“The Time Is Now: SDGs, GBF, and Climate Action”

The role of private investors in achieving these objectives

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Contents

The Sustainable Development Goals (SDGs)

The **17 SDGs were adopted by all countries in 2015** as an urgent call for action that recognizes that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth while fighting climate change.

Synergies between the wider SDGs, Climate and Biodiversity

- All the SDGs are interrelated
- Interlinkage between climate and biodiversity
- Challenges need to be addressed in an integrated and coordinated manner

Investment needs and challenges of the 2030 Agenda

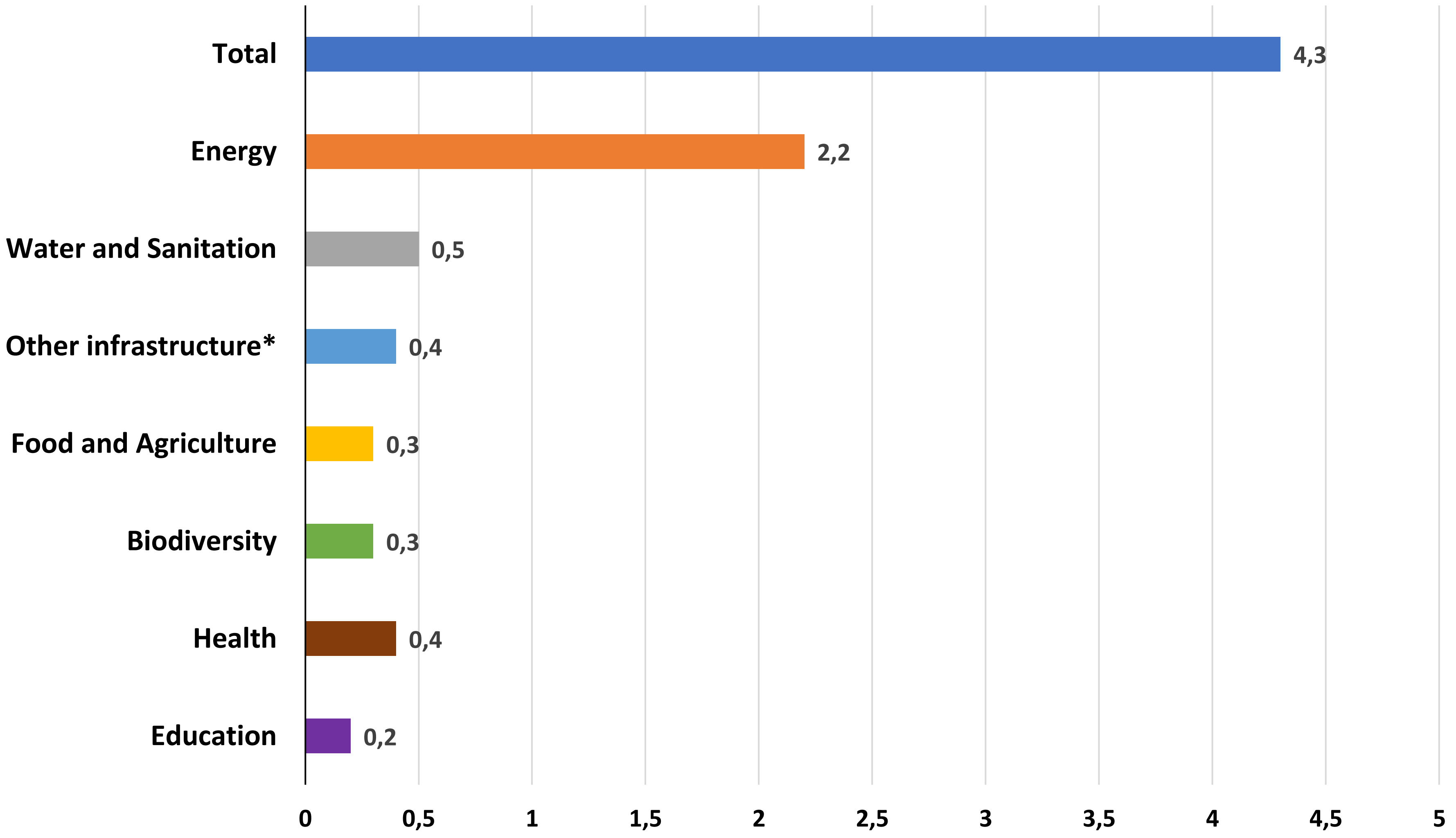
Financing is key to the solution

- The Addis Ababa Action Agenda provides a global framework for financing the SDGs.
- It contains seven Action Areas that lay out how to mobilize and deliver the resources, technology and partnerships needed for sustainable development.
- Achieving the SDGs will require public and private investment in the order of trillions of dollars annually.

