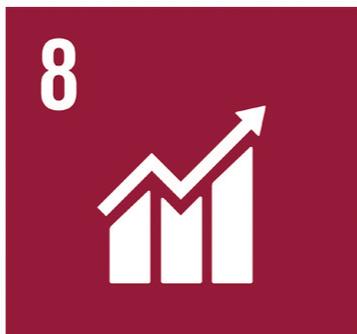


A New Way of Doing Business: Partnering for Peace and Sustainable Development

INTERNATIONAL PEACE INSTITUTE, SDG FUND, AND CONCORDIA



Cover Photo: Clockwise from top left: SDG Fund/Freya Morales; SDG Fund; IPI; Flickr; SDG Fund.

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The **Sustainable Development Goals Fund** (SDG Fund) is an international multi-donor and multi-agency development mechanism created by the United Nations to support sustainable development activities through integrated and multidimensional joint programs. The SDG Fund brings together UN agencies, national governments, academia, civil society, and businesses to work together and accelerate sustainable development.

Concordia is a nonprofit, nonpartisan organization that builds meaningful partnerships for positive social impact. As equal parts convener, campaigner, and idea incubator, Concordia is actively fostering cross-sector collaboration to create a more prosperous and sustainable future.

The **International Peace Institute** (IPI) is an independent international not-for-profit think tank dedicated to managing risk and building resilience to promote peace, security, and sustainable development.

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Foreword

“Our journey will involve Governments as well as Parliaments, the UN system and other international institutions, local authorities, indigenous peoples, civil society, business and the private sector, the scientific and academic community—and all people.... It is an Agenda of the people, by the people, and for the people—and this, we believe, will ensure its success.”

- Transforming Our World: The 2030 Agenda for Sustainable Development

The 2030 Agenda for Sustainable Development makes an unequivocal call to change the way partnerships have been done in the past—to transcend institutional and sectoral divisions and create innovative forms of cooperation among governments, civil society, and the private sector.

Making peace is often thought of as a task for states and their multilateral partners. But while governments have a central role to play in building a more peaceful world, businesses and civil society organizations can do more to support and scale up such efforts. By acknowledging the role of the private sector as a partner in sustainable development and simultaneously connecting sustainable development with peace, the 2030 Agenda provides a tangible link between the private sector and peace. As such, it can serve as an entry point for the business community to contribute to building and sustaining peaceful societies.

This joint research project by the SDG Fund, Concordia, and the International Peace Institute focuses on the following questions: What does it mean in practice for the private sector to become a partner for sustainable development and sustaining peace? How can companies reduce the risks associated with investing in countries under stress? And what are the tools to scale up investments and unlock the resources needed to implement the 2030 Agenda?

To answer these questions, each institution brought to the table its own particular experience and expertise. As a multi-donor and multi-agency mechanism, the SDG Fund brought its experience engaging the private sector as a partner in more than twenty-two countries and the lessons learned from this collaboration. Concordia, as a global platform and incubator for partnerships, leveraged its community to uncover private-sector-driven approaches to engaging with the Sustainable Development Goals (SDGs). Lastly, as an independent, research-based think tank with extensive experience working with the UN and its member states, the International Peace Institute provided access to UN officials and agencies and led the research and editorial process.

This report also seeks to contribute to ongoing discussions on the repositioning of the UN development system to deliver on the 2030 Agenda. Two years have already passed since the launch of the 2030 Agenda; the clock is ticking and the world is watching. Forging a strong and effective global partnership between the public and private sectors will be pivotal in determining the fate of the SDGs and building a more peaceful and inclusive world.

Paloma Durán
Director, UN SDG Fund

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President, IPI

Executive Summary

To meet the scale and ambition of the 2030 Agenda for Sustainable Development, the private sector will have to play a central role. The agenda provides a window of opportunity for the private sector, governments, and the UN to collaborate with each other through a new global partnership.

To make this partnership a reality, the UN and its member states must take steps to build trust with the private sector, including with small and medium enterprises, by engaging with it through a more systematic, transparent, and inclusive approach. The private sector, for its part, needs to transform itself into a partner by embedding the Sustainable Development Goals (SDGs) directly into its core business strategies and reporting on its contributions to achieving them, motivated by an advanced understanding of profit.

The private sector also needs to recognize the role it can play in building and sustaining peace. In the 2030 Agenda, peace is not only a goal in itself (SDG 16) but also a crosscutting theme that drives the achievement of the agenda as a whole. SDG 5 on gender equality, SDG 8 on inclusive economic growth, and SDG 17 on global partnership, in particular, are among the relevant goals that provide entry points for the private sector to engage in promoting peace.

The 2030 Agenda can therefore help bridge the current gap between the private sector and peace, promoting a holistic vision of peace where the private sector has a role. By adopting a “sustaining peace” approach, businesses can support the strengthening of effective, inclusive, and accountable institutions, build trust with communities, and empower youth and women as central actors in development and peace.

In order to bridge this gap, there is a need for more businesses to invest and create partnerships in countries they typically see as too risky. This requires exploring innovative tools to incentivize investment by reducing risk. Such tools, including blended finance, pooling mechanisms, microfinance, and development impact bonds, present further opportunities for partnership between the public and private sectors and the UN.

The report highlights a number of recommendations to create a new partnership for the SDGs,

bridge the gap between the private sector and peace, and incentivize private investment in countries under stress:

- Businesses should embed the SDGs in their core business strategies by integrating them in supply chains, practices, and policies.
- Businesses should improve reporting on their contributions to the SDGs, including by working with the UN to connect the SDG targets with business performance indicators.
- Businesses should expand engagement with UN headquarters through the high-level political forum and UN General Assembly summits on the follow-up and review of the 2030 Agenda.
- Global leaders should emphasize that the SDGs are good for business, better communicating to businesses that the SDGs represent an economic opportunity.
- The UN, governments, and large companies should increase engagement with small and medium enterprises, which should play a bigger role in efforts to achieve the SDGs.
- Governments and businesses should work together more closely in implementing the SDGs, with businesses supporting national governments in strengthening public institutions.
- Businesses should take a sustaining peace approach to their operations, assessing not only how their work can avoid contributing to conflict but also how it can support efforts to build and sustain peace.
- Businesses should build trust with communities by establishing open and transparent communication channels, setting up clear expectations, and providing space for community members to express their grievances and priorities.
- Businesses should strive to be more inclusive, including by adopting more inclusive hiring practices and targeting youth and women as the main beneficiaries of their operations.
- The UN, governments, and businesses should partner to scale up investments in countries under stress, including through mechanisms such as blended finance, pooling mechanisms, and development impact bonds.
- The new partnership between governments, the UN, and businesses should not focus on one-off

programs. Projects require long-term, self-sustaining funding models and a wider diversity of investors.

Introduction

The 2030 Agenda for Sustainable Development makes a bold and determined promise: “To transform our world” and “to reach the furthest behind first.” It commits to end poverty in all its forms, address climate change, and promote peaceful and inclusive societies. To achieve these goals, it calls for a new global partnership built through inclusive alliances between governments, businesses, civil society organizations, and the UN system.¹

The role of the private sector is prominent throughout the 2030 Agenda, most notably in Sustainable Development Goal (SDG) 17, which highlights the need to “strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development.”² The agenda explicitly calls on businesses “to apply their creativity and innovation to solving sustainable development challenges.” The call is directed to the private sector in all its forms, “from micro-enterprises to cooperatives to multinationals,” recognizing that the private sector is not monolithic but highly diverse in scale and capacity.³

This call is also echoed in the 2015 Addis Ababa Action Agenda, a framework for intergovernmental financing for development that provides concrete measures private investors can take to align themselves with sustainable development.⁴ Similarly, the resolutions on “sustaining peace,” adopted by the UN General Assembly and Security Council in 2016, call for a new strategic partnership with the private sector to promote inclusive growth and foster peaceful societies.⁵

The first goal of this paper is to explore what is needed to forge a new, holistic partnership between

businesses, the UN, and its member states to achieve the 2030 Agenda, as called for in the agenda itself. While civil society is also pivotal in this effort, it is not the main focus of this research. The 2030 Agenda has opened a window of opportunity for building this partnership, and there are promising signs that progress toward enduring cross-sector collaboration is already underway. Those interviewed for this study from both the private sector and the UN agreed that the 2030 Agenda has provided a new space to build trust and bridge gaps. The UN secretary-general and the CEOs of several major multinational companies have already expressed their commitment to turning the vision of the 2030 Agenda into reality. Secretary-General António Guterres has reiterated that he is particularly interested in the “alignment of the core business of the private sector with the strategic goals of the international community,” envisioning a “new generation of partnerships with the business community.”⁶

However, this window of opportunity will not be open forever, and changes are still required from the UN, member states, and the private sector to take advantage of it. Many businesses mentioned that the UN and its member states must take steps to build trust with the private sector, including small and medium enterprises (SMEs), by engaging with it through a more systematic, transparent, and inclusive approach.⁷ For its part, the private sector needs to transform itself into a partner by embedding the SDGs directly into its core business strategies and reporting on its contributions to achieving them. This is the equivalent of incorporating the 2030 Agenda into businesses’ DNA by changing their behavior, culture, and structure and embedding the SDGs in their supply chains and bottom-line metrics.⁸ These changes need to come from the top: “The leadership has to prove the business case for engaging in the SDGs.”⁹

The second goal of the paper is to understand

1 UN General Assembly Resolution 70/1 (October 21, 2015), UN Doc. A/RES/70/1.

2 Ibid.

3 Ibid., para. 41

4 UN General Assembly Resolution 69/313 (August 17, 2015), UN Doc. A/RES/69/313.

5 UN Security Council Resolution 2282 (April 27, 2016), UN Doc. S/RES/2282; UN General Assembly Resolution 70/262 (April 27, 2016), UN Doc. A/RES/70/262.

6 United Nations, “At Davos Forum, UN Chief Guterres Calls Businesses ‘Best Allies’ to Curb Climate Change, Poverty,” January 19, 2017, available at www.un.org/apps/news/story.asp?NewsID=56008#.WaBIYVGGNPY.

