ECOSOC Partnership Forum

Summary of Spotlight Session "Financing for the SDGs in the Era of COVID-19":

2 February 2022, 15:00-15:50 EST

Background on the event

As the world is facing a twofold challenge of fostering an inclusive recovery from COVID-19 and mobilizing resources to achieve the SDGs and build back better, the international community will have to design financing solutions and develop policies and approaches to address both challenges. Bringing together a diverse group of key stakeholders, the thematic Spotlight Session, hosted by the United Nations Foundation and Southern Voice, aimed to explore the various ways in which the COVID-19 pandemic affected the global economy and countries' capacities to both confront the crisis and mobilize resources to achieve the SDGs. It aimed to analyze the implications of the current global economic outlook for financing the 2030 Agenda, discuss lessons learned and identify policy recommendations that could close the financing gaps to bring the world back on track towards the achievement of the SDGs.

Key Issues discussed

- The recovery from the COVID-19 pandemic has been uneven with deepening inequality pushing the world further off track to achieving the 2030 Agenda and increasing the financing gap for the SDGs. These trends are compounded by a global financial system that is unbalanced and structurally biased towards Least Developed Countries (LDCs). **Navid Hanif**, Director of the Financing for Sustainable Development Office at UNDESA, highlighted that low-income countries are facing unequal access to vaccinations, fiscal space constraints, supply chain bottlenecks, labor market challenges and inflationary pressures. These challenges, coupled with an increase in the SDG financing gap, from $2.5 trillion to $3.7 trillion, create a fragile economic landscape that is ripe for reform.
- The challenge of debt distress in low- and middle-income countries was widely acknowledged as an accelerator in widening the SDG financing gap. **Ambassador Walton Alfonso Webson**, Permanent Representative of Antigua and Barbuda to the UN, stressed that the debt crisis has forced governments to realign finances originally intended for development, to tackle the COVID-19 crisis. In fact, external debt service is greater than education expenditure in at least 62 developing countries, diverting important resources away from the SDGs. Advocating that financial metrics must go beyond GDP to assess vulnerability, climate, and investment risks, Ambassador Webson stressed that Small Island Developing States (SIDS), such as Antigua and Barbuda, have been unable to access the new Debt Service Suspension Initiative (DSSI).
- COVID-19 has also challenged governance and weakened institutions, accountability frameworks and resource allocation, and led to rising conflicts in many parts of the world, including Africa. Speakers identified that the financing of the SDGs requires investment in strong institutions and the full participation of private sector partners. **Dr. Romina Boarini**, Director of the OECD Centre for Well-Being, Inclusion, Sustainability and Equal Opportunity (WISE), reflected on the "cascading benefits" of private sector investment in promoting health and reducing inequalities due to the indivisible nature of the SDGs. **Adedeji Adeniran**, Director of Research, Centre for the Study of the Economies of Africa (CSEA), provided a continent perspective on private finance mobilization towards the SDGs and emphasized that countries cannot rely on one financing

model alone. Where resource allocation is weak, and the stakes of a commodity price crash are high, how do governments build a financing model for the SDGs that is sustainable?

- While mobilizing resources to achieve the SDGs and building back better, it is vital to pursue a multi-stakeholder process that includes civil society and young people in particular. As expressed by **Aish Machani**, a UN Foundation Next Generation Fellow, investing in future generations will affect the achievement of all of the SDGs. It is crucial to maintain the momentum generated by the ECOSOC Partnership Forum to translate intentions into actions, placing resources behind these commitments and monitoring their achievements.
- In line with the three pillars of social development, speakers called for long-term, sustainable and flexible funding for the SDGs that work for people, the planet and prosperity in times of crisis. Ambassador **Charlotta Schlyter**, Head of Section for Sustainable Development at Permanent Mission of Sweden to the UN, noted that this included the areas of environmental sustainability and green recovery. SDG financing is inextricably linked to climate change which poses an existential threat to vulnerable nations. However, sustained investment also has the potential to prevent conflict and fragility, improve lives and livelihoods, and protect the planet.

Key recommendations for action

- To address shrinking debt distress in low- and middle-income countries, additional grant-based finance and long-term loans with concessional conditions will be key in order to stimulate investment in the SDGs. Ensuring all countries have access to liquidity also requires fixing the sovereign debt architecture at the global level. The full implementation of the Multi-Dimensional Vulnerability Index (MVI) and Debt-for-Climate swaps were identified as additional measures.
- On the path to recovery, it is important to consider various financing approaches and quality of financing, instead of pursuing a single financing model. It is crucial that governments invest in strong institutions to ensure that financing is targeted and can reach those in need. Countries have to shift away from the sole economic focus of the COVID-19 recovery to a broader lens of capacity development and alignment of all the SDGs.
- Private-public partnerships remain critical to leverage innovative financing to achieve the SDGs. In the post-pandemic recovery period, areas of opportunity identified by speakers include the UNDP's SDG Investor Maps and the Global Investors for Sustainable Development Alliance (GISD) that aligns capital and investments with SDGs.
- The UN should continue to conduct analysis on how to increase fiscal space in vulnerable nations while injecting long-term decision-making through its convening power. This will include the Financing for Development Forum in April, Stockholm+50 in June and the next SDG Investment Fair. The organization should also uphold its obligations under the Funding Compact and the Addis Ababa Agreement, in addition to seeking the commitment of many developed economies to spend 0.7% of their GNI on official development assistance.
- It is crucial to prioritize future generations in COVID-19 recovery efforts since they will be a catalyst in the achievement of the SDGs and act as an equalizing factor to reduce inequality, particularly in countries and regions with a large young demographic. Investment in young people should prioritize the creation of jobs for the youth, invest in industries of the future and support young entrepreneurs; as well as address the digital divide.