

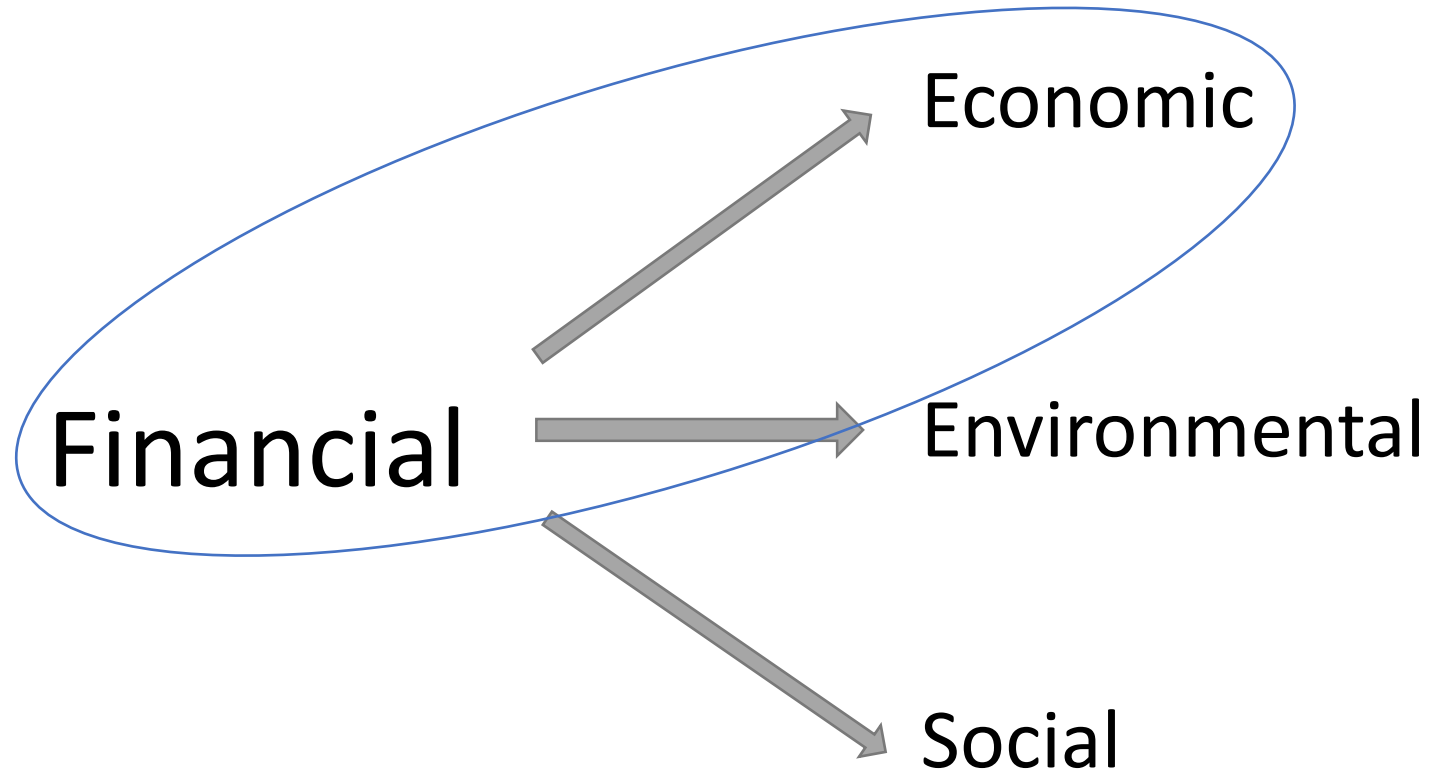
# Sustainable Finance for Sustainable Development

Erdem Başçı

Ambassador,  
Permanent Representative of Turkey to the OECD

NAEC Panel  
'The Global Financial System 10 Years on'  
14 Sept 2018, Paris

# Sustainability



# Dilemma of Central Banks

- 1) Had to intervene heavily to save economies reliant on debt.
- 2) This led to even faster growth of debt (OECD 2017).
- 3) They need to have a «financial sustainability» mandate as well.

