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# INVESTMENT CONDITIONS FOR THE SUSTAINABLE DEVELOPMENT GOALS IMPLEMENTATION

**Tkachenko I.V. Investment Conditions for the Sustainable Development Goals Implementation.** The paper highlights investment conditions for the Sustainable Development Goals (hereinafter – SDGs) implementation. Financing plays a key role in building a comprehensive global model to sustain the development goals, especially in developing countries. It was characterized the main level of investment flows to finance SDGs: global, regional, national, and corporate. Internal finance should be used as the preliminary source for SDGs within the framework of investment flows, while global and regional investments are well-integrated into the whole system of financing the Sustainable Development Goals. Public-private partnership is identified as an important source of investments to ensure the sustainable growth in the context of structural modernization of the economy and improving the quality of society life.

**Keywords:** financing, investment flows, investment conditions, sustainable development, Sustainable Development Goals.

**Ткаченко Ю.В. Інвестиційні умови імплементації Цілей сталого розвитку.** У статті окреслено інвестиційні умови імплементації Цілей сталого розвитку (ЦСР). Обґрунтовано, що фінансування відіграє ключову роль у створенні ефективної глобальної моделі підтримки реалізації поставлених цілей, особливо в країнах, які розвиваються. Визначено та охарактеризовано головні рівні здійснення інвестицій з метою досягнення сталого розвитку: глобальний, регіональний, національний, корпоративний. Відзначено, що в межах інвестиційних потоків, внутрішнє фінансування повинно використовуватись як первинне джерело інвестицій у ЦСР, у той час як глобальні і регіональні інвестиції інтегровані до загальної системи фінансування Цілей сталого розвитку. Аргументовано, що державно-приватне партнерство виступає важливим джерелом інвестицій для забезпечення сталого економічного зростання у контексті структурної модернізації економіки і поліпшення якості життя суспільства.

**Ключові слова:** фінансування, інвестиційні потоки, інвестиційні умови, сталий розвиток, Цілі сталого розвитку.

**Ткаченко Ю.В. Инвестиционные условия имплементации Целей устойчивого развития.** В статье обозначены инвестиционные условия имплементации Целей устойчивого развития (ЦУР). Обосновано, что финансирование играет ключевую роль в создании эффективной глобальной модели поддержки реализации поставленных целей, особенно в развивающихся странах. Определены и охарактеризованы главные уровни осуществления инвестиций с целью достижения устойчивого развития: глобальный, региональный, национальный, корпоративный. Отмечено, что в пределах инвестиционных потоков, внутреннее финансирование должно использоваться как первичный источник инвестиций в ЦУР, в то время как глобальные и региональные инвестиции интегрированы в общую систему финансирования Целей устойчивого развития. Аргументировано, что государственно-частное партнерство выступает важным источником инвестиций для обеспечения устойчивого экономического роста в контексте структурной модернизации экономики и улучшения качества жизни общества.

**Ключевые слова:** финансирование, инвестиционные потоки, инвестиционные условия, устойчивое развитие, Цели устойчивого развития.

**Identification of the problem.** The stability of financial system depends on the choice of financing instruments and sources. With the implementation of the 2030 Agenda for sustainable development a question is raised – what are the financial sources to be used within the working framework of the Sustainable Development Goals implementation? Especially it is important for developing countries and countries with not stable economies. It is very important for them to identify whether the use of complementary and new sources of financing profoundly modifies the financial structure. Moreover, the structure of a country's financial system should be analyzed to reveal the ability of financial system to endure systemic changes. Besides that, risk assessment should be provided in terms of the Sustainable Development Goals implementation. The necessary basis for the SDGs implementation is a stable financial system, as a global or regional financial crisis possibly will threaten a new sustainable development agenda. It actualizes an issue to create a favourable business climate needed for SDGs implementation.

**Analysis of recent researches and publications.** The need of financial support for the implementation of the Sustainable Development Goals together with the increased priority in social, environmental and economic issues has recently became a subject of discussion in the number of UN conferences, including the UN Conference on Financing for Development [1].