7 Interview with Chantal Line Carpentier, chief at UNCTAD, New York, June 21, 2017; Interview with Helen Medina, senior public affairs manager for government and multilateral relations at Nestlé, June 9, 2017.

8 Interview with Ana Maria Blanco, industry purpose program strategist at GSMA, New York, July 6, 2017.

9 Ibid.

how the private sector in all its forms—from large companies and investors to SMEs—can contribute to achieving peace as both an enabler and an outcome of the 2030 Agenda, including through SDG 5, SDG 8, SDG 16, and SDG 17. This requires businesses to adopt a “sustaining peace” approach to all their operations and investments. Sustaining peace is defined by member states as:

A goal and a process to build a common vision of a society, ensuring that the needs of all segments of the population are taken into account, which encompasses activities aimed at preventing the outbreak, escalation, continuation and recurrence of conflict, addressing root causes, assisting parties to conflict to end hostilities, ensuring national reconciliation, and moving towards recovery, reconstruction and development.¹⁰

For the private sector, adopting a sustaining peace approach requires building trust-based relationships with national and local governments and engaging with local communities during decision making. This is not a “one-size-fits-all” approach but requires an understanding and awareness of the specific context.

Like the 2030 Agenda, which states that “there can be no sustainable development without peace and no peace without sustainable development,” this paper understands peace in a holistic manner.¹¹ The 2030 Agenda portrays peace not only as a goal in itself—SDG 16 calls for the promotion of peaceful, just, and inclusive societies—but also as a crosscutting theme that drives the achievement of the agenda as a whole. As one CEO stated, “The bottom line is that peace and development are a prerequisite for each other.”¹²

This represents a powerful shift in mindset toward conceiving of peace in an active and “positive” way—from looking at the factors that drive violent conflict to those that enable and sustain peace. This is particularly important when addressing the role of the private sector in promoting peace, as many companies do not see themselves as “peace actors.” When peace is

portrayed as a continuum that requires progress in all aspects of sustainable development, the role of the private sector in promoting peace becomes clearer.

Although businesses have an impact on all of the SDGs, and all of them are linked to peace, this paper pays particular attention to four SDGs through which the private sector can make a particularly strong contribution to peace: SDG 5 on gender equality, SDG 8 on inclusive economic growth, SDG 16 on peaceful and just societies, and SDG 17 on a new global partnership.¹³ These four SDGs connect directly to the role of business in sustaining peace. For instance, “a universal, rules-based, open, non-discriminatory and equitable trading system” (SDG 17) can, with the right policies in place, be an engine of inclusive economic growth. This could in turn contribute to increasing employment (SDG 8) and women’s inclusion (SDG 5), which has a direct effect on a state’s level of peacefulness (SDG 16), as gender equality is a strong predictor of peace.¹⁴

In forging new partnerships around sustainable development and sustaining peace, the UN, member states, and the private sector need to change their mindsets and behaviors to place the needs of people at the center of their approach. This is particularly true in countries that are under stress, whether they are developed or developing countries, free from conflict or affected by conflict. This broad category of “countries under stress” includes those that need to strengthen governance and public institutions and pose a higher degree of risk for both domestic and foreign companies. The World Bank has a similar term: “low-income countries under stress.”¹⁵ However, since many middle-income countries also experience high levels of poverty and governance deficits, the term used here encompasses a broader spectrum of countries. Enhancing the private sector’s involvement and increasing investment in the SDGs in these complex contexts that often lack investment can have a major impact on the lives of millions of people.

10 UN Security Council Resolution 2282 (April 27, 2016), UN Doc. S/RES/2282; UN General Assembly Resolution 70/262 (April 27, 2016), UN Doc. A/RES/70/262.

11 UN General Assembly Resolution 70/1 (October 21, 2015), UN Doc. A/RES/70/1.

12 Interview with Joan M. Larrea, CEO of Convergence, New York, July 5, 2017.

13 Although initially beyond the scope of this research, the companies interviewed frequently brought up their work on SDG 13 on climate change, which has been an important entry point into sustainable development, particularly through the Paris Agreement on climate change.

14 Youssef Mahmoud, Jimena Leiva Roesch, Andrea Ó Súilleabháin, and Delphine Mechoulan, “The SDGs and Prevention for Sustaining Peace: Exploring the Transformative Potential of the Goal on Gender Equality,” International Peace Institute, November 2016, available at www.ipinst.org/2016/11/sdgs-goal-gender-equality.

15 World Bank, “New Country Classifications by Income Level,” July 2016, available at <https://blogs.worldbank.org/opendata/new-country-classifications-2016>.

The third goal of this paper, therefore, is to address the most pressing concern that companies have about investing and commencing operations in countries under stress: how can their risk be mitigated? According to the secretary-general, “In spite of an increasingly conducive environment, SDGs investments continue to lack scale. Cross-sectoral partnerships and a blending of capital are also proving complex for many governments. To date, the lack of ‘bankable’ projects has been a major impediment to greater SDG investment.”¹⁶ To address this, the paper will review how several financial instruments can be used to cushion companies from the risks associated with working with and in countries under stress and to scale up projects in those countries.

As conveyed by the secretary-general, to achieve the 2030 Agenda “governments will need more support to attract, leverage and mobilize investments of all kinds—public and private, national and global.”¹⁷ Crafting inclusive partnerships with the private sector is essential to delivering on and transforming the promise of this agenda into reality.

But at the same time, the private sector cannot be expected to be the only solution to sustainable development, let alone peace. Moreover, many companies reiterated that there is a need to manage expectations; this is “a new journey” that requires time and adjustment. Many interviewees mentioned that the SDGs should not be used to repackage existing practices or to clean up the image of human rights abusers and should not be “cherry-picked” as convenient. Therefore, partnerships with the private sector need to be built on transparency and mutual accountability.

This research is based on interviews and questionnaires conducted by IPI and Concordia with large corporations with a global footprint that are working on the SDGs in a range of sectors.¹⁸ IPI also interviewed many UN agencies and civil society organizations that work alongside the private sector toward achieving the 2030 Agenda. This paper also

draws on the portfolio of the SDG Fund to reflect on the lessons learned from international and local companies working in countries under stress.

Creating a New Global Partnership

What is needed to forge a new, holistic partnership between businesses, the UN, and its member states to achieve the 2030 Agenda? Changes are still required from all sides to deepen this partnership and build trust.

DEEPENING UN ENGAGEMENT WITH THE PRIVATE SECTOR

Companies perceive that there has been a change in the way the UN and member states engage with the private sector. Interviewees spoke about a new wave of openness and a greater recognition of the role businesses play in contributing to sustainable development and peace: “Before, there was a reluctance to include the private sector in discussions, while now we can see there is a collaborative approach, with the UN and member states acknowledging that the private sector and private finance are needed—and willing—to help them achieve the SDGs.”¹⁹

The SDG Fund, a multi-donor, multi-agency UN mechanism, is at the center of this emerging collaborative approach. In 2015 the SDG Fund launched a Private Sector Advisory Group (PSAG) composed of business leaders of major companies from various industries worldwide. One CEO who is a member of this group noted growing enthusiasm among once-distant multilateral institutions for greater involvement of businesses: “Two years ago when we were here as a business trying to work with the United Nations for some common language between what we know as ‘business language’ and what multilateral agencies know as ‘government speak,’ what I felt and sensed then was [that] there was a huge mistrust between governments, businesses, and civil society.”²⁰ Then

16 Interview with Elliott Harris, assistant secretary-general for the UN Environment New York office, New York, May 24, 2017.

17 UN General Assembly and Economic and Social Council, *Repositioning the United Nations Development System to Deliver on the 2030 Agenda: Ensuring a Better Future for All—Report of the Secretary-General*, UN Doc. A/72/124-E/2018/3, June 30, 2017.

18 The following companies and organizations were interviewed for this research: Aviva, Citi Bank, Coca-Cola, Credit Suisse, GSMA, Nestlé, Novozymes, Siemens, and Swarovski Waterschool. Other participating organizations and UN agencies include the SDG Fund, UNCTAD, UNICEF, UN Environment, the UN Global Compact, the Shift Project, Impact 2030, the World Bank Group, and Convergence. Companies were notified before all interviews of their potential inclusion of this report, and the responsibility for opinions expressed in examples rests solely with them.

19 Interview with Alexandra Belias from Aviva, New York, June 21, 2017.

20 Tonye Cole, founder and CEO of the Sahara Group, remarks at panel discussion on “Why SDGs Are Good for Business and Vice Versa,” International Peace Institute, New York, September 23, 2016.

last year, he continued, it changed for the better: “It wasn’t so much about mistrust, but it was about, ‘You know what, we don’t have a choice. What can we do? We actually need the private sector, so let’s talk.’”²¹ The 2030 Agenda helped instigate this conversation by providing a common framework that recognizes the different but complementary roles of businesses and the UN in achieving peace and sustainable development.

In line with the 2030 Agenda’s understanding of the SDGs as holistic and interlinked, the SDG Fund is undertaking projects that work with the private sector as a co-designer and partner to address multiple SDGs and focus on transforming the entire production system, from planting the seeds to selling the final product. Operating with a light footprint with no physical presence on the ground, the SDG Fund works with the support of a secretariat based in New York to help UN country teams identify private sector partners. After going through a due-diligence process, representatives

from the government, the private sector, and the UN co-design and co-invest in a project that is context-specific and that promotes multiple SDGs. This last point is key, as the SDG Fund emphasizes the idea of investing in projects that can unlock market-wide benefits and that can be sustainable and replicated. A clear example of this partnership is the SDG Fund’s joint program in Nigeria, which is not only training a group of young farmers to help them overcome poverty but also attempting to alleviate poverty on a wider scale by strengthening the agro-food value chains (see Box 1 and Figure 1).

