

Financing Sustainable Development in the Context of COVID-19: An Address to the Virtual Meeting of the 2020 ECOSOC Forum on Financing for Development

Keynote Speech (webcast) to the United Nations Economic and Social Council

Jay Collins
Vice Chairman
Banking, Capital Markets and Advisory
Citigroup

Online at UN Web TV
Thursday, April 23, 2020, 10:00am
See full agenda below

Mr. Secretary-General, President of the General Assembly, Your Excellencies,

It is an honor to speak to you today in a time of crisis—a time when our shared choices will shape the way history tells our story and the paradigm shift it has so forcefully provoked. The difference between the historical path of promise or peril will be defined, not just by the urgency and manner of our response, but also by our shared vision of recovery and renewal. I speak not just of the ongoing COVID-19 pandemic that has struck the planet, with scant concern for human suffering, vast economic destruction and financial cost, but also of how we will recover from the blow COVID-19 has dealt our Sustainable Development Goals (SDGs).

Let me begin today, on behalf of Citi and the private sector, by applauding the efforts of the UN Economic and Social Council to urgently address the plethora of seismic challenges so tragically exacerbated by COVID-19. Citi and the 30 investor, corporate and bank members of the Global Investors for Sustainable Development (GISD) Alliance, chaired by the Secretary-General, continue to be ready, willing and able to lead the way in developing the roadmap for accelerated funding of sustainability.

The global community can be proud, thus far, of the size and speed of the multi-trillion dollar mobilization of capital in response to COVID-19. We have demonstrated that we are capable of radical and forceful societal response in the developed world. However, we have only just begun to fight COVID-19's wrath in the developing world. As the pandemic shows little respect for national boundaries, we must embrace the opportunity to re-enforce, re-purpose and re-invigorate the multilateral cooperation mechanisms and organizations of the Bretton Woods era if we are to meet the developing world's challenges.

As the COVID-19 crisis continues, we should urge that massive stimulus efforts be effected sustainably: targeted and aligned to the SDGs and compatible with the Paris Agreement trajectory. Climate change and global pandemics both epitomize Michele Wucker's "Gray Rhino" concept—that is, neglect of the highly probable, high impact, global threats. Yes, many had in fact told us that a pandemic was coming, and we did not responsibly prepare.

As Mark Carney has so aptly pointed out, climate change also imbeds within it “the tragedy of commons,” in which the cost of inaction today is felt by future generations, well beyond humanity’s traditional economic and political time horizons. Let us not permit that our grandchildren look back on climate change as humanity’s worst “Gray Rhino moment,” but use this COVID-19 crisis to re-galvanize our resolve against it. We must embrace an intense dialogue with policy makers, regulators and the private sector, not only about funding and incentivizing the glide path of energy transition, but also about how to manage the new headwinds that low oil prices, pandemic-strained budgets and drained capital coffers represent.

We must meet the potential COVID-19 setback to the SDG agenda with defiance and with Churchillian resolve, unafraid to pivot as the virus moves our targets tragically further out of reach and makes our Goals even more ambitious in their aims. Let us be resolved not to let a temporary corporate and investor focus on liquidity and volatility alter the pre-crisis momentum toward bold public private partnerships, stakeholder-driven corporate leadership and ESG investor commitment to achieving the SDGs.

Let us also not underestimate the plight of the poorest countries through this crisis. If the human price is not enough to inspire action, contemplate the global political consequences of an inability to respond to social crises in the developing world and of social unrest. These challenges can develop quickly and can be as systemically destabilizing as methane bubbling through the permafrost.

Today, it is fair to say that the “S” in “ESG” now has a double line underscoring it as investors and securities issuers alike fund COVID-19 health and social spending. The social SDGs have moved to the forefront of our battle. There are already silver linings in the COVID-19 ESG momentum. Let me name a few:

- ESG funds are outperforming their non-ESG market benchmarks;
- Risk models are being re-considered, supercharging concepts like “climate value at risk;”
- We are witnessing lowered ESG scores for poor corporate behavior in response to COVID-19;
- We have also seen a move from “negative screening” for ESG funds to a desire to see coronavirus-response “additionality objectives;” and finally,
- We are seeing an expression of social values absorbed into investor paradigms, underpinned by the Gen Z and Millennials’ view that this is a defining moment for their generations.

Despite these rays of hope, COVID-19 has made our funding challenges greater, and the call to use capital markets and creative funding mechanisms more urgent. The debt quagmire in the poorest of the emerging market economies has been and will continue to worsen through this crisis. The Secretary-General and, in parallel, the GSD Alliance, have recognized the challenges of debt to our agenda; we cannot help but acknowledge the fallacy that increasing indebtedness to fund the SDGs represents for many of the world’s poorest countries.

While instinctively we already know that the pandemic has shifted our goal posts, we must invest heavily and speedily in the technology and processes for SDG and ESG metrics alike, embracing Big Data solution-sets. Rearview mirror, macroeconomic data is insufficient for the challenges ahead and lacks the precision to measure future success.

As we face head-on the consequences of the potential exponentiality of the COVID-19 infection curves in the developing world, so too must we embrace the exponential characteristics of beneficial technological solutions applied aggressively to Sustainability challenges. While guarding against its pitfalls, applied technology and innovation, if funded at scale, can lower the cost and speed of attainment of our Goals.

The 193 UN member states are taking decisive action to arrest the fallout from COVID-19, and we must not forget the importance to the developing world of maintaining open and functioning capital markets. These allow the broadest possible access to funds for our response. Simultaneously, the development bank community must continue its urgent search for out-of-the-box, accelerated and modified risk-sharing mechanisms, leveraging and catalyzing private sector credit where possible, surgically mitigating risk where necessary, and fully absorbing risk where systemically vital. Lest we forget, in radical juxtaposition to the Global Financial Crisis, the global banking system today is strong and will continue to constructively support solutions to the pandemic and its social and economic consequences.

As we search for temporary reprieve mechanisms to address the weakest credit sovereigns, let us avoid contagious defaults that can shock the financial system, further restrict existing credit extension mechanisms, or slow the capital formation process of recovery. This will be no easy feat. In some cases, it will require us to engage the market in voluntary standstill mechanisms that are closely coordinated with the official sector and move us toward orderly debt re-profiling strategies once the present fog lifts and the path to debt sustainability can be seen more clearly.

As Shakespeare wrote, “Sweet are the uses of adversity.” This cannot be “the end of normal,” but must be an historical starting point for the creation of a better normal. We have the potential to re-imagine capitalism in a post-COVID world, to embrace long-termism and multi-stakeholder corporate behavior and to use COVID-19 adversity to reinvigorate our commitment to addressing the greatest social, environmental and economic challenges of our time.

Thank you.

[End]

“Financing Sustainable Development in the Context of COVID-19” virtual meeting of the 2020 ECOSOC Forum on Financing for Development Follow-up full agenda:

- Opening remarks by ECOSOC President Ms. Mona Juul
- Remarks by the UN Secretary-General Mr. António Guterres
- Remarks by the President of the UN General Assembly Mr. Tijjani Muhammad-Bande

- Video message by Ms. Ngozi Okonjo-Iweala, Board Chair, Global Alliance for Vaccines and Immunization (GAVI)
- Keynote address by Ms. Nyaradzayi Gumbonzvanda, Board Chair, Action Aid International: “Overcoming the pandemic: What will it take for the most vulnerable countries?”
- Keynote address by Mr. Jay Collins, Vice Chairman, Citi Banking, Capital Markets and Advisory
- Closing remarks by ECOSOC President Ms. Mona Juul