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# IPU Address

**Ms Gabriela Cuevas Barron**
**President**

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**Opening Ceremony**
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Excellencies,
Distinguished participants,

I am very pleased to have this opportunity to address you as President of the IPU, the world organization of national parliaments, and as a parliamentarian from Mexico.

I believe this is the first time the IPU is invited to this podium, which I take as a strong recognition of the role of parliaments and parliamentarians in this discussion on investments for development in the era of the SDGs.

The 2030 Agenda and its Sustainable Development Goals constitute the most ambitious plan to counter poverty, inequality, environmental degradation, and ultimately conflict, ever crafted at the United Nations. This plan calls for sweeping policy reforms at all levels as well as for new thinking and new ways of doing things in both public and private sectors.

As a close partner of the UN, the IPU is working to mainstream the SDGs in parliaments and to ensure that budgets and laws are aligned with the SDGs. In this context, the IPU is also keen to support the whole agenda of financing for the SDGs, which of course includes looking for ways to mobilize private sector investments.

It is well established that the whole SDGs enterprise can succeed only if governments, parliaments, civil society and the private sector work together, driven by a shared vision of what needs to be done for the good of our people and our planet.

It is often said that public finance alone can't provide for the infrastructure, the social services and many other public goods that are needed to bring the SDGs to fruition. This is generally true although it tends to discount the tremendous role of public funding in things like research and development that lead innovation in the private sector, or the role of public investments in education, health, and infrastructure that nurture human capital and other conditions for enterprises to thrive in.

Undoubtedly, corporations like low taxes and are among those responsible for shortchanging governments of important revenues. Yet, studies also show that the tax regime is less important to a private investor than the overall institutional set up, the human capital and the infrastructure of the countries where it plans to invest. This creates the policy space for a strong partnership between investors and governments to be forged.

The private sector certainly has a huge role to play in both developed and developing countries. Enterprises can invest *more* and *better,* particularly in terms of labor and environmental standards, and into all kinds of innovative products that improve people's lives and the quality of the environment.

Just think of the market potential of solar panels and buttery rechargers that can work off grid and can be made at low cost. Hundreds of millions of people currently living by candlelight or coal burning ovens in remote areas would benefit at the same time as producers make a reasonable return.

I commend those investors here who have seen in the SDGs not just a challenge, but an opportunity to marry profit making with the sustainable development agenda.

Still, having said this, I want to be very clear about the *central* role of governments and of parliaments in this regard, particularly in the light of the 2008 economic and financial crisis that is still with us and that taught us some hard lessons.

SDG-compatible private investments will not happen automatically, and to the scale we need, without strong government leadership and parliamentary oversight.

Voluntary standards and initiatives can only go so far in placing the SDGs at the heart of private sector decisions. Governments and parliaments must set the rules, through legislation, that provide an enabling environment for enterprises to thrive in ways that contribute effectively to human well-being.

This means, first and foremost, installing rules to restrain the current financialization of the economy, which promotes short-term profit making and speculation instead of long-term investments in the real economy of producers and consumers.

When it is so much easier to make money from money, why should one bother to invest in the real economy where risks are higher and profit margins lower?

Investments everywhere, but particularly in developing countries, will not have the impact we want if their time horizon remains as short as it is today. We need more investors to engage for the long term, and with the good of the country in which they invest foremost on their minds.

For too long developing countries were told  not to bother with policies that would establish clear objectives for their own industrial development, focus on infant industries that might become winners in the market place, and establish rules for foreign investors to make sure they source goods and services locally, spurring the *domestic* private sector.

For too long, governments have understood this agenda of private sector investment as one entailing deregulation of finance as the fuel of private sector investment, and of privatization of public assets on grounds that markets driven by individual, competing interests know better and should not be interfered with.

If we are serious about investing with the SDGs in mind, we need to go back to basics and recognize that we need *smart* regulation and strong institutional frameworks to enable the private sector to flourish.

This includes, for example, demanding more than corporate social responsibility but also corporate *accountability* to the communities in which they operate and to consumers and citizens more broadly. It includes laws to uphold workers' rights, such as the right to unionize, and to counter the current wave toward more precarious, informal and unstable working conditions. And it may include a whole host of other measures directly in the financial sector, such as a tax on international financial transactions calibrated to deter short-term speculative movements.

To further steer the private sector toward the SDGs we can also change the rules of public procurement. Governments spend some 15 to 20 percent of GDP hiring private companies to provide services and infrastructure. Tightening the labor and environmental standards that these companies must follow can generate a ripple effect throughout the private sector to push competition to the top.

As the World Bank notes in its 2019 World Development Report, large firms dominate the global economy, and "10 percent of all companies generate 80 percent of all profits." This concentration of market power is a problem globally but it is worse in many developing countries where industry is still undeveloped and governments lack the technical capacities or the political stamina to negotiate strong investment and competition rules to protect the domestic sector.

Last but not least, a particular area of concern for the IPU is the whole question of private-public partnerships (PPPs) on which so much hope is being placed today.

As we noted in the Parliamentary Statement at the 2016 Nairobi conference on development cooperation, these partnerships must be entered into very carefully, after looking at other financing options first and after examining all potential liabilities and contractual obligations. This requires strong parliamentary oversight. In particular, important PPP contracts must be submitted to parliamentary review before they become effective.

Excellencies,

In closing, let me reiterate our strong commitment as parliamentarians to work with the United Nations and all stakeholders, including those in the private sector, in the implementation of this agenda.

Parliament is the place where the competing interests of society must be heard and reconciled into a common agenda all people, including the most marginalized, can benefit from.

The IPU works to strengthen parliaments so they are more open, inclusive and transparent. This, I believe, will help support the vision of a more pro-active public policy to mobilize the private sector that I just outlined.

To borrow from a famous saying: in the age of the SDGs, there is no “I”, “you”, or “them” anymore. There is only “us”.

Thank you.