This type of collaboration is not new, but historically the private sector was primarily seen as a donor. Long before the 2030 Agenda, the UN system engaged the private sector in different ways—some more visible than others—and this engagement extends beyond development. Most UN agencies and intergovernmental bodies have methods for engaging the private sector in policy-making. The UN Global Compact is an initiative

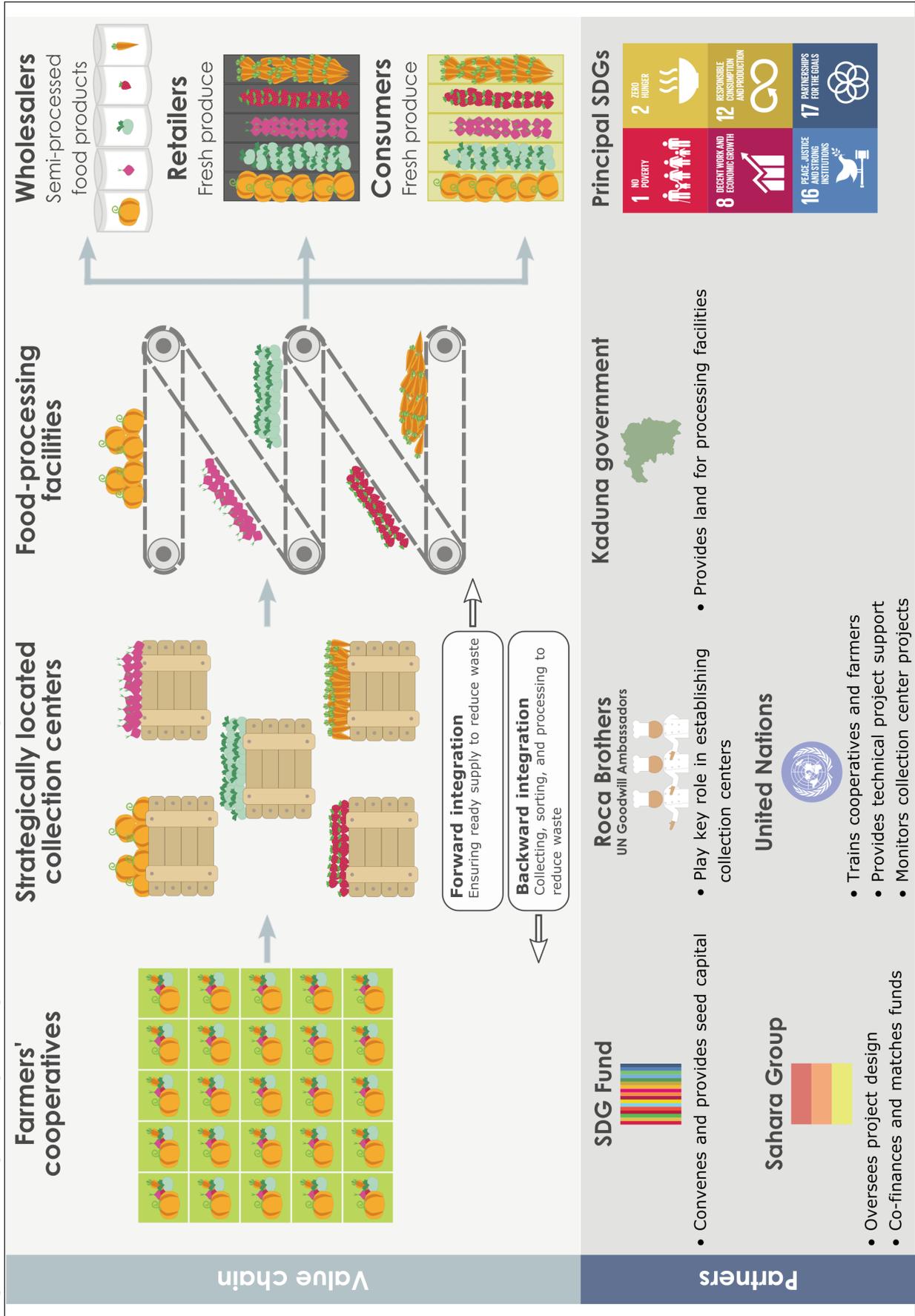
Box 1. Tackling multiple SDGs by using a market-wide approach in Nigeria

The SDG Fund’s “Food Africa” project in Nigeria reflects the new type of global partnership envisaged in the 2030 Agenda: it tackles multiple SDGs through a market-wide approach; engages the private sector as a co-designer; strengthens the role of the UN resident coordinator’s office as a platform to connect the national government, the local private sector, and UN agencies; and, most importantly, puts people at the center of its programming. This public-private partnership brings together the energy conglomerate Sahara Group, the SDG Fund, the UN offices in Nigeria, the “Roca Brothers” chefs, and the Kaduna state government. It aims at improving food security and alleviating poverty using a market-driven model for agricultural development that strengthens agro-food value chains, improves agricultural productivity and yields, enhances food-processing facilities, and promotes access to markets in Nigeria.

The project’s collaborative model leverages each partner’s strengths at different stages of the process to tackle the production chain as a whole. The SDG Fund and Sahara Group work together in designing the program and provide the bulk of the co-financing, mobilizing matching contributions, and overseeing the preparation and implementation of the work plan in agreement with the other partners. The office of the UN resident coordinator in Nigeria coordinates with relevant UN agencies: the Food and Agriculture Organization, International Labour Organization, and International Trade Centre. These each provide technical assistance in their areas of expertise to implement the activities agreed upon in the work plan. Using a training-of-trainers model, the Roca Brothers, internationally acclaimed chefs, mentor a select group of farmers in cultivating, processing, and bringing to market horticultural products and share best practices in using resources efficiently, recycling, and recovering waste. The Kaduna state government provides the arable land, the facility, utilities, and year-round security. Furthermore, the state government collaborates with other state-level stakeholders to improve local infrastructure (e.g., rural roads to allow access to the facility and farmland), share relevant policy information and data, and identify farmers to take part in the program.

21 Ibid.

Figure 1. Strengthening the agro-food value chain in Nigeria



Source: International Peace Institute (2017)

encouraging businesses to adopt sustainable and socially responsible practices, most notably through its ten principles.²² UN Environment regularly invites private sector actors to attend meetings and discussions as an observer at its headquarters in Nairobi. The International Labour Organization’s tripartite model gives governments, employers, and workers “equal status” in negotiations. The Strategic Approach to International Chemicals Management is a policy framework providing business partners with a seat at the negotiation table. The private sector has also long been a partner in more “invisible” technical bodies that regulate things such as information, aviation, and shipping.²³

Despite existing mechanisms and entry points for increased engagement, private sector actors are asking for greater inclusion at all stages of decision making on implementation of the 2030 Agenda. The SDG Fund’s Private Sector Advisory Group found that businesses want and need to be brought to the table from the very beginning; they should be involved in the development and design of programs on the ground.²⁴ This new type of partnership entails aligning objectives and expectations from the early stages of programming. According to the director of the SDG Fund, “They want [real] partnerships that are inclusive, innovative, with the participation of communities, governments, civil society, and with this idea of co-designing together, co-implementing together, and co-investing together.”²⁵

Existing partnerships have also tended to focus on large companies mainly due to the fact that multinationals have the leverage and human capital to meaningfully engage with the vast array of UN bodies. According to the former executive director of Impact 2030, a network of corporations working toward the SDGs, “When companies see the UN in all its complexity—unless you are a large

company—it is very difficult to maneuver. A lot of companies want to work with the UN for the SDGs but don’t know how.”²⁶ The UN is not meeting the demand for engagement at the national and local levels. As mentioned by the chief of the UN Conference on Trade and Development’s (UNCTAD) New York office, “There’s no hotline to call or publicly available list of focal points within relevant agencies, funds, and programs to initiate meaningful discussions.”²⁷ This problem is exacerbated in countries with smaller UN missions and without the funding to introduce their SMEs to relevant UN actors.²⁸

To achieve the global partnership envisioned in the 2030 Agenda, the UN needs to engage more with SMEs. While these enterprises provide the majority of employment worldwide, they are traditionally excluded from global supply chains.²⁹ Many of the standard requirements for the private sector to engage with the UN (e.g., reporting mechanisms, compliance with the UN Guiding Principles on Business and Human Rights, conflict assessments, and due-diligence processes) surpass the capabilities and resources of SMEs, further marginalizing them. To address this challenge, the Business and Sustainable Development Commission recommends that governments and large public companies develop sustainability metrics and communication strategies for their procurement processes and requirements that are tailored to SMEs.³⁰

Answering SMEs’ demand for effective, timely engagement should also be a priority for UN country teams. While the UN Global Compact’s local networks provide one method of deepening engagement, officers from the organization admit that only around 30 percent of these networks are at full capacity and that local networks are not fully connected with UN country offices.³¹ UN resident coordinators can use their offices to advocate for a

22 The UN Global Compact is a voluntary effort, and member companies are not obliged to strictly follow its ten principles. See www.unglobalcompact.org/.

23 Interview with Elliott Harris, assistant secretary-general for the UN Environment New York office, New York, May 24, 2017.

24 SDG Fund, “Universality and the SDGs: A Business Perspective,” 2016, available at www.sdgfund.org/universality-and-sdgs.

25 Paloma Durán, director of the SDG Fund, remarks at panel discussion on “Why SDGs Are Good for Business and Vice Versa,” International Peace Institute, New York, September 23, 2016.

26 Interview with Tauni Lanier, former executive director of Impact 2030, New York, June 16, 2017.

27 Interview with Chantal Line Carpentier, chief at UNCTAD, New York, June 21, 2017.

28 Ibid.

29 World Bank, “Small and Medium Enterprises (SMEs) Finance,” September 1, 2015.

30 Ibid.

31 Interviewee, New York, June 29, 2017.

closer relationship between governments and local businesses, particularly in countries where there is a lack of trust between the two sectors.

For example, the SDG Fund connects local companies with the office of the UN resident coordinator and UN agencies to co-design joint programs that simultaneously support peace and have positive returns for the private sector. In addition, the UN Global Compact's Business for Peace platform, which assists companies in implementing responsible business practices in conflict-affected countries, has been working on implementing differentiated reporting mechanisms for SMEs in conflict-affected countries in order to lessen the burden of their engagement.

On a broader scale, UN country teams could engage in broader consultations with local private sector representatives in the implementation of the UN Development Assistance Framework to secure the private sector's partnership in achieving national priorities. They could also create platforms for gathering local companies and government representatives to work on joint programs related to the 2030 Agenda.

