Short-sighted investment imperils sustainable development for hundreds of millions of people – UN report

While a moderate upturn in the global economy in 2017 drove progress in development financing, a new United Nations report out Friday revealed that the vast majority of investment is still short-term oriented and global commitments to create sustainable economies are not being met.

"The world has the resources to deliver, but they are not allocated where they are needed most," said Secretary-General António Guterres in the foreword to the 2018 report, "Financing for Development: Progress and Prospects."

The report cites 'short-termism' – an excessive focus on projects that will yield immediate profit at the expense of long-term interests like infrastructure enhancements and job training – as among the major funding challenges to implementing the 2030 Agenda on Sustainable Development.

The UN chief warned: "The choices we make now on financing will be pivotal."

The prospects of some 800 million of the world's poorest remain dire, as the annual progress report on how to finance the Sustainable Development Goals (SDGs) revealed that the current system rewards investors, financiers and project managers that prioritize short-term profits – correlating to policy makers' excessive focus on short-term considerations.

The results are shelved infrastructure projects in favour of short term priorities that leave small businesses and women excluded from the financial system.

"The good economic news in some regions masks the very real risk that the poorest will be left behind," said Liu Zhenmin, Under-Secretary-General for the UN Department of Economic and Social Affairs.

"There is no room for complacency," he added.

According to the report, an increasing interest in socially responsible investing is no substitute for a broader transformation in the financial system.

Pension funds, insurance companies and other institutional investors hold around $80 trillion in assets. But the majority of their resources are invested in liquid assets, such as listed equities and bonds in developed countries.

Investment in infrastructure still represents less than three per cent of pension fund assets, with investment in sustainable infrastructure in developing countries even lower.

The lack of long-term investment horizons also means that major risks, such as those from climate change, are not incorporated into decision-making.

“If we don’t invest in infrastructure projects like bridges, roads and sewage systems, if the poorest and women are cut off from access to credit and other financial services, we have little prospect of achieving our global goals,” stressed Mr. Liu.

Overcoming the short-term outlook

The report maintains that the solution to the issue lies in a multifaceted approach, which includes changing payment practices and becoming more transparent.

“We have to reach beyond the quick fix if we are going to create a world that can sustain all of us,” said Navid Hanif, Director of Financing for Sustainable Development Office. “Political leadership and public policies are indispensable.”

The report emphasized that in donor countries, political leaders must do more to meet their commitment to provide financial assistance to the world’s most vulnerable countries.