



Major New UN Report Calls for Overhaul of Global Financial System

NEW YORK, 4 April 2019 – Sixty-plus international organizations, led by the United Nations and including the International Monetary Fund, the World Bank Group and World Trade Organization, jointly sounded the alarm Thursday in a new report, warning that unless national and international financial systems are revamped, the world's governments will fail to keep their promises on such critical issues as combatting climate change and eradicating poverty by 2030.

In their 2019 Financing for Sustainable Development Report, the international organizations find some good news: investment has gained strength in some countries and interest in sustainable investing is growing, with 75 per cent of individual investors showing interest in how their investments affect the world.

And yet, greenhouse gas emissions grew 1.3 per cent in 2017; investment in many countries is falling; and 30 developing countries are now at high risk or already in debt distress. At the same time, global growth is expected to have peaked at around 3 per cent.

Changing the current trajectory in financing sustainable development is not just about raising additional investment, says the report. Achieving global goals depends on supportive financial systems, and conducive global and national policy environments.

Yet the report warns that creating favorable conditions is becoming more challenging. Rapid changes in technology, geopolitics, and climate are remaking our economies and societies, and existing national and multilateral institutions -- which had helped lift billions out of poverty -- are now struggling to adapt. Confidence in the multilateral system has been undermined, in part because it has failed to deliver returns equitably, with most people in the world living in countries with increasing inequality.

“Trust in the multilateral system itself is eroding, in part because we are not delivering inclusive and sustainable growth for all,” said António Guterres, Secretary-General of the United Nations, in his foreword to the report. “Our shared challenge is to make the international trading and financial systems fit for purpose to advance sustainable development and promote fair globalization.”

The international agencies recommend concrete steps to overhaul the global institutional architecture and make the global economy and global finance more sustainable, including:

- supporting a shift towards long-term investment horizons with sustainability risks central to investment decisions;

- revisiting mechanisms for sovereign debt restructuring to respond to more complex debt instruments and a more diverse creditor landscape;
- revamping the multilateral trading system;
- addressing challenges to tax systems that inhibit countries from mobilizing adequate resources in an increasingly digitalized world economy; and
- addressing growing market concentration that extends across borders, with impacts on inequality.

At the national level, the report puts forward a roadmap for countries to revamp their public and private financial systems to mobilize resources for sustainable investment. It introduces tools for countries to align financing policies with national sustainable development strategies and priorities.

One example of the opportunities and challenges the report discusses is in new technologies and fintech (digitally enabled innovation in the financial sector). With more than half a billion people gaining access to financial services in recent years, the appeal of fintech is clear. But as new players enter and rapidly change the financing marketplace, regulators struggle to keep pace. As fintech grows in importance, activities outside the regulatory framework, if left unsupervised, may put financial stability at risk.

Fintech's promise can pay off with regulatory approaches that address these concerns, but these need to be implemented without stifling innovation. To this end, the report emphasizes the importance of discussions between fintech companies, financial institutions and regulators. It finds that regulatory attention will need to shift to financial activities and their underlying risks, no matter the entity that engages in them, rather than by institutional type.

“We have a major opportunity to overcome bottlenecks in sustainable financing in 2019”, said Mr. Zhenmin Liu, Under-Secretary-General for Economic and Social Affairs and Chair of the Task Force that issued the report. “The responsibility rests with governments to recommit to multilateralism, and to take policy actions that will create a sustainable and prosperous future.”

Background: The report is a joint product of the Inter-agency Task Force on Financing for Development, which is comprised of more than 60 United Nations Agencies and international organizations. The Financing for Sustainable Development Office of the UN Department of Economic and Social Affairs serves as the substantive editor and coordinator of the Task Force, in close cooperation the World Bank Group, the IMF, WTO, UNCTAD, and UNDP. The Task Force was mandated by the Addis Ababa Action Agenda and is chaired by Mr. Zhenmin LIU, Under-Secretary General for Economic and Social Affairs. The full copy of the report and the annex will be uploaded to: <https://developmentfinance.un.org/> This report is the basis for discussions at the ECOSOC Forum on Financing for Development (15-18 April 2019), where Member States agree on measures necessary to mobilize sustainable financing. The SDG Investment Fair, which brings together government officials and investors, will also be held 15-16 April at the UN Headquarters. More information on both events is at: <https://www.un.org/esa/ffd/ffdforum/>

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