



SDG Investment Trends Monitor



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SDG Investment Trends Monitor

EXECUTIVE SUMMARY

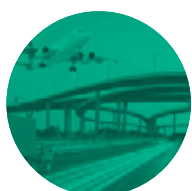
Investment trends highlights

- Overall, the data paints a mixed picture of both investment trends and monitoring capacities across the 10 SDG-relevant sectors for which investment gaps were first estimated in the World Investment Report 2014 (*WIR14*) – adding up to a total gap of \$2.5 trillion annually.
- Signs of progress are evident across several sectors, including in climate change mitigation, food and agriculture, and health. However, growth falls short of the requirements projected in *WIR14*. Even in areas where new investment initiatives and innovative financing mechanisms appear to be taking off, the order of magnitude is not yet in the range that would make a significant dent in estimated investment gaps.
- Limited data availability and poor data quality significantly constrain the ability to assess investment trends across all SDG sectors. While some sectors such as power and telecommunications have comparatively strong datasets, all sectors would benefit from more high-quality, disaggregated and robust investment monitoring.
- Despite the monitoring limitations, it is clear that the transition towards sustainable-development-oriented investment is so far not happening at the necessary scale or pace. This calls for transformative initiatives to mobilize and channel investment towards the SDGs. UNCTAD's Action Plan for Investment in the SDGs puts forward six sets of ideas aimed at creating a Big Push for investment in sustainable development.

Sector highlights:



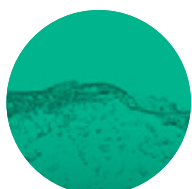
Power. Investment in developing economies has only marginally risen, despite increases in FDI and domestic private flows. Although investment in renewables has been flat in absolute terms, when adjusted for lower costs, it has grown significantly. However, current investment levels are significantly below the estimated investment required to meet SDG 7.



Transport infrastructure. Data availability for investment in the transportation sector is weak, especially in developing economies. Available data suggests that there is a steady increase in investment in this sector. However, considering the high estimated annual investment gap, growth is currently not sufficient for achieving the relevant SDG targets.



Telecommunications. Investment in the telecommunications sector has been relatively stable in the last few years. A gradual transition is observed, with more investment going to developing economies. The imminent rollout of 5G technologies will provide impetus to investment levels in this sector. Moreover, investment in disruptive technologies has significant potential in terms of the realization of the target of universal connectivity.



Water and sanitation. Available data suggests a significant shortfall in spending levels with respect to the requirements to achieve the SDGs, as well as a diminishing, or at best stagnant, trend in recent years.



Food and agriculture. Despite the lack of data on domestic private investment and large-scale foreign investment in agriculture, overall investment trends are positive. Gross fixed capital formation (GFCF) in developing economies has risen, led by China and India. The observed increase in capital investment remains below the additional investment needed to achieve SDG 2.



Climate change mitigation. Global climate change mitigation investment has risen on the back of growing private investment in renewable energy, in both developed and developing economies. However, the figures still represent a small share of the investment required to address climate change.



Climate change adaptation. Globally, public sector investment in the sector has remained flat, however, public flows to developing economies are increasing. Investment in this sector remains short of the estimated annual investment gap. Data gaps make it difficult to quantify overall investment levels, especially private sector participation.



Ecosystems and biodiversity. The limited data available suggests that most governments are either increasing their biodiversity-related expenditure or keeping it stable. Private investment is expanding rapidly, although from a very low starting point. A major investment gap to achieve the relevant SDG targets remains in this sector.



































Health. Globally, public and private spending in this sector continues to grow. Capital investment in developing economies has risen, but mostly driven by growth in China. In LDCs, despite increased development assistance flows, investment has remained weak.



Education. Both domestic and international public finance have decreased, while ODA disbursements in this sector have hit a plateau. Private philanthropy and impact investment have risen sharply, but they constitute a small part of the sector's overall investment needs.