# The 'Fixed but not' Problem

Fixed Exchange Rates: Peg sustainability

Fixed Income Securities: Debt sustainability

# Indicators of Unsustainability

Late indicators:

Risk premia

Early indicators:

Borrowing speed

# Indicators of Unsustainability

## Indicator

Risk premia:

## Channel

Bankruptcies

Unemployment

## Timing

Immediate

Borrowing speed:

Risk premia

1-6 years

Depends

# What to do? (Cyclical)

## Indicator

Risk premia:

## Policy

Intervention

## Timing

Immediate

Borrowing speed:

Speed limits

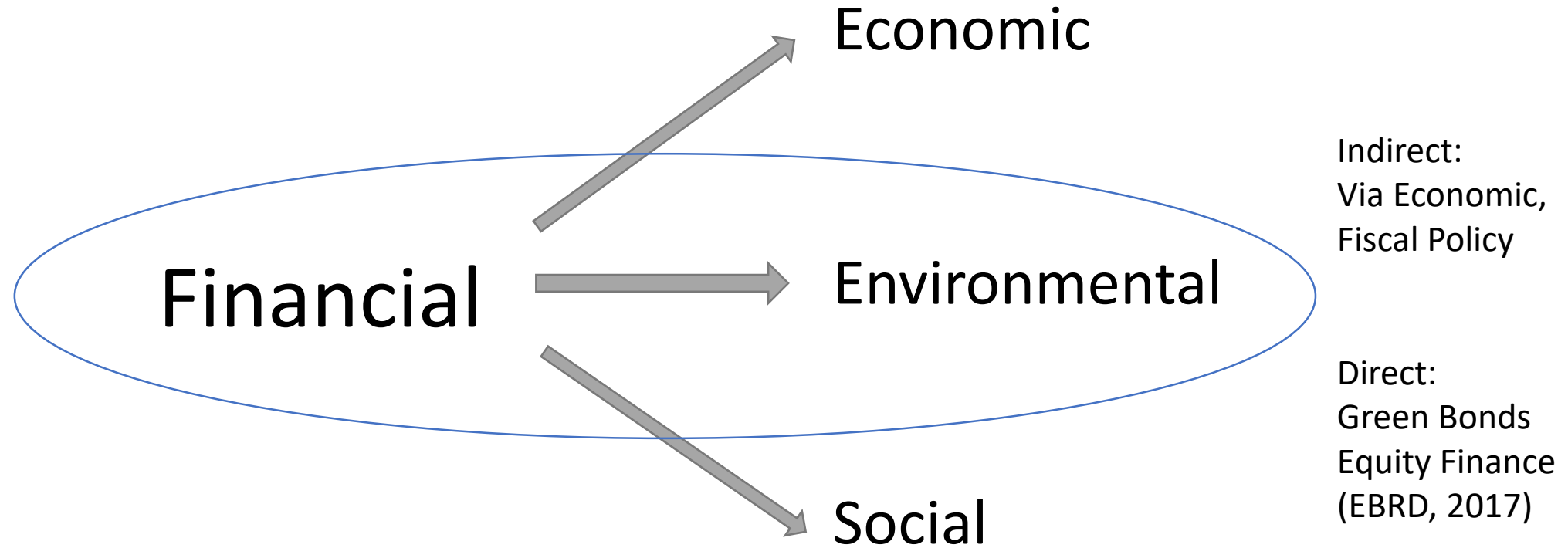
As early as possible

# What to support? (Structural)

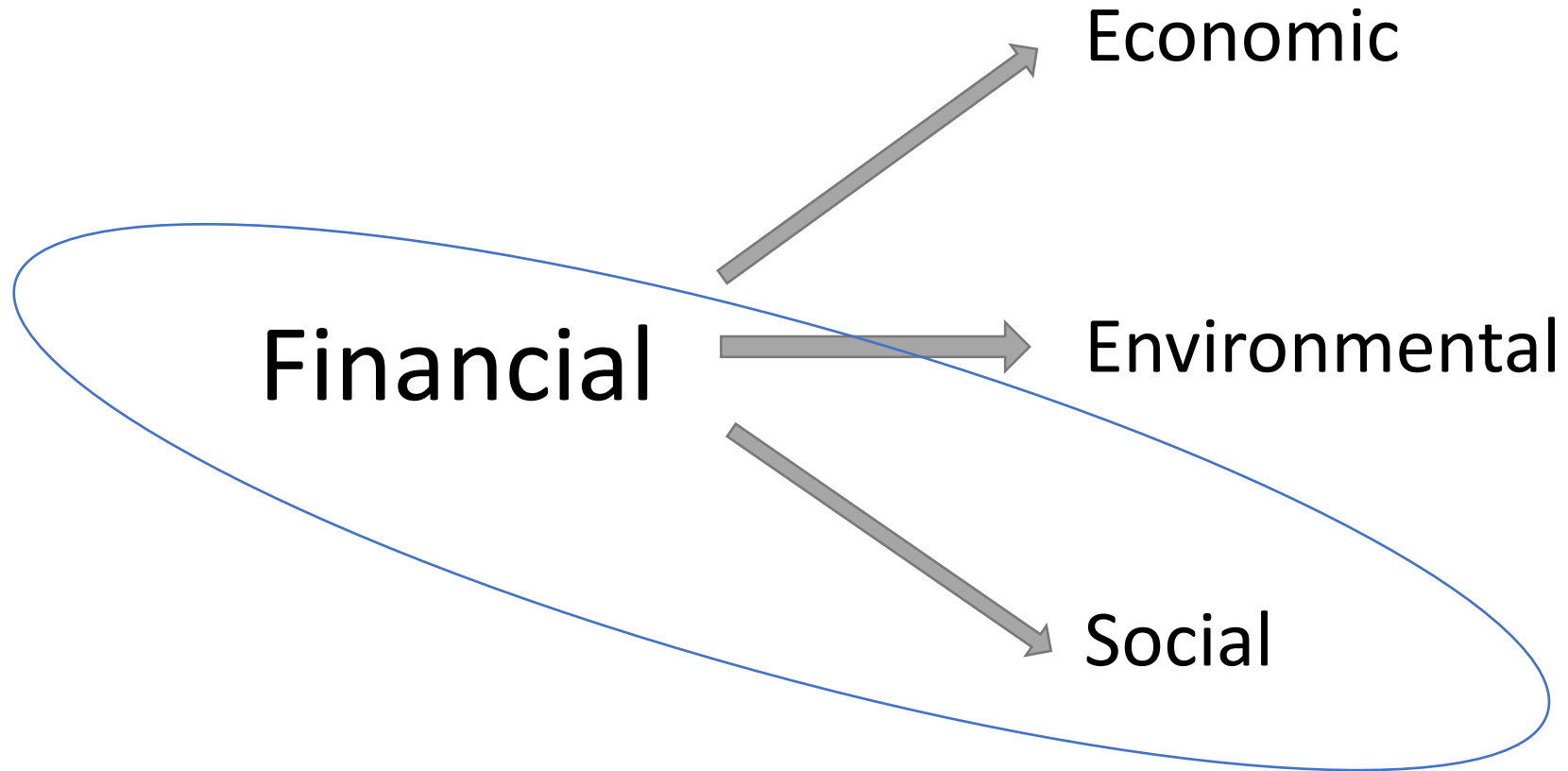
- 1) Equity finance
- 2) Equity like features (in financial contracts)



# Sustainability



# Sustainability



Indirect:  
Via economic.  
- Unemployment.

Direct:  
Research needed.  
- Inclusion,  
- Income  
and wealth  
distribution.

# Concluding remarks

- 1) Equity finance helps economic sustainability.
- 2) Equity finance (probably) would also help social and environmental sustainability directly.
- 3) Yet, there is a debt bias due to heavy interventions and the corporate tax advantage to debt.
- 4) More research and work are urgently needed in these areas if we aim to reach the ambitious SDGs by 2030.

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