TRANSFORMING THE PRIVATE SECTOR INTO A PARTNER

To date, the private sector has engaged with the UN development system in various ways, including through philanthropy and corporate social responsibility (CSR). These approaches have had positive results but have not matched the scale, ambition, or sustainability needed "to transform our world," as called for in the 2030 Agenda. Philanthropy and CSR often remain detached from companies' core business strategies and are often designed to offset negative impacts of business operations. CSR often entails a compartmentalized approach to sustainable development that is primarily focused on reducing environmental impact. Moreover, CSR reporting and accountability mechanisms often lack external review and standardized metrics.

This has led to calls for the private sector to transform its approach to sustainable development:

"This time around is not only about philanthropy," noted the deputy director of the UN Global Compact. "The SDGs cannot become a way for companies to repackage. We need to go from embedded corporate social responsibility to seeing companies as key actors for sustainable development."³²

In order to achieve transformative impact, companies need to embed the principles of the SDGs directly into their business strategies: their long-term objectives, research and development, hiring processes and incentive programs, and all stages of the supply chain. According to the SDG Fund, "In every industry sector, it is these core business investments and activities that offer the greatest potential for achieving sustained results at scale."³³ Sustainable growth will only take place if companies take into account the impact of their activities on society, the environment, governance, and inclusivity when developing their strategies.

Consumers are increasingly holding companies accountable and being more conscious of where they put their money. According to a representative from Aviva, "The general public values sustainability more and more—consumers trust companies more and employees feel pride when their company acts sustainably in a way that benefits society."³⁴ Because of this increased public attention, "the private sector used to think that my business is just my business, but now that is changing."³⁵ By "meeting society's demand for solutions to social problems, sustainability brings to companies a competitive advantage that ensures their long-term viability."³⁶

One example is GSMA, the largest association of mobile phone operators. GSMA trains its employees to mentor member companies on the SDGs and communicate that anyone can have an impact and become an agent for sustainable development.³⁷ Examples of multinational companies starting to embed the SDGs in their business strategies include Siemens's commitment to becoming carbon neutral, Coca-Cola and Nestlé's shift toward sustainable, local sourcing of ingredi-

32 Interview with Gavin Power, deputy director of the UN Global Compact, New York, June 23, 2017.

33 SDG Fund, Harvard Kennedy School CSR Initiative, and Inspiris Limited, "Business and the United Nations."

34 Interview with Alexandra Belias from Aviva, New York, June 21, 2017.

35 Ibid.

36 SDG Fund, "Universality and the SDGs: A Business Perspective," 2016.

37 Interview with Ana Maria Blanco, industry purpose program strategist at GSMA, New York, July 6, 2017.

ents, and Aviva's efforts to champion sustainable finance in its investments and throughout the financial sector (see Box 2).

These decisions are also motivated by the profit companies expect from investing in sustainable practices. The SDGs represent an economic opportunity for businesses, and more of them are arguing in favor of the SDGs not only because they are better for the world but also because they increase returns. It is estimated that achieving the SDGs could open up \$12 trillion of market opportunities in just four economic systems—food and agriculture, cities, energy and materials, and health and well-being—and create 380 million new jobs by 2030.³⁸ The SDGs make business sense.

In line with these assessments, the CEO of Siemens conveyed that he expects the company's transition to being carbon neutral to be profitable.³⁹ Coca-Cola's chairman highlighted that when he explained to the board that they could replenish the amount of water they use globally, they accepted it only when he “showed them the algebra” and demonstrated that it helped both their bottom line and the planet.⁴⁰ The CEO of Unilever has strongly advocated moving toward sustainable business models, noting that Unilever's brands that have embedded sustainability are growing 30 percent faster than the rest of the company: “This is proving that there is no trade-off between sustainability and profitable growth,” he argues.⁴¹

Many companies also see an opportunity to leverage the SDGs to build new markets: “As economic growth in the advanced countries has slowed, multinational corporations are looking to developing countries for the bulk of their own growth. That has shifted the priority of development from an afterthought to a central priority of major business leaders.”⁴² The SDGs create a common framework for companies looking to identify new suppliers or markets.

In spite of these positive steps, not all companies are engaging with the 2030 Agenda. According to Ethical Corporation's 2016 *State of Responsible Business Report*, more than half of global companies do not plan to engage with the SDGs⁴³—though another survey in 2015 found that 70 percent plan to embed them into their work within five years.⁴⁴ This is a missed opportunity.

Companies that do engage with the SDGs still most often frame their goals within their CSR policies. They relegate the SDGs to silos, tasking them to their sustainability departments rather than incorporating them into core business strategies. According to one CEO, “There is still too much reluctance by business leaders and investors to fully embrace the change to this new type of business model. The focus still tends to be on [CSR] rather than embedding sustainability at the core of their business. They need to realize that... this approach needs to be more than a simple CSR exercise.”⁴⁵

Novozymes, a global biotechnology company, provides one example of how to move in this direction. It has embedded its long-term sustainable development targets and incentives into its company purpose and strategy, integrating SDG-linked initiatives throughout the company. To enable greater understanding of and connections between its innovations and their potential impact on the SDGs, Novozymes has developed an SDG impact assessment tool. It is now in the process of forming partnerships with commercial and noncommercial partners to accelerate those innovations: “This comprehensive approach means that everyone at Novozymes has a stake in the SDGs, creating new points of engagement,” according to a representative of the company.⁴⁶

Being a partner in implementing the 2030 Agenda also comes with added responsibility for the private sector. For example, SDG target 12.6

38 Business & Sustainable Development Commission, “Better Business, Better World,” January 2017, available at <http://report.businesscommission.org>.

39 Joe Kaeser, “Industry Can Lead on Climate Change,” *New York Times*, September 22, 2015.

40 Muhtar Kent, chairman of the board of directors of Coca-Cola, Concordia summit, Athens, Greece, June 2017.

41 Paul Polman, “Why Sustainable Development Makes Good Business Sense,” Business & Sustainable Development Commission, 2015, available at <http://business-commission.org/our-work/sustainable-development-isnt-just-doing-the-right-thing-its-good-business-sense>.

42 Laurence Chandy, Akio Hosono, Homi Kharas, and Johannes Linn, “Overview: The Challenge of Reaching Scale,” in *Getting to Scale: How to Bring Development Solutions to Millions of Poor People* (Washington DC: Brookings Institution Press, 2013).

43 Katharine Earley, “More than Half of All Businesses Ignore UN's Sustainable Development Goals,” *The Guardian*, September 30, 2016.

44 PwC, “New Global Goals: Are They Business Critical?,” 2015, available at www.pwc.com/gx/en/services/sustainability/sustainable-development-goals/sdg-research-results.html.

45 Polman, “Why Sustainable Development Makes Good Business Sense.”

46 Interview with Justin Perretson, senior adviser at Novozymes, New York, May 23, 2017.

“encourage[s] companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.”⁴⁷ This presents an opportunity for the private sector to showcase what it is doing to turn its visions into reality. But little has been done in this direction so far. There is still a pressing need to strengthen reporting and monitoring. There are no follow-up or review mechanisms in place to monitor the engagement of large companies in achieving the 2030 Agenda, let alone of SMEs. This makes it difficult to measure

the existing and expanding contributions of the private sector.

One obstacle is the perceived disconnect between businesses and the SDG indicators and targets, which often do not apply to them and are not geared toward a business audience.⁴⁸ Translating these into “key performance indicators” that resonate with bottom-line-oriented businesses could help more companies see the merits of the 2030 Agenda and their unique role in achieving it. These different reporting parameters would need to be coherent and to ensure that their language is

Box 2. Sustainable finance: A step toward more responsible investment

The financial sector has enormous potential to advance the SDGs: “The biggest impact you can have on the SDGs is how you invest your money,” noted a representative of UNCTAD.⁴⁹

One of the fast-track strategies to unlock this potential is the expansion of sustainable finance. Sustainable finance involves integrating environmental, social, and governance criteria into the decisions of financial services companies to account for their impact not only on their clients but also on society as a whole. This is not just an altruistic idea to benefit society; it represents a shift in investors’ understanding of their role in society and an investment in their own long-term survival.

The tipping point for industry-wide change toward sustainable finance seems to lie, again, in partnerships. Companies cannot complete this shift alone, especially those operating in multiple markets. The UN can provide a common framework and direction. The approval of a UN resolution on sustainable finance, for example, could “crystallize work in this critical area, especially in improving financial literacy,” sending a strong signal to investors that governments are behind this shift.⁵⁰

Another example of a partnership around sustainable finance is the Sustainable Stock Exchanges Initiative co-organized by UNCTAD, the UN Global Compact, the UN Environment Finance Initiative, and the Principles for Responsible Investment. This initiative is a peer-to-peer learning platform for exploring how exchanges, investors, regulators, and companies can enhance corporate transparency and performance on environmental, social, and corporate governance issues and encourage sustainable investment. The initiative has succeeded in getting major stock exchanges worldwide to make a public commitment to sustainability in their markets.⁵¹

As with corporations more generally, the public is increasingly pressuring financial services companies to incorporate sustainability into their business strategies. According to a representative of an insurance company, “The largest transfer of wealth is happening now from the baby boomers to the millennials, and the millennials are asking about the impact of their investments.”⁵² Many interviewees highlighted the importance of further raising awareness of where money is being invested. Companies and governments could help by including SDG-related options in employees’ retirement plans or pensions, which amounted to \$26 trillion in 2015 for countries in the Organization for Economic Co-operation and Development (OECD).⁵³

47 UN General Assembly Resolution 70/1 (October 21, 2015), UN Doc. A/RES/70/1.

48 Interview with Markus Strangmüller, corporate development strategy at Siemens, New York, May 30, 2017.

49 Interview with Chantal Line Carpentier, chief at UNCTAD, New York, June 21, 2017.

50 Aviva, “Money Talks: How Finance Can Further the Sustainable Development Goals,” available at www.aviva.com/media/thought-leadership/money-talks-how-finance-can-further-sustainable-development-goal/.

51 See www.sseinitiative.org/about/.

52 Interview with Alexandra Belias from Aviva, New York, June 21, 2017.

53 OECD, “Pension Markets in Focus,” 2016, available at www.oecd.org/daf/fin/private-pensions/Pension-Markets-in-Focus-2016.pdf.

aligned.

