Quest Journals
Journal of Research in Business and Management
Volume 10 ~ Issue 10 (2022) pp: 161-162
ISSN(Online):2347-3002
www.questjournals.org

Research Paper

Financing for sustainable development

Tahani .A. Elkhwad
Finance Associate
UNDP Sudan

Received 07 Oct., 2022; Revised 17 Oct., 2022; Accepted 19 Oct., 2022 © The author(s) 2022.
Published with open access at www.questjournals.org

The Financing for Development process is centered around supporting the follow-up to the agreements and commitments reached during the three major international conferences on Financing for Development: in Monterrey, Mexico in 2002; in Doha, Qatar in 2008; and in Ethiopia in 2015. The process also follows up on the financing for development-related aspects of the outcomes of major United Nations conferences and summits in the economic and social fields, including the 2030 Agenda and the Sustainable Development Goals (SDGs).

The realization of more than 90% of SDGs and their targets depend on infrastructure. Consequently, effective and farsighted infrastructure asset management is critical to enhance the resilience, accessibility and sustainability of existing infrastructure assets and future investments. Together with UNCDF and UNOPS, FSDO is implementing a global initiative to support the capacity of central and local governments in developing countries to design and implement long-term asset management strategies, policies and action plans in support of national local sustainable development objectives.

Rebuilding better:

Investing in a sustainable recovery and fixing the system The COVID-19 crisis has also exposed vulnerabilities and inequalities in the nancial system and the global economy, which necessitate urgent reform. First, it has underlined the systemic and interlinked nature of risk in a tightly intertwined world—where a health crisis disrupts global trade and financal ows, and where climate-related risks loom increasingly large. Second, it has highlighted underlying vulnerabilities that have accumulated in the global economy over decades: nancial markets remain short-term oriented, highly leveraged, and often disconnected from the real economy; and many countries are over indebted—around half of least developed and other low-income countries were at high risk of or in debt distress even prior to the COVID-19 shock. Third, it has further accelerated digitalization of economies and societies—allowing for business continuity, but also further underlining inequalities in access to and use of digital technologies. Fourth, it has revealed the lack of resilience in many parts of our economies and societies, including through insouciant investment in health and social protection systems to protect households in the event of crises. Climate change is compounding threats across all these dimensions and will create catastrophic damages if current policies and growth paths continue. In short, the pandemic has reminded us that to achieve the SDGs, we need finaning for investments in sustainability, risk reduction and resilience, along with sustainable, risk-informed and resilient financ. The 2021 Financing for Sustainable Development Report puts forward proposals to change this trajectory, with concrete ideas to (i) invest in people and a sustainable and risk-informed recovery; and (ii) reform the global financial and policy architecture, to ensure that it is supportive of a recovery and aligned with the 2030 Agenda.

Investing in people: The crisis response creates an unprecedented opportunity to redesign the social contract. Household vulnerability is closely linked to lack of SDG progress: poverty, inequality, education, health and at times social or ethnic status, gender, disability and environmental concerns all determine household vulnerability. Crisis response packages that focus on prevention, risk reduction and protection of the most vulnerable can stimulate economic growth, while strengthening resilience to future shocks and helping achieve the SDGs. Governments should prioritize: ƒ spending on social protection and health, with international support to help the poorest countries, including to build social protection infrastructure (which can be scaled up in times of crises); in the medium term finance social protection poor's can also be supported by scaling up counter-cyclical finance; ƒ investments in human capital, including digital skills, to help develop a workforce for the 21st century; and ƒ modernizing labour market policies, social protection systems, and scal policies to

reect the realities of an increasingly digitalized world and changing global economy. Investing in sustainable and resilient infrastructure and innovation: enabling ultra-long-term nancing and investment strategies Investment in people must be complemented by investment in sustainable and resilient infrastructure, along with increased investment in innovation. Such investments can combat climate change, create employment, stimulate growth, reduce risks and build resilience to future crises. Productive investments in the capital stock should also improve debt sustainability in the long-run, even while raising debt levels in the near term. A sustainable and resilient infrastructure push, along with investment in human capital, is entirely feasible in most developed countries, in part due to extraordinarily low interest rates that enable access to cheap financ. But many developing countries do not have scal space for such investments. Without additional support, they will be left behind. Providing access to relatively short-term market nance alone is not the answer—as in some countries this will exacerbate risk of debt distress; nor is relying on private finance to ll all the gaps, which is suitable in some but not all SDG contexts. Solutions rely on developing strategies with very long-term lending and investment horizons. ƒ First, social lenders should make very long-term sustainable finance available to countries, by: ƒ extending maturities of lending and exploring options to provide grants or ultra-long term (e.g. 50 years) financing to developing countries for investment in long-term growth and sustainable development; and cohering more fixed-interest lending so countries can take advantage of ultra-low global interest rates; ƒ Debt swap initiatives have been, or are being launched in several regions, and could be further expanded; ƒ including state-contingent elements in public debt to 'automatize' moratoria in times of crisis, and to set a precedent for private markets; and ƒ In this context, longer-term balance sheet analysis could help countries design instruments that can reduce debt vulnerability risks while facilitating long-term investments. This would also allow them to more consistently take long-term risks such as climate change into account, as well as to incorporate the positive feedback e-ects of long-term investments on economic growth. ƒ Second, the international community needs to better leverage public development banks (PDBs) as a tool for sustainable development investment. In many countries, PDBs were instrumental in supporting the COVID-19 crisis response, including those newly established by countries of the South. Well-managed PDBs can allow for a more transparent accounting of both public liabilities and associated assets—in essence they can ring fence assets and borrow against them. xv OVERVIEW AND KEY MESSAGES ƒ The international community can help strengthen the system of development banks; for example, cooperation between national and multilateral banks can help banks build capacities while also leveraging local knowledge; continued research on appropriate capital, risk management and SDG reporting frameworks can support PDB governance and risk-informed lending for SDG investments. ƒ Third—blended finance can play a role, but needs to focus on where it can add the most value. Support from the ocial sector can often include non-concessional official lending in support of commercial finance, rather than relying mostly on concessional finance. For example, loans that include equity-like elements could support investment in digital technologies in developing countries, including LDCs. This would allow public actors to share in the possible and not divert concessional resources from the social sector. To increase eciencies and better leverage risk capital, bilateral and/or MDB ocial resources could be pooled into a blended finance fund or build on existing funds. ƒ Fourth—the private sector has a critical role to play in finance sustainable investments, including in developing countries. However, the current business model - focused on short term nancial returns for shareholders—is not conducive to support business' contributions to the SDGs. Policy makers can help facilitate a new business model that works for everyone, not only for shareholders, by: ƒ accounting for the e-ects of private activity on environmental and social impacts, including by pricing externalities such as carbon emissions; requesting transparency on businesses' plans to align their activities with sustainable development; and making corporate governance more long-term oriented; ƒ reorienting capital markets toward investing in sustainable development-aligned priorities, by encouraging the removal of short-term incentives along the investment chain, as called for in the Addis Ababa Action Agenda, and mitigating the risk of SDG-washing in investment practices. ƒ Fifth, by improving enabling environments, Governments can also further mitigate investment risks (e.g. in the context of an integrated national fainance framework, INFF); such measures should be complemented by international support to help developing countries in addressing the challenges of finance the 2030 Agenda.