The challenge of mobilizing investment for sustainable development

- US$ 4-5 trillion needed annually in developing countries to achieve SDGs by 2030;
- $1-2 trillion annually needed for climate investments in developing countries;
- $700 billion needed annually to address global biodiversity needs.

Estimated annual investment gap in key SDG sectors in developing countries (trillions of USD)



*Including telecom and transportation
Source: Approximate estimates based on UNCTAD calculations, 2023.

Central Importance of Long-term Private Investment…….

- Existing levels of public investment are not adequate on their own to address these gaps;
- Financing needs of infrastructure are on average over 20 years;
- Long-term horizon necessary to price-in climate and biodiversity-related risks.

Some Key Interrelated Areas to Target

- Sustainable infrastructure: energy, water and sanitation, telecoms, transport etc.

- Nature Based Solutions: can address 35 to 40% of climate mitigation needs

- Health, education, SMEs

BUT NEED TO OFFER COMMERCIALLY COMPETITIVE RETURNS

Possibilities for mobilizing private finance and investment for sustainable development

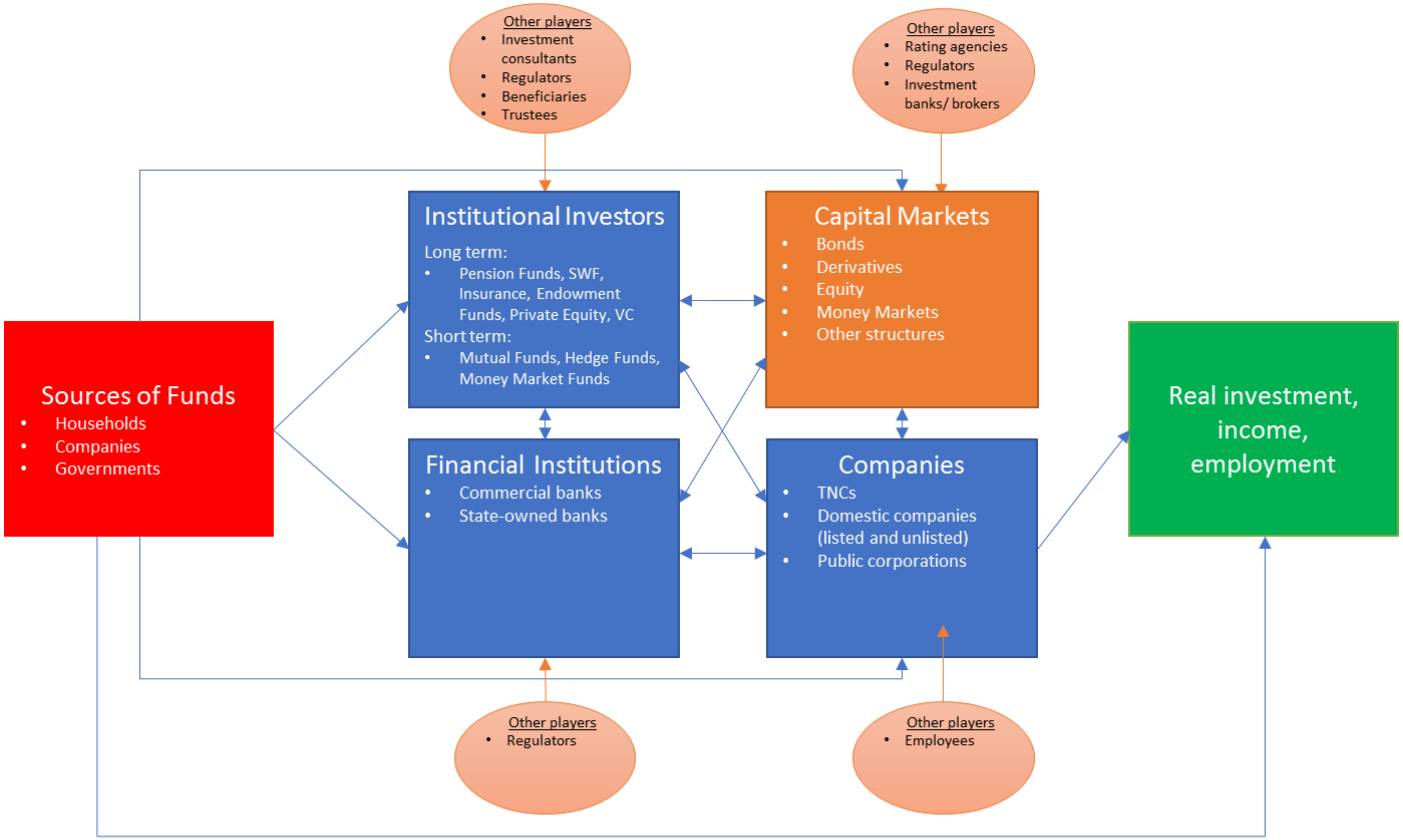
Three Interrelated Considerations

1. **Unlock availability of capital across the investment ecosystem – address embedded institutional and regulatory bottlenecks**

