Statement by Rebeca Grynspan, Secretary-General of UNCTAD

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Excellencies,

Distinguished delegates and speakers,

Ladies and gentlemen,

In my remarks this morning, I mentioned a very impressive number: 6 trillion dollars. This is how much the sustainable finance market is currently worth. That is, the value in global capital markets of green bonds, social bonds, ESG funds, and similar products, all added up. This market has grown several times over in recent years.

That is good news. If we could rely on the growth of sustainable finance to fill the investment gap, we would be in better shape. But we cannot.

One reason is that not all sustainable finance products do what they promise. It is true that sustainable funds outperform other funds on environmental, social and governance (or ESG) criteria, but greenwashing persists. The average ESG rating of more than 2,800 sustainable funds that we monitor in UNCTAD is better than that of the benchmark global equity index. But at least a quarter of funds fail to live up to their sustainability credentials.

If we look at institutional investors, many are making good progress on sustainability performance. For example, two thirds of the sovereign wealth funds and pension funds that we monitor have now committed to achieving net zero in their investment portfolios by 2050. Still, nearly half do not report on sustainability-related risks and are not moving quickly enough to reorient their portfolios.

The result is that too many of the financial products labeled as sustainable really translate into very little impact on the ground. Not enough funds are going into new renewable energy plants, water and sanitation installations, agricultural projects, or hospitals. And only 5% of all sustainable funds are located in developing countries.

A lot of work is currently being done by regulators and standard setters around the world to remedy the worst excesses of greenwashing. UNCTAD's work with stock exchanges, institutional investors, and accounting bodies is contributing to this.

But, ultimately, this is only part of the job. We need to think further about how to increase the flow of funds to developing countries.

If fiduciary rules do not allow institutional investors to fund projects in developing countries, then we need to look again at the rules and see if there is room for improvement in a way that is fair and reasonable.

If risk-ratings prevent the flow of sustainable finance because of unsustainable debt levels, then we need to make debt levels sustainable. And for that, we need debt restructuring and debt relief. To make debt sustainable we need to make countries sustainable. If to pay our debts we need to cut hospital budgets, and school hours, then this will not help anyone. UNCTAD is working closely with the G20 on this, but much more action is needed, and we don't feel the sense of urgency that this issue deserves.

If projects in low-income countries are too small and too uncertain to be attractive, then we need to help those countries structure portfolios of projects that are big enough and spread risk.

What I am concerned about is really that, at this point right in the middle between 2015 and 2030, we have not made enough progress in SDG and climate finance and investment in the first half of the 2030 Agenda. And we are going into the second half with much less accommodating financing conditions. Interest rates are rising with alarming speed, and this has an important effect on existing debts in the developing world, but especially on the future investments needed for the SDG transition.

In the last year and a half, we have gone from a world of zero interest rates, marked by extensive QE and high asset prices, to now a world where US treasuries are paying over 5 per cent, and some long duration bonds have crashed so much that they make you think crypto is safe by comparison. What comes next is very hard to predict. The world is in transition and the problem with transitions is that we can get lost in them.

But it is never too late to learn the right lessons. As the zero-interest rate world fades out, we must conclude that much of it was wasted. QE money went into asset price inflation. We underinvested in renewables. Cheap debt incentivized zombie corporates and short-term buybacks. And most of the global south could not access cheap money, as yields spreads widened.

Your excellencies, distinguished delegates,

As markets now turn to a new phase of price discovery, let us remember where the risks are. And the risks are in failing the SDGs. In underinvesting in them. In leaving people behind.

So, I want to conclude with one simple thought: As we navigate this evolving financial landscape, let's cut through the noise and focus on the hard truths. The funds exist, but their allocation has been misguided.

Let's recognize that mispriced risk doesn't just jeopardize investment portfolios, it jeopardizes human lives. Every dollar misallocated is a missed opportunity to fuel tangible change on the ground. Every unsustainable debt traps nations in cycles that hinder development and progress. Today, countries have no fiscal space for mistakes. Today, inaction is a cost we simply cannot afford.