Some positive actions by the UN and its member states to involve the private sector in follow-up and monitoring its contributions must be recognized. Companies have been increasingly invited to participate in the High-Level Political Forum, the body responsible for following up on the 2030 Agenda. Moreover, the UN Global Compact is starting to discuss strengthening its accountability mechanisms through “third-party verification” systems that would guarantee transparency and compliance with the Global Compact principles.⁵⁴

Many national governments are also recognizing the opportunity at hand. Worldwide, member states are involving the private sector in the preparation of their national voluntary reviews. There is also a growth in funding pools that embed the SDGs directly into the application process. In the Netherlands and Denmark, for example, all projects qualifying for government funding at a minimum need to incorporate metrics to evaluate SDG 8 (decent work and economic growth) and processes to meet SDG 17 (partnerships for the goals).⁵⁵

The Role of the Private Sector in Sustaining Peace

According to the director of the SDG Fund, “Businesses are increasingly seeing the importance of peace and strong institutions as key elements for their success and for the success of communities and stakeholders.”⁵⁶ But business operations are still not usually associated with peace, even following the launch of the SDGs. A common sentiment among interviewees was that peace is beyond the scope of the private sector. Businesses generally understand their role in development more clearly than their role in building inclusive and peaceful societies. While research suggests that

a stronger private sector is associated with more peaceful countries,⁵⁷ many businesses do not see themselves as active players in building and sustaining peace.

The SDGs can help change that. By providing a common language and shared expectations, goals, and targets, the 2030 Agenda provides an entry point for the private sector to make a positive contribution to peace in a multi-sectoral and multidimensional manner. For businesses to thrive, they need to operate in a peaceful environment. When businesses’ corporate practices exacerbate conflict, they harm their own interests. In contrast, when they use a “sustaining peace” approach that builds trust among communities and includes local people, they contribute to a more stable environment that enables business and advances their interests.⁵⁸

GOING BEYOND “DO NO HARM”

Multiple, complex dynamics can make it harder to do business in countries under stress, particularly in those simultaneously facing challenges like high unemployment, structural inequality, marginalization of certain segments of society, ethnic or sectarian tensions, and power struggles. There is no one-size-fits-all approach to how the private sector can navigate these challenges. Nonetheless, one thing is certain: solely injecting money into such countries will not help build peace; in fact, it can be harmful.

Therefore, it is crucial that all business operations and investments are context-specific and that they “do no harm.” While many companies have embraced the need to reduce the negative environmental impact of their operations, less progress has been made on reducing negative social impact. For example, corporate practices may inadvertently fuel tensions by indirectly legitimizing armed groups that control certain territories.⁵⁹ Similarly, an infusion of jobs and contracts, if it benefits one

54 Interview with Gavin Power, deputy director of the UN Global Compact, New York, June 23, 2017.

55 Interview with Justin Perretson, senior adviser at Novozymes, New York, May 23, 2017.

56 Paloma Durán, director of the SDG Fund, remarks at panel discussion on “Why SDGs Are Good for Business and Vice Versa,” International Peace Institute, New York, September 23, 2016.

57 As stated by the Institute for Economics and Peace, “Business competitiveness and economic productivity are both associated with the most peaceful countries, as is the presence of regulatory systems that are conducive to business operations.” Institute for Economics and Peace, “Positive Peace Report 2016,” 2016, available at <http://visionofhumanity.org/app/uploads/2017/02/Positive-Peace-Report-2016.pdf>.

58 Dost Bardouille, Chloe Jaleel, Sarah Cechvala, and Anita Ernstorfer, “Business for Peace: Understanding and Assessing Corporate Contributions to Peace,” CDA Collaborative Learning Projects, 2014, available at <http://cdacollaborative.org/publication/business-for-peace-understanding-and-assessing-corporate-contributions-to-peace/>.

59 John Forrer, Timothy Fort, and Raymond Gilpin, “How Business Can Foster Peace,” United States Institute of Peace, September 2012, available at www.usip.org/sites/default/files/resources/SR315.pdf.

social group over another, can intensify existing or latent conflicts or perpetuate structural inequalities. It is therefore critical to undertake a conflict assessment when planning such operations to avoid contributing to existing conflict dynamics.⁶⁰

But solely adopting a “do no harm” approach is not enough. The focus should not be only on how to avoid fueling conflict but also on how to support the factors underpinning peace, in line with the sustaining peace resolutions. This requires mapping the key actors that work for peace and benefit from conflict and identifying the factors contributing to a society’s resilience that could be strengthened and marshaled to make the private sector more inclusive.

Such an approach should be deliberate. It requires businesses to be intentional in their contributions to prevention and peacebuilding rather than simply making sure they “do no harm.” Moreover, a sustaining peace approach should be transformative rather than transactional. It should seek to promote inclusive national ownership by empowering national governments and involving all sectors of society, including local companies and communities.

Movement toward a sustaining peace approach could build on previous efforts such as the UN Guiding Principles on Business and Human Rights, developed in 2011. These principles not only aim to help companies identify how to reduce the risk of human rights abuses along their entire supply chains but also create a “formal responsibility” for the private sector to uphold human rights while conducting business.⁶¹

STRENGTHENING PUBLIC INSTITUTIONS

A central aspect of a “sustaining peace” approach that promotes inclusive national ownership lies in establishing a trustworthy, synergetic, and mutually beneficial relationship with national governments. Although the private sector’s contribution is indispensable, governments need to be in the driving seat of the 2030 Agenda. Without the support of the government, private sector initia-

tives to achieve the SDGs will be limited. Government leadership and strengthened institutions will be key to providing the adequate framework for businesses to jointly work on the 2030 Agenda.

The private sector can never replace the primacy of governments as the central policymakers behind the 2030 Agenda. Responsibility for following up on the targets and indicators of the 2030 Agenda rests in the hands of governments, from national to local authorities. As such, businesses, whether foreign or local, need to develop strong relationships with governments at the national and local levels.

But this is often challenging. In countries under stress, state institutions and legal frameworks are often weak and lack transparency and accountability. For domestic and international companies, navigating these fragile governance systems is a major difficulty. As one UN official highlighted, “How can a company manage to comply with the rule of law when the rule of law does not exist in the country? [How can a company promote governance] where the state is fragile and governance is divided between the official government and different armed groups?”⁶²

At the same time, businesses can take advantage of lax governmental institutions, further contributing to instability and economic stagnation. For instance, they can diminish the role of the public sector by pushing for policies such as deregulation and privatization.⁶³ Corporations can also undermine national governments by evading or avoiding taxes. As noted by the Civil Society Reflection Group on the 2030 Agenda, for example, “The failure of corporations to pay taxes in the countries where they operate is a major reason for governments’ lack of fiscal space to implement policies that would protect and promote women’s human rights.”⁶⁴

Similarly, there must be limitations on what responsibilities the private sector can take on. According to a senior vice president of the World Bank, “At the end of the day, the private sector is the

60 Bardouille et al., “Business for Peace.”

61 Business & Sustainable Development Commission, “Better Business, Better World.”

62 Interviewee, New York, June 29, 2017.

63 Civil Society Reflection Group on the 2030 Agenda for Sustainable Development, “Spotlight on Sustainable Development 2017: Reclaiming Policies for the Public,” July 2017.

64 Ibid., p. 66.

private sector and the government is the government. The comparative advantage of government is to apply rules, put in standards, and follow the execution of measures; the comparative advantage of the private sector is efficiency and competition.”⁶⁵

The key is to establish clear limits and promote inclusive partnerships that are mutually beneficial and leverage each sector’s core competencies. Multilateral institutions can help facilitate such partnerships by advocating and working with governments to establish a good business environment for competition, consumer protections, and adequate regulatory frameworks. But the challenge is not only having adequate regulations; it is also having the capacity to implement and enforce them: “I always compare these to the traffic codes and laws,” noted the senior vice president of the World Bank. “Traffic codes are basically almost the same everywhere. [It] is the applicability and adherence to these rules that makes the difference between a chaotic street with accidents [and] one with...discipline...[and] less accidents.”⁶⁶

One area where businesses are actively partnering with governments and civil society is in the fight against corruption. For example, in 2009, following a bribery scandal, Siemens established a “vigorous integrity system in the company” to address and prevent corruption, which it is sharing with other businesses. In partnership with the World Bank, the company has set up a \$100 million fund to support anticorruption initiatives by nongovernmental organizations in countries where corruption is a major hindrance to sustainable development.⁶⁷

MAKING THE PRIVATE SECTOR MORE INCLUSIVE AT THE LOCAL LEVEL

As part of implementing the 2030 Agenda, companies need to ensure that their operations are inclusive. Businesses have a greater potential to contribute to peace if they adopt hiring practices that foster inclusive economic growth, ensure equal pay for women, and shift toward sustainable

production.

This is particularly important for small and medium enterprises (SMEs), which contribute up to 60 percent of total employment and up to 40 percent of national income in emerging economies.⁶⁸ They also have closer ties with communities. The interest of SMEs in building peace is direct: if their own communities are fraught with violence and crime, they lack the conditions needed to build a successful business. These enterprises have more knowledge of the local context and can adopt hiring practices that reflect their community’s needs and characteristics. Toward this end, larger companies could promote the development of SMEs at the local level by partnering and sharing information with them and making SMEs their preferred providers for outsourcing and backbone services.

To move toward inclusivity, companies—no matter their size—need to make sure they have inclusive policies toward youth and women. Growth that excludes these groups could have adverse effects on peace.

If youth are unemployed and disengaged, they can become more vulnerable to recruitment into organized crime or violent extremist groups.⁶⁹ On the contrary, meaningful engagement via employment, entrepreneurship opportunities, and access to the decision-making sphere can help make youth agents for sustainable development and peace. Research by the Institute for Economics and Peace on the connection between youth development, social entrepreneurship, and sustaining peace found that there is a strong correlation between positive peace and the Youth Development Index.⁷⁰

Historically, businesses have often hired women as inexpensive labor, which can undermine gender equality. As noted by the Civil Society Reflection Group on the 2030 Agenda, “Women’s lower wages and poorer labor conditions [have] worked as a major advantage for corporations.”⁷¹ By

65 Interview with Mahmoud Mohieldin, senior vice president for the 2030 Agenda, UN Relations and Partnerships, World Bank Group, New York, June 30, 2017.