2. **Enhance viability of sustainability-aligned investments**

3. **Channel capital to sectors and countries where it is most needed**

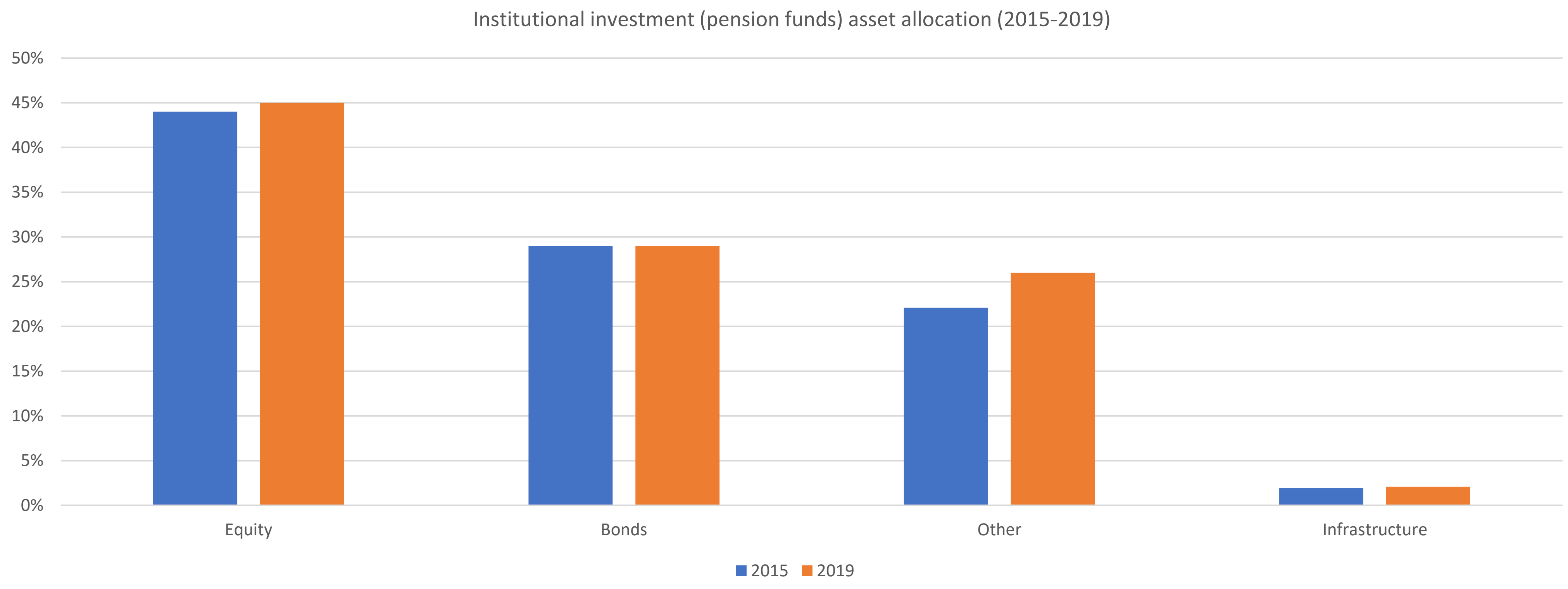
A Flow of Funds Framework



Unlock opportunities across the finance and investment ecosystem:

- Institutional Investors
- Commercial Banks
- Capital market actors (e.g. rating agencies, standard setting bodies etc)
- Corporations

Institutional Investment Asset Allocation



Source: *Willis Towers Watson, 2016, 2019, 2020. The Global Pension Assets Study 2016, 2019, 2020 and UN/DESA calculations*

Challenges to scaling-up private investment for the 2030 Agenda

	Distinctions	Opportunity	Impediments			
			Firm-level	*Industry*	*Policy /Regulatory*	*Recipient Location*
INSTITUTIONAL INVESTORS	Different types of long-term institutional investors (e.g., pension funds, insurance,, sovereign wealth funds), investment mandates and asset allocation strategies.	Institutional investors with long-term liabilities hold close to $80 trillion in assets. A reallocation of a small percentage of institutional investor assets, say 3% to 5%, towards long-term investment in sustainable development could have an enormous impact, especially in developing economies.	Agency issues (conflicting goals of asset owners, asset managers, shareholders, trustees) can hamper long-term approach.	- Capacity and outsourcing: limited capacity for due diligence encourages investments through secondary intermediaries who have short-term outlooks (e.g. hedge funds) - Performance and career-based factors (compensation, benchmarks, mobility of fund managers) can encourage short-termism - Quarterly reporting encourages short-term focus - Absence of harmonized methodology to incorporate ESG/SDG considerations	- Fiduciary responsibilities - Solvency regulations - Accounting and Reporting Standards	- Uncompetitive risk/return profiles - Absence of investable projects
COMMERCIAL BANKS	Different types of banks (e.g., domestic /foreign owned, large/small etc.)	Have traditionally been major sources of finance for infrastructure projects. Also important for SMEs.	Tend to have short-term liabilities and not ideally suited for long-term lending	- Continued deleveraging among international banks. Reduced long-term infrastructure lending in developing countries. - Large transactions costs involved in lending to SMEs	Basel III: raises cost of lending for infrastructure and SMEs	Greater levels of short-term lending in poorer countries and locations deemed high risk.