Summary of gaps, directional trends and data availability

Main investment requirements	Most relevant SDGs	WIR14 estimated annual investment gaps ¹ (Billion of dollars)	Investment trend assessment	Data availability assessment
POWER Investment in generation, transmission and distribution of electricity		370–690		
TRANSPORT INFRASTRUCTURE Investment in roads, airports, ports and rail	 	50–470		
TELECOMMUNICATIONS Investment in infrastructure (fixed lines, mobile and internet)		70–240		
WATER, SANITATION AND HYGIENE (WASH) Provision of water and sanitation to industry and households		260		
FOOD AND AGRICULTURE Investment in agriculture, research, rural development, etc.		260		
CLIMATE CHANGE MITIGATION Investment in relevant infrastructure, renewable energy generation, research and deployment of climate-friendly technologies, etc.		380–680		
CLIMATE CHANGE ADAPTATION Investment to cope with impact of climate change in agriculture, infrastructure, water management, coastal zones, etc.		60–100		
ECOSYSTEMS AND BIODIVERSITY Investment in conservation and safeguarding ecosystems, marine resource management, sustainable forestry, etc.	 	N.D.		
HEALTH Investment in infrastructure, e.g. new hospitals, and R&D on vaccines and medicines		140		
EDUCATION Infrastructural investment, e.g. new schools		250		

Sources: SDG investment areas based on World Investment Report 2014. For sources on gaps and trends, see detailed sections for each area.

¹ Investment gaps estimated in World Investment Report 2014 were calculated using an eclectic approach that entailed analysing a variety of studies from different countries and regions. Based on data availability and the scope of these studies, some sectors have a large range to capture the diversity of methodologies.

N.D. = No data.

INTRODUCTION

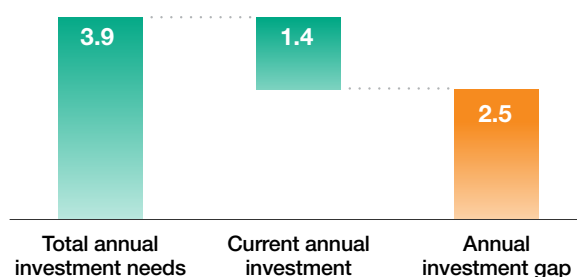
Background and objectives

UNCTAD first estimated the investment requirements associated with the Sustainable Development Goals (SDGs) in its 2014 World Investment Report (*WIR14*), on the eve of the adoption of the SDGs. The report assessed total investment needs and investment gaps across 10 sectors cutting across the 17 SDGs. The SDG investment sectors covered basic infrastructure (roads, rail and ports; power stations; telecommunications; water and sanitation); food security (agriculture and rural development); climate change mitigation and adaption; health and education. The report highlighted:

- An annual gap of \$2.5 trillion in developing economies alone, between “business as usual” levels of investment and SDG investment needs.
- The need for private investment, including international investment flows, to complement public investment in order to bridge the gap.
- A series of initiatives to mobilize and channel private investment towards the SDGs.

Figure 1.

Estimated annual investment needs and potential private sector contribution (Trillions of dollars)



Source: UNCTAD, *WIR14*.

Progress has been made in mapping investment needs, time to look at trends

Since 2015, many agencies and think tanks have done further work to assess needs for specific SDGs or targets, and to refine estimates for overall SDG financing requirements. A recent IMF study on SDG financing, although different in scope from *WIR14*, still found an overall gap of \$2.6 trillion for developing economies. Other significant studies include UN ESCAP, with a regional focus, and World Bank, WHO, FAO, ITU, UNESCO, UNEP, and IEA with a focus on specific SDG areas.

Most of these efforts largely focus on mapping investment *needs*. With the first data now becoming available covering several years since the adoption of the SDGs, it is time to start assessing directional *trends* in financing and investment flows.

Double objective: monitor trends and assess monitoring capacity

This inaugural SDG Investment Trends Monitor aims:

- To provide a broad overview of trends in financing and investment in SDG-relevant sectors.
- To identify weaknesses and gaps in data availability, data quality and monitoring capacity on investment performance in each SDG sector.

These objectives respond to the Addis Ababa Action Agenda, which calls for high-quality disaggregated data, monitoring and follow up as an essential input for decision making to support the SDGs.

Scope and approach

UNCTAD normally provides investment data and analysis through its annual World Investment Reports and through quarterly Global Investment Trends Monitors. These reports primarily focus on foreign direct investment (FDI) – the largest source of external finance for developing economies.

