - MDB	Malta
72	Investment and Development Fund of Montenegro	Investiciono-razvojni fond Crne Gore - IRF CG	Montenegro
73*	Municipal Bank of Netherlands	BNG Bank	Netherlands
74*	Dutch Water Board Bank	NWB Bank	Netherlands
75	Dutch Entrepreneurial Development Bank	FMO	Netherlands
76*	Dutch National Mortgage Guarantee	Nationale Hypotheek Garantie - NHG	Netherlands
77*	Atradius Dutch State Business	Atradius Dutch State Business	Netherlands
78*	Bank of National Economy of Poland	Bank Gospodarstwa Krajowego	Poland

79*	Export Credit Insurance Corporation Joint Stock Company	KUKE	Poland
80*	Credit Insurance Company	Companhia de Seguro de Créditos - COSEC	Portugal
81*	Portuguese Promotional Bank	Banco Português de Fomento	Portugal
82*	Society for the Financing of Development	nstituição Financeira de Desenvolvimento Portuguesa - SOFID	Portugal
83*	EximBank	Banca de Export Import a României	Romania
84	State Development Corporation	VEB.RF	Russia
85	Fund for Assistance to Small Business Lending in Moscow	Фонд содействия кредитованию малого бизнеса Москвы	Russia
86	Serbian Export Credit and Insurance Agency	Агенција за осигурање и финансирање извоза Републике Србије - AOFI	Serbia
87	Development Fund of the Republic of Serbia	Fondu za razvoj Republike Srbije	Serbia
88*	Slovak Guarantee and Development Bank	Slovenská záručná a rozvojová banka - SZRB	Slovakia
89*	Export-Import Bank of Slovakia	EXIMBANKA SR	Slovakia
90*	Slovenian Export and Development Bank	Slovenska izvozna in razvojna banka - SID	Slovenia
91*	Slovenian Enterprise Fund	Slovenski podjetniški sklad - SPS	Slovenia
92*	Slovenian Regional Development Fund	Slovenski regionalno razvojni sklad - SRRS	Slovenia
93*	Official Credit Institute	Instituto de Credito Oficial - ICO	Spain
94	Catalan Institute of Finance	Institu Catala de Finances - ICF	Spain
95*	Export Credit Insurance Company	CESCE	Spain
96	Valencian Institute of Finance	Institut Valencia de Finances - IVF	Spain
97	Spanish Financing Company for Development	COFIDES	Spain
98*	Kommuninvest	Kommuninvest	Sweden
99*	Swedish Export Credit Corporation	SEK	Sweden
100*	Swedish Export Credit Agency	EKN	Sweden
101*	Almi Business Partner	Almi	Sweden
102	Swedfund International AB	SwedFund	Sweden
103	Pfandbriefzentrale Schweizerische Kantonalbanken	Pfandbriefzentrale Schweizerische Kantonalbanken	Switzerland
104	Swiss Export Risk Insurance	Swiss Export Risk Insurance - SERV	Switzerland
105	Swiss Investment Fund for Emerging Markets	Swiss Investment Fund for Emerging Markets – SIFEM	Switzerland
106	UK Infrastructure Bank	UK Infrastructure Bank	UK
107	British International Investment	British International Investment - BII	UK
108	British Business Bank	British Business Bank - BBB	UK
109	Development Bank of Wales	Banc Datblygu Cymru	UK
110	Scottish National Investment Bank	Scottish National Investment Bank	UK
111	State Export-Import Bank of Ukraine	UKR EXIM Bank	Ukraine
112	European Investment Bank	European Investment Bank - EIB	Multi Country
113	Nordic Investment Bank	Nordiska Investeringsbanken - NIB	Multi Country
114	Council of Europe Development Bank	Council of Europe Development Bank - CEB	Multi Country
115	European Bank for Reconstruction and Development	European Bank for Reconstruction and Development - EBRD	Multi Country

*59 EU PDBIs with geographical scope of operations in the EU (see paragraph 5).

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