

Investing in people and the planet for a sustainable future

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In 2024, the global community has intensified efforts to address the dual crises of climate change and social inequality. Recognizing the interdependence of these issues, governments, international organizations, and private sector entities have launched significant initiatives aimed at fostering sustainability and equity. The convergence of social development and environmental preservation has become a focal point in global policymaking. In order to contribute positively to the wellbeing of the planet and its people, environmental and social issues need to be considered together for sustainable finance reforms (Loveridge & AM, 2024). This review explores recent developments, commitments, and discussions that underscore the importance of investing in people and the planet, highlighting key actions, financial mechanisms, and implications for a livable planet.

The realization that economic growth must be inclusive by balancing growth agenda with environmental sustainability (Ali et al., 2024) has led to a shift in priorities. Increasingly, investments in green technologies, education, healthcare, and infrastructure are seen as essential to achieving long-term sustainability (Nauman et al., 2024). These priorities align with global frameworks such as the Sustainable Development Goals (SDGs) and the Paris Agreement, emphasizing the need for an integrated approach to tackling the most pressing challenges of our time. The interconnectedness of environmental and social challenges has been underscored by recent crises, including extreme weather events, biodiversity loss, and the COVID-19 pandemic. These crises have exposed vulnerabilities in global systems and highlighted the importance of resilience-building measures. In this context, the dual focus on investing in people and the planet represents a holistic approach to achieving sustainable development.

We bring your attention to three currently interwoven issues in the global space including climate change, social inequality, and financing gaps. The escalating impacts of climate change, including rising temperatures, sea-level rise, and extreme weather events, threaten ecosystems and human livelihoods. Biodiversity loss further exacerbates these challenges, weakening the natural systems that support life on Earth. Inequalities in access to resources, education, healthcare, and economic opportunities persist globally. These disparities hinder social cohesion and economic progress, disproportionately affecting marginalized and vulnerable populations. Mobilizing sufficient funds to address these challenges remains a significant hurdle. While the need for investment is clear, financial flows often fall short of what is required, particularly in least developed countries (LDCs) with complex investment landscape (Nor & Mohamed, 2024). For instance, the United Nations Conference on Trade and Development (UNCTAD) reported a 2% drop in global foreign direct investment (FDI) to \$1.3 trillion in 2023, with the flows to developing countries dropping by 7% (Figure 1), and investments in sectors linked to the SDGs declined by 10%, raising concerns about the ability to meet sustainability targets (UNCTAD, 2024).

The large swings in investment flows, especially in emerging markets and developing economies (EMDEs), have ignited efforts and initiatives at UNFCCC COP29 and UNCCD COP16 to invest in the future of people and planet. A similar eventful platform is the recent 21st Replenishment Meeting of the World Bank's International Development Association (IDA21) held in December 2024. The IDA21 secured a historic USD100 billion in financing to support the world's poorest countries, including USD 24 billion in donor contributions. According to the World Bank Group (2024), this funding will be deployed to support the 78 countries that need it most, providing resources to invest in health, education, infrastructure, and climate resilience; stabilize economies, create jobs, and build the foundation for a better future; and empower nations to navigate an uncertain world and unlock their full potential.