Directing investments for sustainable development is adjusted in works of T. Kozhukhova [2], L. Gladchenko [3], N. Mishenina and I. Mareha [4], A. Rusnak [5], D. Leus [6], I. Bordon and B. Schmitz [7]. While confirming importance of financing sustainable development, T. Kozhukhova identifies measures for effective use of international and domestic financial resources for sustainable development [2, p. 221]. According to L. Gladchenko [3, p. 59], a universal tool for sustainable development is public finance. However, it should be noted that nowadays only state efforts are not enough to implement SDGs. That is why it is necessary to attract and stimulate private sector investments to achieve the 2030 Agenda goals. Many researchers have drawn attention to the need for investment to ensure sustainable territorial and industry development, indicating the high importance of the national policy priorities alignment to the sustainable development agenda [4; 5]. D. Leus identifies four levels of sustainable development financing: local, regional, national and international [6, p. 136]. The author shares the indicated point of view except local level, assuming the role of business more significant in directing investments to achieve SDGs.

Therefore, the analyses of investment trends in sustainable development and capabilities of directing investments to achieve the Sustainable Development Goals is an important part in terms of state policy on SDGs consideration.

**The aim of the article** is an identification of the main investment conditions for the sustainable development goals implementation at different levels: global, regional, national and through public-private partnership.

**The study results.** According to I. Bordon and B. Schmitz at the moment there are more than 50 countries that have already integrated the SDGs into their national strategy plans, and another 50 countries that are currently in a consultation processes. The risks to financial stability always must be taken into account in the financing of investments in order to achieve new SDGs. Therefore, the emerging and developing countries need to improve on dealing with financial complexity. It is also requires more rigorous global financial market regulation and additional intensive coordination. This would help prevent financial risks and to direct investment in implementing the Sustainable Development Goals [7].

After going through the outcomes of the third UN Conference on Financing for Development [1], the main tendencies may be outlines:

1. Developed countries play an important role in encouraging reform to improve the enabling environment for investment.

2. Public finance is not enough to invest into SDGs, according to the defined agenda.

3. Public-private partnership – private investment is a powerful development enabler: delivered in the right way it can create jobs, build skills, spur innovation, provide essential infrastructure and services, boost economies and strengthen standards in public and corporate governance.

4. The quality of the investments is the same important as the quantity. Even though private finance accounts for the lion's share of capital inflows to developing countries, its contribution to development is still to fully materialize.

5. In order to use effectively the sustainable development potential of investment, the capacity of a local economy should be increased. It means a reformation of framework conditions to make countries attractive investment destinations, and promoting business climate conditions at the global level [8].

6. Improved monitoring and established system of measurement are required to ensure strong and sustained momentum for the 2030 Agenda. «The mechanics of SDG monitoring are still being worked out, but an emerging consensus suggests that the focus of SDG monitoring will be at the national level. Complementary monitoring will occur at the regional and global levels» [9, p. 2]. Currently most of businesses are in a process of incorporating social and environmental effects analyses into their business models to guarantee efficient, accountable delivery of the goals in terms of SDGs consideration.

Investment conditions for the SDGs implementation are summarized in the Policy Framework for Investment [10]. The document provides a checklist of key policy issues for consideration by any government interested in creating an enabling environment for all types of investment and in enhancing the development benefits of investment to society.

Through its 2015 update, the Framework addresses: investment policy, investment promotion and facilitation, trade policy, competition policy, tax policy, public governance, corporate governance, policies for enabling responsible business conduct, developing human resources for investment, investment framework for green growth, investment in infrastructure, financing investment.

The Framework is not binding or obligatory. It emphasizes the fundamental principles of rule of law, transparency, non-discrimination and the protection of property rights and provides different solutions and recommendations to choose from in terms of suitable policies implementation. The choice is usually based on a country's economic circumstances and institutional capabilities. The Framework helps governments to design and implement policy reforms to create an attractive, comprehensive and competitive business and development environment for domestic and foreign investment [11].