Diverse sources and multi-dimensional data

The scope of this SDG Investment Trends Monitor is broader and the approach is “eclectic”, combining many different types and sources of data in order to illustrate the most relevant trends. Some key dimensions:

- *Domestic and foreign.* The Monitor prioritizes international (cross-border) flows, UNCTAD’s primary focus, but complements the picture with domestic or total investment trends where possible.
- *Public and private.* *WIR14* stressed the need for increased private investment, albeit with varying roles for private operators in different SDG sectors. The Monitor includes total and public investment, including international public flows (e.g. Official Development Assistance, ODA) where available.
- *Financing and investment.* *WIR14* estimated actual investment needs. But it also highlighted the need for action at every stage along the “investment chain” from sources of funds to investments on the ground. This Monitor includes trends in raising finance for the SDGs upstream, to complement often scarce real investment data.
- *Capex and opex.* The approach in *WIR14*, in keeping with the nature of the annual report, was to focus on capital expenditures (capex). Total SDG financing requirements also include annual running costs (dubbed operating expenditures or opex). The relative importance of these varies by sector, with capex accounting for the bulk in infrastructure sectors and for much less in health or education. The Monitor focuses on capex but resorts to a total cost picture where breakdowns are not feasible.

The presentation of the data across the 10 SDG sectors is not consistent along these dimensions because of the different nature of the sectors and because of wildly varying degrees of data quality and availability. However, the data used has been verified and validated with sources, specialized agencies and institutions covering relevant SDG areas.

Point of caution: SDG-relevant investment vs investment in the SDGs

This Monitor follows the original 10 SDG sectors as defined in *WIR14*. Since then, progressive insights and new trends have emerged potentially necessitating an expanded scope. A forward-looking section has been included to provide initial insights on trends in investment in gender equality, smart cities and housing.

In its broad coverage of trends across 10 investment sectors, each relevant for several SDGs, it should be recognized that such investments can have both direct and indirect impacts on progress towards the SDGs. Direct impacts might include investment in schools, hospitals or potable water. Indirect impacts could occur through investment in infrastructure that addresses a bottleneck in the productive capacity of a developing economy. Moreover, not all investment will contribute to the SDGs to the same degree and some investments, while benefiting some targets, may be counterproductive for others. These considerations cannot easily be addressed with currently available data in a Monitor that seeks to provide a broad overview of trends, but should be part of the scope of further efforts to assess financial flows to individual SDG areas.

Just a starting point, and a call to action

In preparing this first version of the Monitor UNCTAD has benefited from the generous contributions of staff in many different agencies of the UN family. As such, the Monitor is a first attempt at a coordinated effort to track investment trends across the different SDG sectors. However, the assessment in this Monitor of current data and monitoring capacity shows that much more can be done. Timely and harmonized data for investment levels in relevant SDG sectors should be considered a matter of urgency for better planning and cooperation among all stakeholders. UNCTAD will continue to work with all relevant agencies to improve reporting on investment trends.



POWER

Capital investment requirements to meet the SDGs

- Investment in the generation, transmission and distribution of clean and affordable electricity

WIR14 estimates for developing economies:

(Billions of dollars and percentage)



Overview

The most relevant SDG for the power sector is SDG 7 (Affordable and clean energy), which seeks to ensure affordable energy access for all in developing economies, and particularly in least developed countries. SDG 7 also targets increasing the share of renewable energy in the global energy mix. The power sector has cross-sectoral links with SDG 9 (Industry, innovation and infrastructure) and SDG 11 (Sustainable cities and communities).

The global energy sector comprises the two sub-sectors of "fuel supply" and the "power sector" (i.e. the generation, transmission and distribution of electricity). In this monitor, the focus is on tracking the power sector, which received \$776 billion globally in 2018, \$133 billion of which was in low and lower-middle income economies, \$331 billion in upper-middle income economies and the remaining \$312 billion in high-income economies¹. In *WIR14* the estimated investment required was \$630 – \$950 billion, excluding renewable energy, which was accounted for under climate change mitigation. However, in this monitor the approach has been modified to include renewable energy trends and data within the power sector. This is based on a growing understanding that achieving universal access to electricity and supporting increased clean energy supply are inextricably linked, as reported by IEA and SEforALL, among other organizations.

Global financing and investment trends

Figure 1.1

Global energy sector investment in 2018, by component (Billions of dollars)

Fuel supply

(Upstream and downstream oil and gas supply, coal supply, biofuels supply)

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