66 Ibid.

67 Interview with Markus Strangmüller, corporate development strategy at Siemens, New York, May 30, 2017.

68 World Bank (2016), “Small and Medium Enterprises (SMEs) Finance.”

69 Erik Solheim and Siddharth Chatterjee, “Countering Violent Extremism—Put Youth at the Center of the Narrative,” *Huffington Post*, 2015, available at www.huffingtonpost.com/erik-solheim/countering-violent-extremism_b_7280156.html#.

70 See Youssef Mahmoud, Anupah Makoond, and Ameya Naik, “Entrepreneurship for Sustaining Peace,” International Peace Institute, June 2017, available at www.ipinst.org/wp-content/uploads/2017/06/1706_Entrepreneurship-for-Sustaining-Peace4print.pdf.

71 Civil Society Reflection Group on the 2030 Agenda for Sustainable Development, “Spotlight on Sustainable Development 2017.”

promoting gender equality and women’s empowerment instead of exploiting cheap female labor, companies could promote stability; gender equality is a strong predictor of a state’s peacefulness.⁷² Businesses can put this approach into practice in a

number of ways, including by improving the gender balance in their labor force, providing equal pay to women and men, ensuring workplace safety, and opening spaces for women in leadership positions (see Box 3).

Box 3. Promoting employment for women in Bangladesh

Many households headed by widowed, divorced, or abandoned women in Bangladesh are afflicted by extreme poverty. These women are often unemployed or employed in low-skill, low-wage jobs, causing them to be stuck in poverty traps. The SDG Fund therefore launched a joint program to promote employment and the future employability of poor rural women in Bangladesh. This program brings together efforts by local businesses, local governments, and UN agencies in the country. It offers a scalable model for lifting women out of poverty.

The initiative starts by providing public work opportunities and cash transfers for the beneficiaries. This safety net is accompanied by a training program supported by the International Labour Organization on vocational skills, local leadership, and saving mechanisms that help them transition to market-based employment. The private sector is directly involved by engaging local SMEs to provide skills training based on their demand and job placement.

This program underscores the positive connections between women’s inclusion, poverty reduction, and peaceful societies. It also highlights the power of SMEs to promote inclusive growth. By facilitating public-private partnerships with these enterprises (SDG 17), it is generating job opportunities that empower women, build the resilience of households, and increase economic inclusion (SDGs 5 and 8), which ultimately makes the community more inclusive and peaceful (SDG 16).



Women participating in a livelihood skills training as part of an SDG Fund joint program in Bangladesh. SDG Fund.

72 Mahmoud et al., “The SDGs and Prevention for Sustaining Peace.”

BUILDING TRUST WITH COMMUNITIES

The history of relations between businesses and the communities where they operate is complicated. Large-scale projects, particularly in the extractive industries, often have had negative impacts, leading to widespread displacement, conflict, and violations of the rights of indigenous populations (see Box 4).⁷³

Companies can have a positive impact by providing jobs, heightening demand for locally produced goods and services, investing in infrastructure and social services, and increasing government resources through taxes and royalties. For example, UNCTAD suggests that if companies build roads, water systems, energy facilities, or other

infrastructure to support production, they should give preferential access to local communities.⁷⁴ But often companies cannot meet high expectations such as providing full employment and investing all the returns locally. The 2030 Agenda provides a framework to better meet these expectations.

Companies need to establish trust from the start by having open and transparent communication channels to set clear expectations and provide spaces for community members to express their grievances and priorities. Building relationships with community leaders is also an important entry point to understanding the local context, ensuring peaceful interactions, and ultimately building trust—a prerequisite for any effective partnership.⁷⁵

Box 4. Building trust between communities and extractive companies in Sierra Leone

Sierra Leone's Kono district is rich in diamond and gold mines but was severely affected by the country's ten-year civil war and the 2013 Ebola outbreak. Little of the revenue generated through the extractive sector is invested in local development, where safe drinking water is limited and deep pits dug for diamond mines pose serious environmental and health risks. Furthermore, women in the Kono district experience high rates of gender-based violence and discrimination and have little access to land. This reality does not match communities' expectations for development returns from mining revenues, raising tensions and increasing the risk of conflict.

In 2015 the SDG Fund launched a joint program in Kono district on enabling sustainable livelihoods through improved natural resource governance and economic diversification. This project is an example of collective efforts to bring together UN agencies (the UN Development Programme and the Food and Agriculture Organization), the local community, the private sector, and civil society to make natural resource management more inclusive, accountable, and transparent and to improve livelihoods, particularly of women, through diversified and inclusive economic opportunities.

The program promotes the adoption of legal frameworks to ensure that the private sector exploits natural resources in a people-centered and environmentally sustainable way. It also strengthens the capacity of local NGOs to engage in constructive dialogue with extractive companies on economic, social, and cultural rights, with a specific focus on women's empowerment. In addition, it aims to build the capacity of national and local governments and NGOs to monitor the impact of mining operations and new extractive projects on human rights. In regards to the private sector, the program works with the Community Relations Committee of the mining company in Koidu city to find opportunities to address grievances from communities affected by regular blasting of kimberlite deposits.

After months of dialogue, a Community Development Agreement was signed, including specific provisions to promote youth employment and gender equality. The agreement also stipulated that 0.25 percent of total export earnings of the mining company would be invested in community development through a process of participatory budgeting, design, monitoring, and evaluation.

73 Jiten Yumnam, "Challenges of the Private Sector in Effective Development: A Civil Society Perspective," Global Partnership for Effective Development Cooperation, May 2014, available at <http://effectivecooperation.org/2014/05/challenges-of-the-private-sector-in-development-a-civil-society-perspective/>.

74 Interview with Chantal Line Carpentier, chief of UNCTAD, New York, June 21, 2017.

75 UN Global Compact and Principles for Responsible Investment, "Responsible Business Advancing Peace: Examples from Companies, Investors & Global Compact Local Networks," 2013, available at www.unglobalcompact.org/library/491.

Having deep connections with communities is what gives companies the legitimacy and space to operate, especially in countries affected by conflict. Their relationship with local communities can therefore be a good measure of the positive or negative impact a company is having on peace.

Companies are increasingly recognizing the importance of this connection, starting with their narrative. For example, while Coca-Cola has a footprint in every country with the exception of Cuba and North Korea, it speaks of itself as a “local company.” With such global outreach, Coca-Cola could make a big impact by embedding the SDGs in its supply chains. With approximately 250 independent bottling partners, it is moving toward hiring, manufacturing, and distributing locally. According to a representative of the company, “This is why we have remained in operation around the world, even in extremely fragile countries and settings.”⁷⁶ Other companies are building corporate strategy around doing well while doing good. As noted by a representative from H&M, “If people and environment are better off when we do business in their communities that is also a long-term good for our business development.”⁷⁷

Unlocking the “Trillions” Needed to Achieve the SDGs

In order to bridge the gap between the private sector and efforts to build and sustain peace, there is a need to incentivize private investment in countries where capital is most needed. It is estimated that the amount needed to achieve the SDGs by 2030 is \$3.9 trillion a year, meaning that continued investment at 2014 levels would leave a \$2.5 trillion gap.⁷⁸ Private investment is essential to closing that gap.

But in many countries under stress, lack of

business competitiveness, transparency, economic productivity, and strong regulatory systems thwart investment, leading to stagnant economic growth and increased unemployment and limiting prospects for stability: “It is a chicken and egg problem. On the one side we need to have a stable environment, otherwise you don’t get the investment, but at the same time you need the investment to get a stable environment.”⁷⁹

How can businesses be incentivized to invest in places where the rule of law is lax, security conditions are volatile or dangerous, and financial risks are high? Risks must be mitigated, projects must be made bankable, and achieving the SDGs must be made appealing to the private sector in order to access and leverage the trillions needed to achieve the 2030 Agenda.

Many companies struggle to identify entry points. Particularly in countries under stress, the cost of carrying out a thorough risk assessment can outweigh the level of return, making it difficult for bottom-line-oriented companies to justify such investments to their shareholders. The real challenge is thus scaling up projects: “Companies don’t want to invest their money in small projects,” commented one CEO.⁸⁰ “The problem is not the lack of money, it is the lack of scale,” noted another company representative.⁸¹ Innovative methods to scale up projects are needed.

But many countries under stress lack the capacity and mechanisms to scale up and attract large investments. According to a representative of UN Environment, “We need to talk about the absolute imperative of building capacity to formulate sustainable, bankable projects. We need to help countries to understand how important that is and help them to find the necessary expertise and support.”⁸² One way governments can do this is by increasing public investment, as “investors are likely to invest in countries that have the highest existing public investment.”⁸³

76 Interview with April Callahan, director of corporate external affairs, and Jennifer Ann Ragland, director of international government relations and public affairs at Coca-Cola, New York, June 13, 2017.

77 Hanna Hallin, “SDG Fund and Hanna Hallin—H&M,” YouTube video, December 23, 2015.

78 UN Conference on Trade and Development, *2014 World Investment Report*, available at http://unctad.org/en/PublicationsLibrary/wir2014_en.pdf.

79 Interview with Markus Strangmüller, corporate development strategy at Siemens, New York, May 30, 2017.

80 Interview with Joan M. Larrea, CEO of Convergence, New York, July 5, 2017.

81 Interview with Manuel Hörll, head of the Microfinance Capacity Building Initiative at Credit Suisse, June 14, 2017.

82 Interview with Elliot Harris, assistant secretary-general and head of the New York office of UN Environment, New York, May 24, 2017.

83 Kate Bayliss and Elisa Van Waeyenberge, “Unpacking the Public Private Partnership Revival,” *Journal of Development Studies* (March 2017).

While governments can create a more enabling environment for public investment, international institutions can also encourage private investment, helping to bridge the gap between small-scale investments on the ground and the large-scale investments needed. For example, international financial institutions, regional banks, or donors can provide collateral investment to reduce the risks faced by private investors. The 2011 UN Conference on the Least Developed Countries recommended that development partners “set up and strengthen initiatives to support investment in least developed countries such as insurance, guarantees and preferential financing programmes and private enterprise funds.”⁸⁴

The focus should not be on one-off programs. In order to be scaled up through private investment, projects require long-term, self-sustaining funding models and an increase in the diversity of investors.