CAPITAL MARKET ACTORS	A variety of players with different incentives including brokers and investment banks, rating agencies, investment consultants, regulators and stock exchanges.	- Considerable scope to incorporate and mainstream longer-term sustainability criteria into key actors like standard setting bodies and rating agencies. - Opportunities for developing countries to bring sustainability issues to the fore as they develop capital markets. - Stock Exchanges playing important training and education role in the market	Conflict of interest between the different operations of investment banks. e.g. a study by Aviva investors finds that sell-side analysts are not encouraged to produce long-term and ESG-oriented research.	- Passive role of investment advisors in promoting investment aligned with sustainable development. - Pro-cyclicality of rating agencies (encourages short-termism and herding) and short to medium term nature of ratings -In developing nations, investors require more education on how to use sustainability information, companies require more education on how to produce such data/information	Lack of sustainability /SDG considerations in regulatory frameworks - Lack of harmonized reporting, disclosure and listing standards focused on both financial and non-financial information.	-Underdeveloped in many developing countries -Market infrastructure availability
CORPORATIONS	Varied incentives of publicly traded and privately- held companies. Different categories of manufacturing and services.	Records levels of corporate profits in many advanced economies but not converted into commensurate levels of investment	- Tendency for corporations to channel profits to shareholders either in the form of dividend or share repurchase - Changes in corporate strategy interrelating with increased emphasis on shareholder value has suppressed productive investment	- The increasing importance of quarterly reporting - Prevalence of stock-based pay and options. - Expanding role of financial actors in corporate decision-making and ownership, as well as an increase in financial activities of non-financial corporations. - Increasing concentration and absence of competition - Changes in technology - Structure and governance of corporate boards - Short-term performance metrics	-Regulatory/tax policies that incentivize focus on shareholder value - Accounting and reporting standards	- Uncompetitive risk/return profiles - Absence of investable projects - Signs of increasing financialization of corporate strategies in developing countries

