Investing in Sustainable Development

Statement by
Dr. Mukhisa Kituyi
Secretary-General of UNCTAD

World Investment Forum 2014

Ministerial Roundtable
Financing for the Sustainable Development Goals

Geneva, 16 October 2014

15:00 - Room XX

Excellencies,
Ladies and Gentlemen,

The last three days have drawn our attention to the many challenges facing investment in sustainable development. These challenges are formidable, and cover many areas.

We have seen the importance of creating and maintaining an investment climate favourable to sustainable development.

We've also seen how enhancing the role of investment promotion agencies can stimulate sustainable investment.

We have heard that countries should review their international investment agreements with sustainability concerns in mind.

We've seen that countries should focus on integrating poor workers into global value chains, and also on strengthening regional integration.

And we've also discussed the specific support we will need to empower sustainable development in LDCs.

Perhaps most importantly, over the last few days we've heard a lot about changing the business mind-set with respect to sustainable development.

We have now arrived at this concluding Ministerial session, and it is time to sum up. We are privileged to have with us today Ministers who can describe their own experiences as leaders in individual countries coping with the challenges I have just listed, and I look forward to hearing their views on the solutions they have pursued.

I invite you all to add your own ideas and suggestions, as well.

I am pleased to tell you that the Summary of today's session will be formally forwarded to the UN General Assembly and will feed into the Conference on Financing for Development next year in Addis Ababa, and ultimately into the Conference on the Sustainable Development Goals in New York next fall. This will provide a concrete input to the on-going multilateral process to formulate the SDGs and to find financing solutions.

Ladies and Gentlemen,

I trust that you will all agree with me when I say that no matter what final form the Sustainable Development Goals take, they will require substantially more private investment, working closely in concert with public investment. And we will need determined policy action at the national and international levels to mobilize this investment and to make it work for sustainable development.

Let me explain in a few words what I mean with this, before I invite you to present your thoughts and ideas in this roundtable.

We are confronted with a huge investment gap with regard to sustainable development. At current levels of investment in SDG-relevant sectors, UNCTAD estimates that developing countries face an annual gap of $2.5 trillion. Public finances are central to investment in SDGs, in particular in developing countries, and foremost in LDCs and other vulnerable economies. However, public resources cannot meet all SDG-implied financial demands. A stronger role of private sector investment is indispensable.

Against this background, it is a positive sign that global FDI returned to growth in 2013, with inflows rising 9 per cent, to $1.45 trillion. UNCTAD further projects that FDI flows could rise to $1.6 trillion in 2014, and gradually to $1.8 trillion in 2016. The problem is that only a relatively small fraction of this investment goes to those sectors most relevant to the SDGs. And only a small fraction, around 2 per cent, goes to the least developed countries.

We need to ask ourselves why there is so little private investment in SDGs. There are several explanations.

The private sector may consider the risk-return ratio of investing in the SDGs to be unfavourable. Or, some countries may be wary of private investment in SDGs, because of the sensitivity of some sectors, such as the supply of essential services. Governments may therefore wish to remain in control, or to allow only minority foreign participation in these sectors.

More generally the policy framework in host countries may not be favourable to investors. Or institutional capabilities may be insufficient to effectively promote investment in SDG-relevant sectors. This makes it difficult to package projects and market them to potential investors.

But we are seeing some encouraging movements in the right direction. We are witnessing a steady increase in investment regulations that at least partially have their origin in sustainable development considerations. We also see a trend towards strengthening the sustainable development dimension of international investment agreements, preserving regulatory space for sustainable development policies and placing greater emphasis on the social and environmental responsibilities of investors.

While these are encouraging developments, UNCTAD believes that more can and must be done. This is why in our latest World Investment Report we have advocated a "Big Push" for private investment in sustainable development which we called the *Action Plan for Private Investment in the SDGs*. But such a "Big Push" can go nowhere without the "helping hand" of policy makers who have a specific vision about where sustainable development can take their country.

Financing the sustainable development goals will be a global challenge, but we will need to put individual know-how to work in our own countries to achieve it. This Ministerial Roundtable is an important contribution to that global process. I look forward to hearing the insights of the honourable Ministers.

Thank you very much for your kind attention. The floor is yours.