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“Strategy changes, principles remain”: why policy makers should stay focused on the SDGs

by

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According to António Guterres, “[f]or a world in crisis, rescuing the SDGs must be our highest common priority.”

One of the biggest challenges for policy makers pertains to influencing frontrunner MNEs to make sustainable investments part of their core strategies. Navigating such investments in a world facing a “[cascade of crises](#)” or a “[poly-crisis](#)” presents a test of smart public-private alignment. The aim of this alignment should be to match government policies with the sustainable investment strategies of companies in order to:

- considerably step-up sustainable FDI volumes,
- redirect private investments from a concentration on risk-mitigation and
- seizing opportunities in a wide range of interrelated sustainability areas.

Adhering to the principles-based frame of the Sustainable Development Goals (SDG) is needed now more than ever.

Over the 2014-2023 period, according to [UNCTAD estimates](#), the size of the SDG investment gap in developing countries grew from US\$2.5 trillion to US\$4 trillion a year after FDI flows to developing countries in relevant sectors fell by one-third. Most CEOs of MNEs still support [the SDGs](#), and there is no lack of intentions to move the SDG agenda forward. But [studies](#) show a sizable gap between intention and realization. Walking the talk involves a wide variety of strategic pathways that are difficult to manage, evaluate or leverage.

Over the 2015-2020 period, MNEs supporting the SDGs had good risk-mitigating reasons to cherry-pick relatively easy targets. In developing countries specifically, these targets pertained to philanthropic and sponsoring activities like education and primary healthcare that were [not related to their core activities](#).

MNEs are now entering a stage of strategizing (prioritizing and fine-tuning) their SDG approaches. They are helped by the sustained efforts of “custodian agencies” (e.g., World Bank, IMF, OECD, [UNCTAD](#)) that have seriously enhanced the coverage and comparability of indicators, as well as more functional initiatives like the “[green bond principles](#)” or the “[CFO Principles on Integrated SDG Investment and Finance](#)”. Each of these recent initiatives has reinforced the potential role of the 17 SDGs (including the 169 targets and 230 indicators) as a navigating instrument to integrate a wide range of sustainable finance principles—such as the revised Equator Principles, Principles for Responsible Investment, Principles for Positive Impact Finance, Principles for Responsible Banking or Principles for Sustainable Insurance—into the pro-active sustainable investment strategies of individual companies. As long as national governments stick to the integrated SDG Agenda (for which the [OECD developed a toolkit](#)), these initiatives enable further alignment and coordination between private and public investment strategies. Alignment around all common goals remains a precondition for accelerating change.

Relatively slow progress in the strategic implementation of the SDGs by MNEs over the first seven years, have however raised [voices](#) in favor of delaying the whole SDG exercise or even replace the SDGs with more pervasive local/regional policy initiatives. This responds to growing nationalism and populism. But also initiatives like the European Directive on Corporate Social Responsibility (CSRD), the EU Directive on Corporate Sustainability Due Diligence (CSDD) or the US Inflation Reduction Act (IRA) can have perverse effects on the Decade of Action.

Instead of focusing on all dimensions of sustainable development, these initiatives favour one part of the SDG agenda (climate change in particular), focus on measurable targets and trigger reactive (risk-mitigation) approaches. The devil lies in the execution details of measures. The experience of ESG rating practices forms a case in point. ESG measurement has strongly favored measurable ecological issues—leading to tactical box-ticking exercises rather than facilitating integrated sustainability strategies. ESG ratings, consequently, neither have become standardized nor harmonized globally, leading to [top-ESG scores](#) for MNEs like BAT and Glencore in addition to Bloomberg talking about an “[ESG mirage](#)”. CSRD, CSDD or IRA can have the same effects and, moreover, will steer relevant (pro-active) investments away from developing countries.

National or regional policy initiatives *without explicit reference to the SDGs*, present a missed opportunity, exactly at the moment that the world needs to pool sustainable investment in a coordinated direction. The greatest sustainable impact can therefore still be achieved by using the interconnectedness of *all* SDG targets, using the “[data dividend](#)” created by digitalizing,

taking into account and prioritizing the most aligned targets. Prioritizing EU or US metrics, distracts from the bigger agenda.

Making *all* SDG principles material for MNEs helps align their sustainability strategies with specific investment gaps in developing countries. This applies in particular to the various SDG-targets denoted as [“Means of Implementation.”](#) Luckily, and as a counter dose to the practice of ESG ratings, [new SDG measurement ratings](#) are being developed. They [show](#) more consistent and more relevant metrics for the way corporations are using their investment strategies in all relevant dimensions of sustainable development. To further [strategize](#) the SDGs within a combined policy-company (principles-based) framework, subsets of SDG targets (like SDG 17.1; 17.3; 17.5) can be selected that present the biggest alignment potential and fill important investment gaps within the ambit of the corporate finance function.

* Rob van Tulder (rtulder@rsm.nl) is Professor of International Business at RSM Erasmus University Rotterdam. “Strategy changes, principles remain” is a quote from prof. Kuntoro Mangkusubrobo, founder of SMBITB, the school of Business & Management and anti-corruption leader in Indonesia. An extended application of this argument can be [found](#) in R. van Tulder and E. van Mil, *Principles of Sustainable Business. Frameworks for Corporate Action on the SDGs* (Milton Park: Routledge, 2023). The author wishes to thank Adriana Chacón, Andreas Dressler and Lorraine Eden for their helpful peer reviews.

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