UNCTAD's Strategic Framework for Private Investment addresses key policy challenges and solutions, related to:

– Leadership should be provided in terms of the defined goals to ensure policy coherence and sustainability;

– Identification of funds for sustainable development – it can be ensured though public, private finance or other sources;

– Directing funds to sustainable development projects – a mechanism to sustain the right channelling of investments to SDGs implementation should be launched, especially in developing countries;

– Maximizing impact and mitigating drawbacks – cooperation with the private sector can be beneficial not only in terms of SDGs implementation, but business need itself [10, p. 144].

According to UNCTAD, the Sustainable Development Goals will require a step-change in the levels of both public and private investment in all countries. UNCTAD has estimated a yearly financial gap of USD 2.5 trillion in SDG investments, and this means that governments themselves cannot financially achieve the SDGs on their own, which determines the need to attract private sector investment [12, p. 6].

Investment flows to finance SDGs can be directed from the global, regional and national levels, as well as through public-private partnership, as it is shown in Fig. 1. The flows themselves can be external or internal going from public or private sources.

It is very important to provide and secure a coherent mechanism for investment flows to finance SDGs with the right identified channels, established and comprehensive monitoring and controlling system. Moreover, with launching risk management at the earliest stages, the effectiveness of the project can be highly improved.

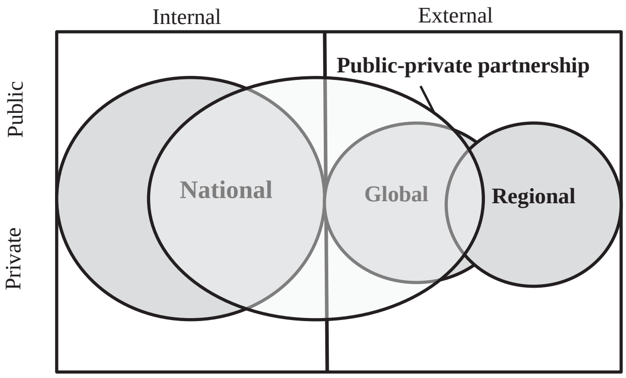


**Fig. 1. Schematic illustration with investment flows to finance SDGs**

*Source: developed by the author*

The People's Republic of China can be an example of the national level investment flows to finance SDGs. The country launched its national plan for implementing the 2030 Agenda for the Sustainable Development in September 2016. The launch took place at a high-level symposium on the side-lines of the 71st session of the UN General Assembly (UNGA) [13].

One of the examples to illustrate SDGs investment flows at the global level is Danida Business Finance programme, financed by Danish government. It was established in 1993 and over the years has built a track record of providing access to finance with targeting key infrastructure sectors, where investment improves the climate for economic development, in particular for the private sector. The main sectors are transportation, energy, water supply and sanitation.

All projects are assessed on sustainability criteria in the following areas, including IFC performance standards and UN guiding principles for business and human rights:

1) Environment & climate – results of the projects should be the environment or climate conditions, as well as supporting a transition to low carbon economy.

2) Economic – long-term economic development should be of the main goals.

3) Institutional – risk management in terms of institutional and organizational capacity is required to be a part of every project.

4) Social risks and impacts –possible negative effects of a project should be analyzed and risks minimizers identified [14].

An example of the regional program can be the European Fund for Strategic Investments, at the heart of its Investment Plan for Europe – that is already expected to mobilize EUR 116 billion across 26 Member States, benefiting more than 200,000 small and medium-sized enterprises. The plan was set up to encourage investment in Africa and the EU Neighbourhood to strengthen the partnerships and contribute to achieve the Sustainable Development Goals.

The European External Investment Plan consists of three complementary pillars [15, p. 10]:

– together with existing funds, the European Fund for Sustainable Development can facilitate with a guarantee to attract new investment flows;

– providing technical assistance for broader policy environment and support partners in public policy implementation;

– improving business environment to sustain public-private partnership.

