Investing in Sustainable Development

Opening remarks by
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Capital Markets and Growth
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Chairman Pereira,
Distinguished Executives,
Ladies and Gentlemen,

It is a pleasure for me to welcome our colleagues from The International Organization of Securities Commissions. I want to thank Mr. David Wright, the Organization's Secretary-General for joining us here at our World Investment Forum and for co-organizing this session.

The work of the International Organization of Securities Commissions is critical in helping strengthen market infrastructure and maintain financial stability, so that financial markets could play a constructive economic role in favour of growth and development. Our session focuses on how to improve the contribution of capital markets to sustainable development.

UNCTAD's World Investment Report 2014 discusses investment in the Sustainable Development Goals, or SDGs, that United Nations Member States are aiming to adopt next year. The report identifies a number of impediments or constraints to mobilizing investment in sustainability that relate to capital markets.

First, market failures contribute to a misallocation of capital in favour of unsustainable projects or firms, rather than those that could support the SDGs. Markets and holders of capital have difficulty pricing negative impacts, or externalities, into their decisions on allocation of capital.

Second, there is a lack of transparency about the sustainability performance of investors or investment projects. This makes it hard for sustainability to factor in the investment decisions made by financial intermediaries and their advisors.

Third, the incentives that individuals and firms receive in terms of pay, performance and reporting lead to a short-term focus in investment decisions. These incentives also emphasize financial returns rather than long term social or environmental considerations.

Finally, although innovative solutions to these challenges have emerged, to date they remain relatively limited. Such solutions include new financial instruments, investor classes and financing approaches. However, they tend to be small in scale or operate in the margins of global capital markets.

Our World Investment Report contains an Action Plan that includes a number of proposals to address these problems. We suggest that the incentives embedded in financial regulation and accounting standards be better aligned with needed investment in SDGs. We also call for the reform of pay, performance and reporting structures to favour lasting investment in sustainability. In addition, there is a need to promote rating methodologies that reward long-term investment in SDG-sectors. And we should encourage innovative SDG-financing approaches and corporate initiatives

I am sure that in your discussions today you will touch upon some of these options.

Ladies and gentlemen,

Capital market leaders contribute to investor confidence, economic stability and growth by ensuring fair, efficient and transparent markets. These are all prerequisites for sustainable development.

But today's meeting is an opportunity to talk about more than just the prerequisites.

UNCTAD estimates that there is an overall gap of 2.5 trillion dollars between the financing that is needed to implement the proposed SDGs and what is currently invested in relevant sectors and countries.

Financial markets can be better geared towards sustainable investment than is the case. The challenge for us today is to identify ideas that can help to achieve this tremendous shift.

I wish you all productive deliberations. Thank you.