Proposed solutions to unlock opportunities for private investment in sustainable development

	Possible solutions			
	Firm-level	**Industry**	***Policy/Regulatory***	**Recipient Location**
INSTITUTIONAL INVESTORS	- Rethink institutional investment mandates and contracts. For example, longer-term contracts between large asset owners and their asset managers could eventually 'nudge' the incentives and habits underpinning the investment industry toward a longer-term perspective. - Demand better reporting and data from the portfolio companies they hold	- Develop joint investment platforms among various institutional investors - Introduce longer-term performance benchmarks - Implement compensation reforms (ensure they are more widespread)	- Clarify investor duties to extend time horizons and bring greater focus on ESG factors - Advance a broader interpretation of fiduciary responsibilities - Rethink regulation (Solvency) to have a positive impact on long-term investment while ensuring stability - Reframe accounting, reporting and disclosure standards	- Develop innovative instruments to incentivise investments - Upgrade sustainable development strategies, national financing frameworks and implementation plans
COMMERCIAL BANKS	Develop frameworks for holistic impact analysis of project lending	Establish Principles for Responsible Banking aimed at addressing SDG financing needs	- Reframing Basel regulation to reach appropriate balance between stability and access to finance	
CAPITAL MARKET ACTORS	- Rating agencies incorporate relevant SDG considerations in a methodically rigorous and standardized manner. -Change rules so that brokers are encouraged to incorporate questions on SDGs into know thy customer provisions for individual and other investors. -Create new SDG financing vehicles -Develop and apply SDG investment impact indicators	-Build market capacity - Utilize stock exchanges as key educators and market signallers in the market - Encourage rating agencies to extend their time horizons and to give ratings over longer-term periods. - Address conflicts of interests of analysts across the financial system (including sell-side analysts and investment banks/brokers). Efforts should be made to reduce these conflicts, such as ensuring that the remuneration of analysts is independent of the fees that the brokerage getting from clients. -Create online pools of investable SDG products (such as green bonds)	- Mainstream SDGs across regulatory and standard setting bodies -Encourage integrated reporting and multi-stakeholder monitoring - Use "regulatory sandboxes" to allow business to test new models - Develop a common sustainable finance taxonomy and sustainable finance standards	-Join multi-agency technical assistance consortia such as through sustainable financial centre networks -Join sustainable stock exchanges -Develop capital markets
CORPORATIONS	- Reform governance and leadership of companies to build sustainable finance competencies - Re-think structure and governance of corporate boards (including allowing long-term shareholders like employees to have seats on boards) - Introduce long-term performance metrics into deliberations of boards - Issue loyalty rewards for long-term shareholders	-Cooperate with Global Impact MBAs -Engage in training programmes for SDG investment - Set up or use existing advisory bodies of business and finance professionals to speak to government regulators	- Recalibrate financial reporting systems: a) bifurcated and rolling reporting system b) incorporating long-term strategic road maps - Executive compensation: a) realign from short-term stock fluctuations to long-term performance; b) reform CEO compensation - Taxation and regulation to discourage buy backs - Anti-trust reforms to reduce concentration and enhance competition - Strengthen corporate governance requirements to support sustainability through regulatory guidance or requirements -Re-orient tax and investment incentives towards the SDGs, conditional on sustainability contributions -Pursue SDG-oriented linkages programmes -Engage in SVE (small vulnerable economies)-TNC (transnational companies)-MDB (multilateral development bank) partnerships	- Develop innovative instruments to incentivise investments -Engage in entrepreneurship programmes in schools

Making sustainable investment viable

- Price-in externalities – taxation, regulation to create level playing field
- Enhance information on actions, impact and opportunities
- Have an agreed criteria of what constitutes sustainable development investment

