Investing in Sustainable Development

Statement by
Dr. Mukhisa Kituyi
Secretary-General of UNCTAD
UNCTAD World Investment Forum 2014
World Leaders Investment Summit (II)
Geneva, 15 October 2014
10:00-13:00 - Assembly Hall

Prime Minister,
Excellencies,
Distinguished speakers,
Ladies and gentlemen,

As the international community heads toward the negotiations on Sustainable Development Goals, or SDGs, in New York next year, this Summit is an important point on the journey. Yesterday we heard a vision for investment in sustainable development, which emphasized the need for leadership at all levels: international, regional, and national.

Today, we look at some of the policies that can give form to that vision by helping to mobilize and channel investment to the sectors and countries where there are pressing needs. These include in infrastructure, health care, education, climate change adaptation and food and energy production. These are some of the areas that the SDGs will address, but which face an annual investment gap of $2.5 trillion in developing countries between now and 2030 in our estimation.

In developing countries, especially in the least developed countries (LDCs) and other vulnerable economies, public finances and official development assistance will be central to investment in the SDGs. There will be a need for significant scaling up of commitments to public investment. It is clear, however, that public finances cannot meet all the implied resource demands. The role of private sector investment will be indispensable. Today, private investment in SDG-related sectors is relatively low. Private participation is even lower in developing countries, particularly the poorest ones, such as the least developed countries.

UNCTAD believes that in the LDCs a doubling of the growth rate of private investment – from 8 per cent per annum to 15 per cent – would be a desirable target. About twice the current growth rate of private investment is needed to provide a meaningful complementary financing role in support of public investment and official development assistance. That is the goal for the global investment community.

Meeting this target will entail a significant scaling up of private investment in sustainable development. This year's UNCTAD *World Investment Report* develops a specific *Action Plan for Private Investment in the SDGs* that presents a range of policy options. These aim to respond to the challenges in mobilizing funds for investment in sustainability, channeling such funds to relevant sectors, and maximizing their positive impacts, while managing risks.

The Action Plan can serve as a basis for discussions today and during the Forum. Allow me to spell out some of the actions suggested.

We see the need for a new generation of investment promotion and facilitation. As strange as it may seem, there are investors who are sitting on cash that they cannot invest for lack of adequately packaged or large enough projects. SDG-related investment development agencies could be set up to develop, market, and facilitate pipelines of bankable projects in SDG sectors.

In addition, investment incentives should be re-oriented towards sustainable development. Incentives have long served to attract investors and stimulate the development of industrial sectors. Restructured investment incentive schemes could be used to facilitate sustainable development projects.

Regional and South-South initiatives should support investment in SDGs. Small market size is often a barrier to investment and production, as is a lack of coordination between neighbouring countries over infrastructure development. Regional initiatives to promote SDG investment, especially in cross-border infrastructure, could overcome such constraints and attract private funding.

New forms of partnership are also needed, such as between outward investment agencies in home countries and investment promotion agencies in host countries.

At the same time, innovative financing mechanisms can steer financial markets towards sustainability. Many products and initiatives have emerged in the past decade. These include innovative tradable financial instruments and dedicated SDG funds, seed funding mechanisms, and new "go-to-market" channels for SDG projects. There is a need for policy support to help scale up these funds and instruments.

Finally, we need to work to change the business mindset and develop expertise in sustainable investment. Our research has shown that sometimes investors are simply unaware of opportunities in frontier markets and in alternative assets, or they are wary of the risks involved. One initiative that we believe could help is a curriculum for business schools that generates awareness of investment opportunities in low-income countries. Such a curriculum could also teach students the skills needed to operate successfully in developing-country environments. Indeed, this initiative will be launched during the Forum.

The UNCTAD Action Plan should be viewed as a basis for stakeholder engagement and dialogue. In this vein, I am keen to hear the views of our distinguished guests today.

Thank you.