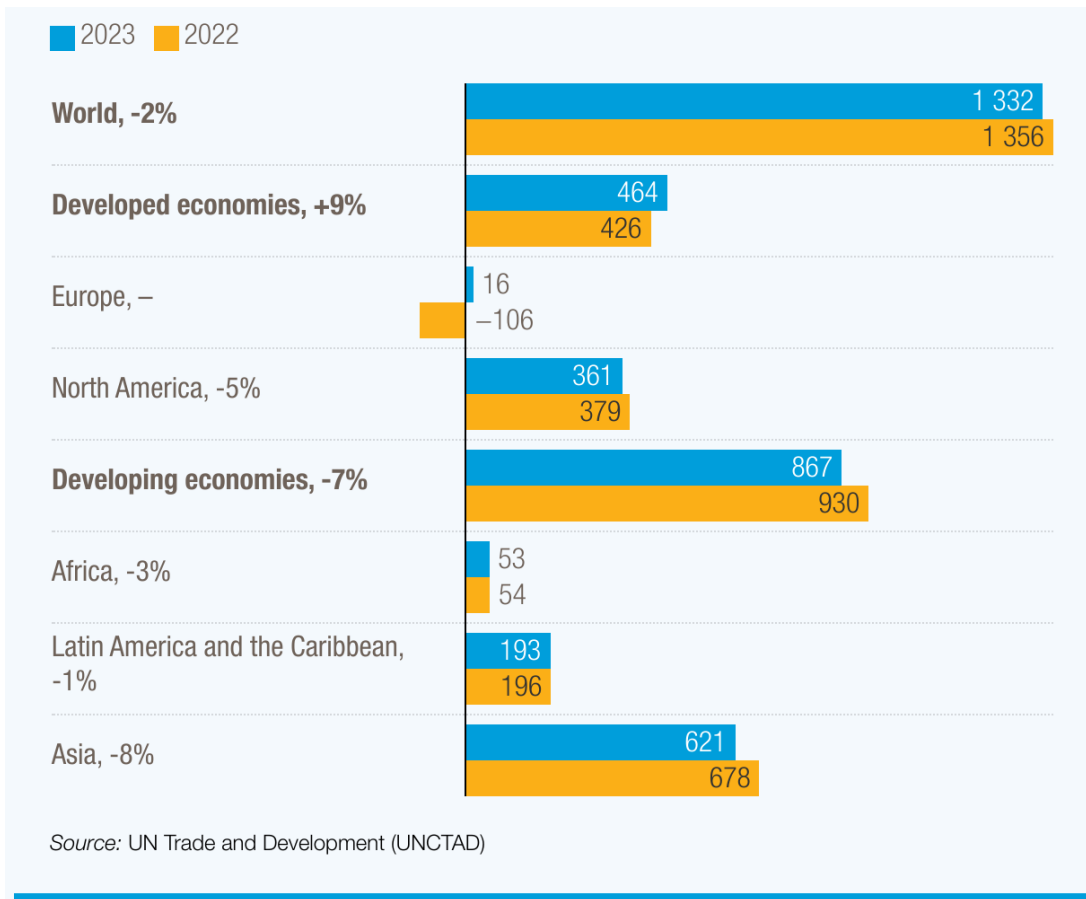


Figure 1: Foreign direct investment (FDI) inflows by economic grouping and region, billions of dollars and percentage change

The IDA21 replenishment represents a landmark achievement in global development financing. These funds will be instrumental in supporting initiatives that address both environmental and social challenges in the LDCs. Notably, the USD100 billion pledged through IDA21 is substantial but still falls short of the trillions required to meet global sustainability targets. Moreover, the decline in FDI in SDG-related sectors highlights the need for innovative strategies to attract private investment. Private sector engagement is essential for scaling up sustainable investments. However, perceived risks in developing countries often deter investors.

The dual focus on investing in people and the planet has profound implications for global development. By addressing social and environmental challenges simultaneously, these investments can create a virtuous cycle of resilience and prosperity. However, achieving this vision will require concerted efforts across sectors and regions.

By implication, governments and international organizations must increase their financial commitments to inclusive development. This includes scaling up funding for education, healthcare, and green technologies. Also, creating conducive environments for private investment through risk mitigation strategies, transparent policies, and incentives is crucial. development finance institutions (DFIs) have a key role to play in de-risking investments in developing countries.

In conclusion, the year 2024 has witnessed significant strides in the global effort to invest in people and the planet. Initiatives such as the IDA21 replenishment underscore the growing recognition of the need for a holistic approach to sustainable development. However, substantial challenges remain, particularly in mobilizing sufficient resources and ensuring equitable distribution. To maintain momentum, it is imperative to scale up efforts and foster collaboration among stakeholders. By prioritizing investments that address both social and environmental challenges, the global community can lay the foundation for a sustainable and equitable future.

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