The following section offers practical tools to promote the involvement of local and international companies in countries under stress in order to achieve the 2030 Agenda. These tools can help to reduce risk—the number-one reason companies avoid investing in countries under stress. These tools have something in common: all the financial instruments are based on collaboration between national and international actors, highlighting again the

importance of partnerships in achieving the SDGs.

BLENDED FINANCE

Companies often do not find the levels of return needed to invest in countries under stress due to the risk involved—a challenge blended finance can help overcome. The OECD defines blended finance as the strategic use of public funds to mobilize private sector investment for emerging and frontier economies.⁸⁵ By using strategic public or philanthropic funding to catalyze private sector investments, blended finance “can target a risk that the private sector is unwilling or unable to take.”⁸⁶ Although blended finance is not new, it has been gaining increasing traction as an important tool to mobilize new capital to achieve the SDGs.⁸⁷ In fact, the 2030 Agenda recognizes that “an important use of international public finance, including Official Development Assistance (ODA), is to catalyze additional resource mobilization from other sources, public and private.”⁸⁸

It is estimated that leveraging public and philanthropic funding could lead to as much as a tenfold increase in overall investment.⁸⁹ Based on conservative estimates, there is already at least \$25.4 billion invested in over seventy-four blended finance funds and facilities, in addition to hundreds of individual projects receiving blended finance in emerging and frontier markets.⁹⁰ Many of these are

Box 5. Matching funds in the SDG Fund

The SDG Fund uses blended finance through a matching funds system, which requires that every financial contribution made by the SDG Fund is matched at least one-to-one by the joint program partners. The SDG Fund relies on matching funds provided by national and local governments, international donors, and the private sector. By involving national partners—who often have a greater stake in the success and sustainability of programs—this model builds trust and fosters national ownership. The private sector co-invests and co-designs with the government and UN agencies from the beginning.

Furthermore, 56 percent of the SDG Fund’s overall program budget comes from matching funds. Thus, every dollar invested in the SDG Fund has generated \$2.36 in the program budget. So far, 3.5 million people have benefited from the SDG Fund’s twenty-two joint programs, including 1.4 million directly and 2.2 million indirectly.

84 United Nations, *Report of the Fourth United Nations Conference on the Least Developed Countries*, UN Doc. A/CONF.219/7, 2011, available at http://unohrrls.org/UserFiles/File/A-CONF_219-7%20report%20of%20the%20conference.pdf.

85 Chris Clubb, “Blended Finance: Critical Steps to Ensure Success of the Sustainable Development Goals,” OECD, December 20, 2016, available at <https://oecd-development-matters.org/2016/12/20/blended-finance-critical-steps-to-ensure-success-of-the-sustainable-development-goals/>.

86 Ibid.

87 Ibid.

88 UN General Assembly Resolution 70/1 (October 21, 2015), UN Doc. A/RES/70/1, para. 43.

89 Convergence, available at <https://convergence.finance/about>.

90 OECD, “Blended Finance Vol. 1: A Primer for Development Finance and Philanthropic Funders,” September 2015, p. 9, available at www3.weforum.org/docs/WEF_Blended_Finance_A_Primer_Development_Finance_Philanthropic_Funders_report_2015.pdf.

projects in “infrastructure, climate change solutions and agriculture—sectors that are critical for development and that suffer from the largest shortfall in funding.”⁹¹ Because blended finance operates at the intersection between fully commercial and subsidized or grant-dependent projects, it can make them more self-reliant, viable, and scalable.

But to effectively tap into the potential of blended finance, more data needs to be made available. As stated by one CEO, “There is not a lot of data out there on who’s doing what and what’s working, and there is much duplication of efforts.”⁹² Some organizations are making positive steps in this direction.⁹³ For example, Convergence has been working to provide information and connect investors to execute blended finance transactions. But there is still not enough information on risk and return.⁹⁴

Blended finance can also unlock domestic private investments. As noted by an official at UN Environment, “The risk perception of the domestic investor is considerably more nuanced than that of the foreign private investor, and the amount of de-risking through public resources that would be needed is considerably less.”⁹⁵ Even smaller-scale blended finance mechanisms that may not attract large international investors could therefore still mobilize domestic investors.

However, there is a risk that blended finance subsidizes investments that businesses would have made on their own, without any need for public funding. To prevent this, governments and philanthropic organizations need to make sure the project would not have happened without the added support that blended finance provides.

The World Bank Group, one of the largest channels of blended finance from multilateral and bilateral donors, uses the cascade approach

through its Private Sector Window to prevent this from occurring.⁹⁶ This approach involves first considering private sector solutions, then blended finance, and only then public sector solutions. As described by the senior vice president of the World Bank:

The cascade approach to investment decision-making encourages private sector participation, while leveraging and preserving scarce public dollars for critical public investments. If commercial financing is available, that is the preferred course. If it is absent, market failures should be next addressed. If those efforts are unsuccessful, risk instruments should be utilized along with matching capital to try to encourage private investment. Finally, if absolutely necessary, then public and concessional financing should be used.⁹⁷

The aim of this approach is to deploy public resources strategically to expand the pool of projects that can be financed with commercial and private capital.⁹⁸

Some criticize the cascade approach for weakening states’ capacity and for primarily benefiting corporations. According to some critics, bringing investors in after public money has been used to lower the risk of projects “means using public money as a guarantee for corporate investment. If the project fails, the public in developed and developing countries will pay (or get into debt). If it succeeds, the profits go to the corporations.”⁹⁹

However, when the cascade approach is used with the aim of empowering the public sector and benefiting communities, it can be a useful tool. The cascade approach highlights the need to differentiate roles and capacities between governments and businesses and to use the comparative advantage of each sector to accelerate sustainable development and avoid crowding out investment that would occur without state intervention.

91 Ibid., p. 25.

92 Interview with Joan M. Larrea, CEO of Convergence, New York, July 5, 2017.

93 The European Development Finance Initiative, OECD, and World Economic Forum have or are in the process of surveying key stakeholders to better understand their blended finance activity.

94 Business & Sustainable Development Commission and Convergence, “The State of Blended Finance,” July 2017, available at <https://convergence.finance/knowledge-detail/1qdtFkf5Fq86S4u8U4G8YU>.

95 Interview with Elliott Harris, assistant secretary-general for the UN Environment New York office, New York, May 24, 2017.

96 Business & Sustainable Development Commission and Convergence, “The State of Blended Finance,” July 2017, available at <http://businesscommission.org/our-work/working-paper-the-state-of-blended-finance>.

97 Interview with Mahmoud Mohieldin, senior vice president for the 2030 Agenda at the World Bank Group, New York, June 30, 2017.

98 World Bank Group, “Input to the 2017 High Level Political Forum Reflecting on Steps Taken by the WBG to Support the 2030 Agenda, Including the SDGs,” 2017, available at <https://sustainabledevelopment.un.org/content/documents/15191worldbank.pdf>.

99 Civil Society Reflection Group on the 2030 Agenda for Sustainable Development, “Spotlight on Sustainable Development 2017.”

POOLING MECHANISMS

Pooling mechanisms are another strategy for scaling up projects. By pooling the underlying assets of a portfolio of projects or grouping related projects together, the overall returns are higher, making the investment more attractive. Similarly, involving a diverse groups of investors with different appetites for risks in a syndicate arrangement can lower the risk to a more manageable level. Under pooling mechanisms, financial entities like private equity funds can gather several projects and offer them as an aggregated product to more risk-averse investors like pension funds or insurance companies. Instead of making investors decide whether to invest in each of many individual projects, they can invest a larger amount in many projects at the same time. Even if one fails, the investors will not lose all their money. Furthermore, pooling eliminates the need to conduct due diligence for each project individually, thus lowering the costs of the overall investment and enhancing the net return.¹⁰⁰

Pooled financing mechanisms are rightly being explored at the municipal level in developing countries such as Colombia and South Africa as

well as by many OECD countries to fund investments in water and sanitation, energy, transport, and telecommunications infrastructure. Sub-national pooled financing mechanisms provide joint access to private capital markets at advantageous terms for borrowers (in this case, local governments) that share similar missions and credit characteristics but lack the financial scope and scale, expertise, and credit history to access credit markets independently.¹⁰¹

Pooling mechanisms can also be combined with blended finance (see Box 6). Once assets have been classified through financial engineering, they can be blended with grants to change the credit rating so it is safer for investors. According to the CEO of Convergence, “That’s the magic of pooling and blending together: you get larger transactions that are risk-appropriate for investors who can’t go directly to these deals in these markets, and you pool really big money to the table.”¹⁰²

MICROFINANCE

Microfinance can be thought of as the very first rung on the ladder of scaling up projects; if people do not have the capacity to borrow, many of the

Box 6. Pooling and blending to unlock private finance for the climate, biodiversity, and jobs in Indonesia¹⁰³

An example of using multiple tools to overcome the barriers to private investment is the Tropical Landscapes Financing Facility in Indonesia. This is a partnership between a major international bank, an international asset management company, farmers’ collectives, a major bilateral aid agency, the government of Indonesia, and UN Environment, all playing well-defined and complementary roles.

According to a representative of UN Environment, “This program translates massive international private capital flows into financing for small-scale bankable projects on the ground. It enables the transition to scale.”¹⁰⁴ The program will pool small individual projects to bring them to a financeable scale. It will also use blended finance instruments such as loan and grant funds to unlock private finance. In addition, the program will provide access to long-term finance at affordable rates, which is essential for small producers.

Investments will focus on renewable energy production and sustainable landscape management to reduce deforestation and forest degradation and restore degraded land. The aim is to promote economic development while helping Indonesia meet its targets under the Paris Agreement on climate change. The program aims to trigger progress across a number of targets of the 2030 Agenda, including addressing climate change, protecting biodiversity, fostering renewable energy, and promoting economic growth.

100 Interview with Elliott Harris, assistant secretary-general for the UN Environment New York office, New York, May 24, 2017.

