Executive summary

The year 2015 was a decisive year for sustainable development. With the adoption of the 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals (SDGs), the world now has the most ambitious, diverse and universal development roadmap in history. The Addis Ababa Action Agenda stressed the importance of using public investment instruments and vehicles to leverage the unprecedented levels of private finance required to fund this agenda. And the United Nations Climate Change Conference (COP21) in Paris confirmed the challenges of managing climate change – and an unprecedented global commitment to do so.

These milestones have changed the face of development forever. To meet the challenges they represent, the global community needs to move well beyond the approximately USD 132 billion provided as official development assistance (ODA) in 2015. Investment needs for the SDGs in developing countries are estimated to be in the order of USD 3.3 to 4.5 trillion per year. Limiting the global temperature increase to 1.5°C above pre-industrial levels will require concerted action by all. Developed countries have committed to mobilising USD 100 billion per year by 2020 to support developing country efforts.

At the same time, the new goals make it clear that the challenges of sustainable development are no longer merely a question of what is happening in poor countries – they are challenges for us all. To tackle these global and interlinked concerns, a diverse array of stakeholders will need to join forces – with the private sector taking a pivotal position. In fact, achieving each and every one of the 17 SDGs hinges on private sector involvement.

Investment in sustainable development is smart investment

The business case for the SDGs is strong. This *Development Co-operation Report 2016* makes it clear that investing in sustainable development is smart investment. Companies that introduce sustainability into their business models are profitable and successful, with positive returns on capital in terms of reduced risk, diversification of markets and portfolios, increased revenue, reduced costs, and improved value of products. Increasingly, investments in developing countries – and even in the least developed countries – are seen as business opportunities, despite the risks involved. On the other hand, companies provide jobs, infrastructure, innovation and social services, among others.

This report explores five pathways for realising the enormous potential of the private sector as a partner for delivering on the SDGs, providing the quantity and quality of investment needed to support sustainable development.

Five pathways to the Sustainable Development Goals

1. **Foreign direct investment** is by far the greatest source of international capital flows to developing countries and is considered one of the most development-friendly sources of private investment. It can create jobs, boost productive capacity, enable local firms to access new international markets and bring with it transfers of technology that can have positive long-term effects. Many are expecting these flows to play a major role in filling the SDG financing gap. According to the United Nations Conference on Trade and Development (UNCTAD), a concerted effort by the international community

could help to quadruple foreign direct investment by 2030, especially in structurally weak countries. There is, however, some cause for concern: global capital flows have started to decelerate, while economic vulnerabilities are growing. Chapter 2 warns that a slowdown, or even reversal, in foreign direct investment could have serious negative ramifications for both developing and international investment markets. Framing development strategies around the complementary and mutually reinforcing qualities of private investment and development co-operation can help to offset the cyclic, changing nature of foreign direct investment trends. Tools such as the *OECD Policy Framework for Investment* can help countries to improve business climates, creating conditions that increase investment while maximising its economic and social returns.

