World Investment Forum 2018

Sovereign Wealth and Pension Funds Dialogue

Statement by

James Zhan

Director, Investment and Enterprise, UNCTAD

Wednesday, 24 October 2018, Room XXII

Excellencies,
Distinguished delegates,
Ladies and Gentlemen,

I am pleased to welcome you to the Sovereign Wealth and Penson Funds Dialogue dedicated to promoting investment of public investors in sustainable development.

Since their adoption in 2015, the Sustainable Development Goals (SDGs) have become the main theme of the global development agenda. They have galvanized action by governments and the private sector worldwide to address the most challenging development issues, ranging from poverty reduction, food security to health, education and climate change, among others.

UNCTAD estimates that advancing the SDGs leading up to 2030 will require an annual investment in the order of 5 to 7 trillion US dollars globally, and 3.3 to 4.5 trillion US dollars alone in developing countries, mainly in key sectors targeted by the SDGs, such as infrastructure, agriculture and rural development, renewable energy, and health and education.

For public investment institutions such as sovereign wealth funds (SWFs) and public pension funds (PPFs), the SDGs not only address risks faced by these funds (such as so-called "stranded assets") but also offer investment opportunities. With their long-term investment outlook, there is significant potential for SWFs and PPFs to become important contributors to sustainable investments in developing as well as in developed countries.

We are delighted to see that an increasing number of public investors are acting on these opportunities. They have created innovative pro-development products and schemes, such as SDG funds, green funds, water funds and a variety of impact investment schemes. Some of them have become important investors in key SDG sectors such as infrastructure and renewable energy.

However, these investments are still a small part of their total portfolios, and vary significantly in terms of concept, strategy, criteria, approach and impact. Mainstreaming SDG investment systematically into their strategy, practice and operations and magnifying its contribution remains a challenge for public investors.

As highlighted in UNCTAD's *World Investment Report 2014*, a number of constraints prevent institutional investors from committing more cross-border investment in SDG sectors, in particular in developing countries.

Challenges range from policy uncertainties to market entry barriers; from inadequate risk-return ratios in some SDG projects to a lack of scalable projects required by large-scale institutional investors. In such cases, public policy changes may be required to make certain SDG sectors more investible.

Given the fact that many SDG-related sectors are sensitive and of a public service nature, another challenge for SDG investment is to create a more conducive policy environment for cross-border public investors while safeguarding public interest in host countries through regulation.

UNCTAD, in its *World Investment Report 2014*, proposed an *Action Plan for Investing in the SDGs* that specifically addresses these challenges and provides recommendations for investors, host countries and home countries. These include, reducing entry barriers for investors in SDG sectors; expanding the use of risk-sharing tools, such as PPPs and blended financing; strengthening host countries' capacity in preparing and developing SDG projects; and leveraging regional cooperation, for example, in regional infrastructure development.

All these actions point to effective partnership between cross-border public investors, host and home country governments and other stakeholders, which all play an instrumental role in building an ecosystem in which sustainable investment can flourish.

Our discussion today aims to shed more light on many of these critical issues and, at the same time, highlight where public investment institutions can both benefit from sustainable investment and help meet the SDG targets.

In this context, we are exploring the possibility to establish a global network of public investors for investing in the SDGs.

With this distinguished panel, I am confident that our meeting will be able to come up with specific ideas to support and mobilize more investment for SDGs.