101 FMDV, “Creating the Local Financing Framework for Sustainable Development Goals: The Potential Catalytic Role of Subnational Pooled Financing Mechanisms,” 2016, p. 4.

102 Interview with Joan M. Larrea, CEO of Convergence, New York, July 5, 2017.

103 UN Environment, “Tropical Landscapes Finance Facility Unlocks Private Sector Finance for Climate, Biodiversity and Jobs,” press release, October 26, 2016, available at www.unep.org/asiapacific/tropical-landscapes-finance-facility-unlocks-private-sector-finance-climate-biodiversity-and-jobs.

104 Interview with Elliott Harris, assistant secretary-general for the UN Environment New York office, New York, May 24, 2017.

SDGs would be set to fail. The 2030 Agenda recognizes the importance of financial inclusion, including through access to microfinance (SDG 1 on poverty reduction).¹⁰⁴ More than 2 billion people lack access to basic financial services such as savings accounts, loans, or insurance.¹⁰⁵ Because the cost of setting up microfinance facilities on the ground is high, digital finance has become an important source of microfinance in many developing countries.¹⁰⁶

Access to financial services is key to helping the most vulnerable people build assets and protect against shocks. Microfinance can boost entrepreneurship and accelerate job creation. However, the microfinance industry can have difficulty absorbing the vast volumes of private sector capital that global organizations can mobilize.¹⁰⁷

As highlighted by the head of a private sector microfinance initiative, microfinance is an effort that “puts women in the center” and, in doing so, contributes to gender equality (SDG 5; see Box 7).¹⁰⁸ There are 1.1 billion women who lack access to bank accounts, making women the largest group of financially excluded people.¹⁰⁹

Although the link between financial inclusion and development has been widely established,¹¹⁰

microfinance cannot only be about borrowing. According to one company’s CSR representative, “Now the challenge is not about getting the loans, but how to manage money. It’s about building people’s capacity because they need to be able to pay the loan.”¹¹¹ Although microfinance can help scale up investments, particularly by strengthening SMEs, not everyone who gets a loan will necessarily become a job generator. Microfinance needs to come hand in hand with practical financial education to address criticisms that many borrowers end up not being able to pay back loans.

DEVELOPMENT IMPACT BONDS

Another emerging model for incentivizing investment in countries under stress is development impact bonds. This type of results-based financing has a high potential to mitigate risk for the private sector. Under this model, an outcome funder—a third party such as a donor agency or foundation—repays private investors with a return, contingent upon the achievement of agreed upon outcomes.

One of the most renowned development impact bond programs is taking place in India. The Children’s Investment Fund Foundation, Educate Girls, IDinsight, and the UBS Optimus Foundation are working on a program to reduce the gender gap

Box 7. Promoting gender equality and women’s empowerment through microfinance in Ethiopia

In Ethiopia, rural women lag behind in land ownership, economic opportunities, access to the justice system, and financial assets. Female farmers perform up to 75 percent of farm labor but hold only 18.7 percent of agricultural land in the country.

The SDG Fund is aiming to improve the financial access of poor rural women in Ethiopia through microfinance institutions and rural cooperatives. This enables women to receive microcredit to expand their existing business or start new businesses. Through a multifaceted approach, the program seeks to generate gender-sensitive agricultural extension services, support the creation of cooperatives, promote the expansion of women-owned agribusiness, and increase women’s participation in rural producer associations, financial cooperatives, and unions. By facilitating access to microfinance, the SDG Fund supports the empowerment of women (SDG 5) and inclusive economic growth (SDG 8) for poverty eradication (SDG 1), which also contribute to a more peaceful society (SDG 16).

104 UN General Assembly Resolution 70/1 (October 21, 2015), UN Doc. A/RES/70/1.

105 FINCA, “What You Need to Know about SDGs and Financial Inclusion,” September 22, 2015, available at www.finca.org/blogs/what-you-need-to-know-about-sdgs-and-financial-inclusion/.

106 Interview with Elliott Harris, assistant secretary-general for the UN Environment New York office, New York, May 24, 2017.

107 Interview with Manuel Hörll, head of the Microfinance Capacity Building Initiative at Credit Suisse, June 14, 2017.

108 Ibid.

109 Multipliers of Prosperity, “Women around the World Face Hurdles to Financial Inclusion,” *Wall Street Journal*, July 7, 2015, available at www.wsj.com/ad/article/mlf-women-around-the-world-face-hurdles-to-financial-inclusion.

110 Leora Klapper, Mayada El-Zoghbi, and Jake Hess, “Achieving the Sustainable Development Goals: The Role of Financial Inclusion,” CGAP, April 2016, available at www.cgap.org/publications/achieving-sustainable-development-goals.

111 Interview with Hui Wen Chan, impact analytics and planning officer at Citi Bank, New York, August 8, 2017.



Ila Robale, a widowed mother of five, is one of the women participating in the SDG Fund's joint program in Ethiopia. SDG Fund and UN Women/Fikerte Abebe.

in education in rural India by getting girls into school. UBS is providing an investment to the Indian NGO Educate Girls. After three years, the Children's Investment Fund Foundation (the outcome funder) will pay back UBS based on enrollment and learning outcomes that IDInsight will evaluate in three stages. The UBS Optimus Foundation stands to receive back its initial investment plus a return on investment based on the performance of the program.¹¹²

Conclusions and Recommendations

The 2030 Agenda provides an unprecedented opportunity for collaborating to address the most pressing global challenges. For this collaboration to be effective, the current framework for cooperation between the UN, its member states, civil society, and the private sector needs to change. This requires clarifying the connections between businesses, sustainable development, and peace; understanding that businesses and the public

sector have different objectives and leveraging these differences to maximize the comparative advantage of each; engaging businesses and civil society more directly in co-designing, co-investing in, and co-implementing policies and programs related to the 2030 Agenda; and systematically monitoring and reporting on the cumulative contributions of businesses to achieving the targets and indicators of the 2030 Agenda. The following are specific recommendations to make this partnership a reality:

- **Businesses should embed the SDGs in their core business strategies.** This involves integrating the SDGs in supply chains, practices, and policies. In practice, such a strategy could involve sourcing products locally and sustainably, moving toward zero waste, employing more women and youth, providing equal pay to women and men, ensuring adequate workplace safety, and opening spaces for women (particularly those from underrepresented groups) in leadership positions. Businesses should also create options for SDG-aligned investment portfolios for

¹¹² See <http://www.cgdev.org/blog/first-development-impact-bond-launched>.

employee retirement accounts and pensions.

- **Businesses should improve reporting on their contributions to the SDGs.** Businesses should work with the UN to fine-tune a common language that connects the SDG targets with business performance indicators. In addition, businesses should report on long-term SDG-related metrics along with their bottom-line profits.
- **Businesses should expand engagement with UN headquarters.** The private sector should use the High-Level Political Forum on Sustainable Development and UN General Assembly summits on the follow-up and review of the 2030 Agenda as opportunities to further expand engagement with the UN and its member states and participation in decision-making fora. The UN and member states should reciprocate by inviting more companies to these fora.
- **Global leaders should emphasize that the SDGs are good for business.** Investing in a more peaceful and sustainable society is also an investment in sustainability for businesses. Global leaders should better communicate to businesses that the SDGs represent an economic opportunity and can help them grow their bottom lines.
- **The UN, governments, and large companies should increase engagement with small and medium enterprises.** Small and medium enterprises (SMEs) should play a bigger role in efforts to achieve the SDGs. UN country teams should create new mechanisms to engage with SMEs that take into account their more limited human capital. National governments should invite SMEs to participate in the preparation and implementation of the national voluntary review processes. Large companies should also involve SMEs in their investments at the local level by partnering and sharing information with them and making SMEs their preferred providers for outsourcing and backbone services.
- **Governments and businesses should work together more closely in implementing the SDGs.** Businesses should support national governments in strengthening public institutions, including by developing and implementing regulations and practices that promote sustainable development. UN resident coordinators should also advocate for a closer relationship

between governments and businesses, and UN country teams should act as platforms for gathering companies and government representatives to work on joint programs related to the 2030 Agenda.

The private sector can be a partner not only in pursuing sustainable development but also in sustaining peace. Expanding operations and investing in countries under stress can benefit the private sector by unlocking new opportunities for profit while also benefiting countries that lack capital and resources. An inclusive private sector can help boost economic growth, provide employment opportunities, and increase stability. However, injecting resources without assessing the impact they can have on conflict and peace can be more harmful than beneficial. The following recommendations aim to strengthen the link between the private sector and peace:

- **Businesses should take a sustaining peace approach to their operations.** Businesses need to comply with the “do no harm” principle throughout all their operations, but that is not enough; they should also adopt a “sustaining peace” approach. This entails assessing not only how their work can avoid contributing to conflict but also how it can support efforts to build and sustain peace. Operations and investments should be context-specific, people-centered, and deliberately crafted to be transformative rather than transactional and to strengthen public institutions and local communities.
- **Businesses should build trust with communities.** From the start, businesses should have open and transparent communication channels with the communities where they work, setting up clear expectations and providing space for community members to express their grievances and priorities. Businesses should partner with community leaders and use existing community structures as the main entry points for engagement. This would allow them to build trust, better understand the local context, and foster peaceful interactions.
- **Businesses should strive to be more inclusive.** An inclusive private sector has greater potential to contribute to peace. Businesses should adopt more inclusive hiring practices. They should also foster more inclusive economic growth by

targeting youth and women as the main beneficiaries of their operations. This is particularly important for SMEs, which are the largest job generators and have closer ties with communities.

Funding the 2030 Agenda is not the problem; the resources exist but are not accessible through traditional investment models. The risk associated with investing in countries under stress and lack of scalability have impeded private investment. The following recommendations aim to address these impediments to investment in countries under stress:

- **The UN, governments, and businesses should**

partner to scale up investments in countries under stress. To attract resources from the private sector and unlock the trillions needed to achieve the SDGs, the private sector, the UN, its member states, and other relevant actors should further explore innovative financial mechanisms. These mechanisms include blended finance, pooling mechanisms, and development impact bonds.

- **The new partnership between governments, the UN, and businesses should not focus on one-off programs.** Projects require long-term, self-sustaining funding models and a wider diversity of investors.

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