



United Nations Global Compact

Financing for Development III Background Brief

Financing the future: how do private investment and business fit in?

1) Delegates meeting in Addis Ababa are negotiating a global framework for investment, estimated by the UN Conference on Trade and Development (UNCTAD) at \$2.5 trillion a year *more* than would be required without a worldwide push on sustainable development. In attendance at the UN conference will be Heads of State and finance ministers and a wide range of non-state actors, including more than 100 CEOs.

2) This is not the first time that the United Nations has convened a global summit on **Financing for Development** (FfD). Meeting in 2002 in Monterrey, Mexico, North-South agreement was reached on the basic principles of the development process, including a balanced appreciation of the important roles of both the public and the private sectors.

Developing countries agreed on the important role of market forces and sustainable budgets. Donor nations committed to increases in official development assistance (ODA), leading to annual flows now two thirds higher now than in 2002. Also since then: annual levels of foreign direct investment (FDI) have roughly doubled, and developing countries now take in more than do the developed. Progress on the Millennium Development Goals (2000-2015) gained momentum, and the rate of extreme poverty in developing countries was cut in half by 2010, five years ahead of schedule.

3) FfD in Addis is taking on a challenge on a higher order of magnitude. Looming is a challenge to protect the planet and to achieve a minimal level of prosperity and well being for all its inhabitants, contained in Sustainable Development Goals drafted by the UN General Assembly and up for approval at its main plenary in September. These “SDGs” encompass a 15-year, 17-point plan that addresses human needs, planetary well being including a response to the massive challenge of climate change, peaceful and inclusive societies, built-up economic capacity and broadly distributed, sustainable economic growth.

3) The **United Nations Global Compact**, the world’s largest corporate sustainability initiative and the main outreach arm of the United Nations with business, has actively contributed to preparations for the FfD conference and to the terms of the intergovernmental discussion. Representatives have been involved in preparatory meetings and, in collaboration with UNCTAD, the Principles for Responsible Investment (PRI) and the UN Environment Programme Finance Initiative (UNEP FI), have published a report and white paper on “private investment and sustainable development”.

4) Rather than setting out a master list investments required for successful FfD outcomes and then figure out who is going to make them, it may be more helpful to determine what kinds of policies and practices will produce the desired results. In this regard, the actions taken by

businesses large and small – how they reduce emissions or seek out alternative energy sources, how they treat their employees and customers, how much they put into the communities and countries in which they are based, how well they fit in with nationally developed plans to implement the SDGS – acquire huge significance.

Addressing this point, the most recent draft of an FfD resolution (*Addis Ababa Action Agenda Draft Outcome Document*, 7 July), speaks of “unlocking the transformative potential of people and the private sector, and incentivizing changes in financing as well as consumption and production patterns to support sustainable development. We recognize the appropriate incentives, strengthening national and international policy environments and their coherence, harnessing the potential of science and technology, closing technology gaps and scaling up capacity building at all levels”. [para 5]

5) The United Nations Global Compact has drawn more than 10,000 companies worldwide since 2000 to state their support of universally agreed principles on the environment, labour, human rights and governance/anti-corruption. Many of these firms adhere to a corporate sustainability model, which maintains that social and environmental well-being pays off in increased long-term market opportunities and business stability. These principles have been further leveraged through many varieties of partnerships, involving companies, governments at different levels, civil society organizations, and scientific and academic institutions. Representatives of companies participating in the UN’s global compact with business will be amply present in Addis.

The FfD draft acknowledges the diversity of businesses in size and scope of different kinds of business activity, and in it governments “call on all businesses to apply their creativity and innovation toward solving sustainable development challenges” [para 35]

6) An important offshoot of the corporate sustainability movement is private sustainability investment. The United Nations endorsed, UN Global Compact-initiated PRI brings together investors and firms with collectively \$35 trillion in assets pledged to take ESG (environmental, social and governance) issues into account in their criteria and decision-making. Twenty-three national bourses (out of a total of 55 in the worldwide federation) are pledged to promote long-term sustainable investment in their markets and to improve ESG disclosure among listed companies, as partners in a Sustainable Stock Exchange initiative, launched six years ago by UN Secretary-General Ban Ki-moon with the support of the UN Global Compact.

7) Governments note a \$1 to \$1.5 trillion annual infrastructure gap in developing countries alone, and a decline in infrastructure loans from commercial banks. They call on investors to “take measures to incentivize greater long-term investment” [para 47], with emphasis on the crucial role of “blended investments,” such as through public-private partnerships. [para 48].

8) The FfD document directly addresses business responsibilities, including to fight corruption [para 26], pay their fair share of taxes [para 27], and protect labour rights and environmental and health standards [para 41]. It welcomes “the growing number of businesses that embrace a core business model that takes account of the environmental, social and governance impacts of their activities, and urge all others to do so”, and “integrating environmental, social and governance factors into company reporting as appropriate, with countries deciding on the appropriate balance of voluntary and mandatory rules. We encourage businesses to adopt

principles for responsible business and investing, and we support the work of the Global Compact in this regard. [para 37]

9) The need for business and investors to fully recognize the potential of women is cited in the text: “We further encourage the private sector to contribute to advancing gender equality through striving to ensure women’s full and productive employment and decent work, equal pay for equal work or work of equal value, and equal opportunities, as well as protecting them against discrimination and abuse in the workplace. We support the Women’s Empowerment Principles established by UN-Women and the Global Compact and encourage increased investments in female-owned companies or businesses.” [para 41]

10) An important difference between FfD in 2002 and FfD 2015, in short, is not only in the scale and breadth of private sector engagement. It is that while the private sector was taken into account as a factor of development in Monterrey, in Addis both businesses and investment institutions are being treated as conscious and interested participants in meeting international objectives on society and the environment, as well as economic development.

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About the United Nations Global Compact

The United Nations Global Compact is a call to companies everywhere to voluntarily align their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption, and to take action in support of UN goals and issues. The UN Global Compact is a leadership platform for the development, implementation and disclosure of responsible corporate policies and practices. Launched in 2000, it is largest corporate sustainability initiative in the world, with 13,000 corporate and non-business signatories based in 170 countries. www.unglobalcompact.org