Channeling capital to poorer regions and key sectors

- Improving risk/return configurations – .e.g. blended finance
- Designing innovative instruments and platforms
- Strengthening investment climate

Necessary actions to scale private investment for SDGs, including climate and biodiversity

- Address impediments specific to finance and corporate actors across the investment chain
- Price-in externalities
- Enhance information on actions, impact and opportunities
- Risk-sharing/blended finance
- Innovative platforms and instruments

Global Investors for Sustainable Development Alliance

Private Business and Finance

GISD Global Investors for Sustainable Development Alliance

- GISD Alliance: 30 global business leaders from financial and non-financial companies

Objectives

- Moving the money: Development of innovative instruments and platforms
- Transforming the investment ecosystem: Shifting incentives to the long-term
- Increasing impact: Development of SDG-related metrics
- Policy recommendations: Engagement with policy makers, regulators, MDBs, standard setting bodies, etc.

Scale-up long-term investment for sustainable development

Broad Objectives of GISD Deliverables

1

Catalyze long-term finance and investment for sustainable development

2

Enhance alignment of finance and investment with SDGs

3

Channel capital to countries and sectors where they are most needed

GISD Key Deliverables to Date

A. Channeling capital to where it is most needed:

- **SDG Blended Fund: Sustainable Infrastructure Investment Platform**
- **SDG Sovereign Bond Guidance.**

B. Alignment and Impact:

- **Harmonized Sector Specific SDG Metrics.**
- **Implementing GISD definition of Sustainable Development Investment across members and wider business sector**

C. Institutional Investor Incentives:

- **Partnership with ICGN to produce updated Model Mandate contractual guidance between asset owners and asset managers.**
- **Partnership with S&P and World Bank to develop SDG-aligned benchmark index**

D. Regulatory and institutional reforms:

- **Recommendations to EU, G20, MDBs and ISSB**
- **Outreach and Engagement at high-level forums – COP, B20, Bank/Fund meetings, Davos etc.**

Areas of Action in 2024

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Make blended finance work:

1. Identify obstacles to utilization of blended finance facilities and lay out solutions
2. Establish the Sustainable Infrastructure Investment Platform (SIIP)

II.

Address local currency risks and the high cost of developing country borrowing:

1. Initiate consultations with stakeholders
2. Explore development of a private sector-supported instrument to hedge currency risks in developing countries

III.

Align incentives with long-term sustainable development:

1. Launch a dialogue between credit rating agencies and long-term institutional investors
2. Engage with institutional investors, banks and corporates on possibilities for institutional and regulatory reform
3. Develop an SDG investment index

A Unique Opportunity - United Nations Fourth International Conference on Financing for Development

The United Nation's Fourth International Conference on Financing for Development in 2025

- The Conference is a follow up to the previous international conference in Monterrey (2002), Doha (2008) and Addis Ababa (2015). It will be held in Spain from 30 June to 3 July 2025.
- It will be attended by heads of governments, ministers of finance/foreign affairs/development cooperation, heads of multilateral organizations and senior representatives from the business sector and civil society.
- A negotiated outcome document, representing agreements among governments on policy actions in the seven action areas of financing for development, will be the center-piece. A draft will be produced by the end of 2024.
- **Private sector will be an important stakeholder at the conference.**

Private sector track for the Conference

Centered around a Business Steering Committee (co-chaired by ICC and GISD) that will:

1. **Submit coordinated private sector recommendations to Member States;**
2. **Launch initiatives, commitments and partnerships;**
3. **Organize an International Business Forum that will feature high-level engagement between business, governments and multilateral bodies.**

Conclusions

1. Synergies between SDGs, climate and biodiversity mean they have to be addressed in an integrated manner.

2. Financing is key and key cross-cutting areas to address include sustainable infrastructure and nature-based solutions.

3. Scaling up private investment entails unlocking obstacles across the investment ecosystem, taking actions to enhance the viability of SDG-aligned investments, and bringing out innovative mechanisms to channel this finance the countries and sectors most in need.

4. The 4th International Conference on Financing for Development represents a significant opportunity to engage with policy makers to make an impactful difference in scaling up investments in the SDGs, including climate and biodiversity.

Thank You