According to Robeco's specialists M. Narr and B. Knol, the private sector can back many SDGs directly, especially in relation to infrastructure. For example, taking into consideration that such SDGs as climate change adaptation, education and the promotion of peaceful societies are more systemic in nature, thus they are more difficult to operationalize for the private sector [16, p. 2].

A recent PwC study shows, that «Decent work and economic growth» (SDG 8), «Climate action» (SDG 13) and «Industry, innovation and infrastructure» (SDG 9) have been estimated as the most actionable and practicable goals for private sector to tackle. Those goals represent opportunities for companies to make an economic profit from solving social or environmental problems while at the same time creating positive change [17, p. 9].

Five top priorities of the Sustainable Development Goals for businesses and separate industries in terms of impact and opportunities are shown in Table 1, identified in PwC SDG Engagement Survey.

As shown in Table 1, SDGs 8 (Decent work and economic growth) is especially important in terms of business opportunities, business impact, as well as for such industries: Financial Services, Retail and Consumer. Moreover, priorities on SDGs implementation are largely dependent on a particular industry and its impact within economic, social and environmental areas.

Nowadays one of the main questions is how to encourage business to drive SDGs. Three highly interrelated dimensions can be highlighted in this concern:

1. Inclusiveness – to provide an interest and means that business can directly benefit the poor, addressing them and the problems they face in the different contexts.

2. Sustainability, which can be achieved in terms of the concept «corporate sustainability», presented by the UN Global Compact and the World Business Council SD.

3. Partnering that is related to the last goal of the SDGs of «the global partnership for sustainable development». It recognizes that complex challenges require integrated responses, picking resources and know-how from all the stakeholders [18].

**Conclusions.** The highlights of investment conditions for the Sustainable Development Goals implementation enable the following outcomes:

1. Adoption of the SDGs creates new opportunities for corporate sector, first of all, for their integration into the main activities of the companies and the relevant implementation. Thus, the Sustainable Development Goals enable involvement of all stakeholders to achieve them and provide tools of influence for business in order to build a better future and promote establishment of strategic partnerships for the sustainable development.

2. It was identified that investment flows to finance SDGs can be directed from the global, regional and national levels, as well as through the public-private partnership. The flows themselves can be external or internal going from public or private sources. While public finance is not enough to implement the 2030 Agenda, public-private partnership is identified as an important source of investments to ensure the sustainable growth.

3. Comprehensive mechanism for investment flows to finance SDGs with the right identified channels; established comprehensive monitoring and controlling system; and inclusive risk evaluation; is very important to sustain high effectiveness of SDGs implementation.

Therefore, the further research will be directed at: a detailed analysis of Ukrainian investment opportunities for the Sustainable Development Goals implementation, developing an effective public investment policy on sustainable development and considering opportunities for establishing public-private partnerships.

Table 1

**Top-5 business impact on the SDGs and potential opportunities, 2015**

| **Sustainable Development Goals** | | | | | | |
|---|---|---|---|---|---|---|
| **In total** | | **Business impacts by industry** | | | | |
| **Business impact** | **Business opportunity** | **Energy, Utilities and Mining** | **Engineering and Construction** | **Financial Services** | **Healthcare** | **Retail and Consumer** |
| Decent work and economic growth | Decent work and economic growth | Affordable and clean energy | Industry, innovation and infrastructure | Decent work and economic growth | Good health and well-being | Decent work and economic growth |
| Climate action | Industry, innovation and infrastructure | Decent work and economic growth | Decent work and economic growth | Industry, innovation and infrastructure | Decent work and economic growth | Good health and well-being |
| Industry, innovation and infrastructure | Responsible consumption and production | Climate action | Climate action | Gender equality | Gender equality | Responsible consumption and production |
| Quality education | Climate action | Industry, innovation and infrastructure | Sustainable cities and communities | Climate action | Quality education | Zero hunger |
| Good health and well-being | Good health and well-being | Clean water and sanitation | Responsible consumption and production | Quality education | Industry, innovation and infrastructure | Climate action |

*Source: based on [17, p. 10]*

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