2. New investment models can help mobilise financial resources to meet the challenges of implementing the SDGs. **Blended finance** – using public funds strategically to provide, for instance, de-risking instruments for private investors – can dramatically improve the scale of investment in development. Blended finance offers huge, largely untapped potential for public, philanthropic and private actors to work together to dramatically improve the scale of investment in developing countries. Its potential lies in its ability to remove bottlenecks that prevent private investors from targeting sectors and countries that urgently need additional investment. To accelerate social and economic progress towards the SDGs, blended finance needs to be scaled up, but in a systematic way that avoids certain risks. Chapter 3 takes a close look at the use of development and philanthropic finance to unlock resources through blending mechanisms that have the potential to transform economies, societies and lives. It notes that while the concept of blending public and private finance in the context of development co-operation is nothing new, it has played a marginal role so far.
3. Today's development financing packages can be complex, with multiple actors involved. Chapter 4 of this report describes work underway to **monitor and measure the mobilisation effect of public sector interventions on private investment**. This is expected to be an important element of the new "total official support for sustainable development" (TOSSD) framework, which will provide important information about financing strategies and best practices, helping to attract development finance to support the SDGs. A recent OECD survey has confirmed the feasibility of collecting and measuring data on the direct mobilisation effect of guarantees, syndicated loans and shares in collective investment vehicles; work is underway to develop similar methodologies for other financial instruments. Much work still remains to be done, however, in particular to find ways of measuring the indirect – or "catalytic" – effect of public interventions on the achievement of the global goals and in tackling climate change. The OECD is co-ordinating its efforts with work underway in other fora to ensure coherence.
4. If development is to be truly sustainable and inclusive it must benefit all citizens – in particular the poorest, most marginalised and vulnerable. This means looking at business through a new lens, focusing on leaving no one behind and on empowering people to lead fuller, more productive lives. **Social impact investment** has evolved over the past decade as an innovative approach to increasing the benefits of business for the world's poorest and most marginalised populations as described in Chapter 5. Enterprises that generate measurable social as well as financial returns can bring effectiveness, innovation, accountability and scale to development efforts. Public funds can be used to strengthen and promote this type of investment by sharing risks, and also by supporting a sound business environment, particularly in the least developed countries and in countries emerging from conflict. These new business models can complement existing ones, especially in areas not traditionally popular with business – but essential to the poor – such as education, health and social services.

5. For business to do good while doing no harm, the private sector must be held to the same international transparency and accountability standards as all other actors. Chapter 6 looks at the principles and standards of **responsible business conduct** and how following them can give responsible businesses an advantage that benefits their bottom lines, while at the same time producing positive results for people and the planet. Business and government have complementary roles to play in implementing, promoting and enabling responsible business conduct. The *OECD Guidelines for Multinational Enterprises* help to optimise their contributions, supporting the development of responsible and accountable business practice to ensure that investment quantity is matched by business quality to produce social, economic and environmental benefits. These guidelines can enable business to make an important contribution to the SDGs in countries worldwide, helping to raise the standard of living through the creation of fair and equal jobs, the development of skills and technology, and more equitable distribution of wealth.

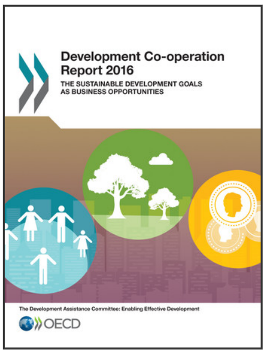
By following these pathways and working together, investors, governments, philanthropy, institutions and civil society can make the most of converging interests and potential to unlock the resources needed. This approach can provide accountability and transparency, at the same time meeting business needs and expectations. And it can do so while ensuring that no one is left behind and that the planet's resources are conserved and even renewed. This report provides examples of how the OECD is stimulating dialogue and creating opportunities for co-operation among the many stakeholders involved in sustainable development. It also presents practical cases that illustrate how businesses are already working to promote sustainable development and inclusive growth in developing countries.

Many development agencies and bilateral and multilateral development finance institutions are already engaging in new ways of sharing risks and reducing costs so as to leverage private finance for sustainable development. Providers of development co-operation generally agree that mobilising private resources for sustainable development needs to be "at the core of a modernised, reinvented role for ODA". In much the same way, in this era hallmarked by globalisation, rapid technological advancement and competition for precious resources, it is important to remember that business thrives when the world thrives. Doing good by doing well needs to be the new mantra of business for sustainable development.

From:

Development Co-operation Report 2016

The Sustainable Development Goals as Business Opportunities



Access the complete publication at:

http://dx.doi.org/10.1787/dcr-2016-en

Please cite this chapter as:

OECD (2016), “Executive summary”, in *Development Co-operation Report 2016: The Sustainable Development Goals as Business Opportunities*, OECD Publishing, Paris.

DOI: http://dx.doi.org/10.1787/dcr-2016-5-en