

INTRODUCTION

The United Nations has a critical role in supporting the mobilization of finance for sustainable development: The Secretary-General's Strategy sets out the key elements of this role, and the actions the United Nations will take to help accelerate and deepen the transformation of financial systems to provide development finance efficiently.

The Secretary-General's Strategy leverages the convening power of the United Nations to bring together the relevant actors to accelerate mobilization of finance for the 2030 Agenda. It builds on the Addis Ababa Action Agenda (AAAA) – as global framework for financing sustainable development with concrete policy actions for the 2030 Agenda for Sustainable Development, as well as the Paris Agreement on Climate Action. It draws on the work of the Inter-Agency Task Force on Financing for Development, as well as on-going work within the United Nations on financing, including by the Department of Economic and Social Affairs (DESA), Regional Economic Commissions, the United Nations Conference on Trade and Development (UNCTAD) and the United Nations Development Programme (UNDP). The Strategy also frames the United Nations collaboration on financial matters with key partners, such as the World Bank Group (WBG), the International Monetary Fund (IMF), the Organization for Economic Cooperation and Development (OECD), regional development banks and other development finance institutions.

The Deputy Secretary-General will lead the implementation of the Strategy on behalf of the Secretary-General, in close coordination with heads of the relevant entities within the United Nations system.

CONTEXT

The 2030 Agenda for Sustainable Development aims at a fundamental transformation of society, and its patterns of production and consumption. This transformation requires changes in mindsets and behaviors; realigned incentive systems; a conducive and enabling public policy environment; and the deployment of innovative technologies that are more energy- and resource-efficient. Investments on a massive scale are needed to create the sustainable infrastructure and low-carbon, high-efficiency production methods that will accomplish the transformation. Hence, financing is key to realizing the 2030 Agenda and the AAAA is the framework for actualizing the means of implementation.

This financing must be sustainable. Governments, international financial institutions, and private financial markets should direct adequate flows of resources into sustainable investment. They must also take steps to reduce the flow of resources into unsustainable uses by shifting the structure of incentives and the thrust of legislation and regulation to lower the attractiveness of, and returns from, such investments.

Since 2015, the engagement of governments, the private financial sector and other non-state actors in mobilizing resources for the 2030 Agenda has grown. Financial sector policymakers, regulators and supervisors, and market participants are taking steps toward building a more sustainable financial system. Sustainable finance has grown rapidly, as evidenced by the explosive growth of green bonds and the development of innovative SDG-related financial instruments (e.g. SDG, sustainability, and social bonds). Many financial jurisdictions have taken explicit steps to “green” their financial systems.



Private market participants, particularly institutional investors, are also changing their approach, encouraging longer-term time horizons on financial markets. They support efforts to integrate environmental, social and governance factors into business models, and encourage the disclosure of the sustainability profile of firms in which they invest, thereby driving changes in the way enterprises are managed. They are also taking initiatives that encourage the transformation to the low-carbon economy, such as portfolio decarbonization.

Progress is still insufficient and too slow. Sustainable finance is still only a small fraction of overall financial activity in private markets, as it is only now beginning to be mainstreamed into the business models of the financial industry.

The finance needs for SDG investments are vast and urgent. Domestic public finance is key, especially to providing public goods and essential services. In many developing countries, the mobilization of domestic public resources still falls well short of requirements; and external public resources, including official development assistance (ODA), remain essential in many countries. It is, therefore, important to make progress towards meeting the ODA commitments of the Addis Ababa Action Agenda. However, the public sources of funding in all countries, rich and poor alike, clearly do not suffice to fund the SDGs. Hence, private finance is an essential component of the financing of the 2030 Agenda.

Beyond the funding gaps, other shortcomings hinder progress. In many developing countries, relatively underdeveloped and weak financial systems limit the range of available instruments for mobilizing private resources, while the weak institutional capacity to formulate and present bankable projects impedes the ability to mobilize private investment. Across all countries, the lack of a pipeline of sustainable, bankable projects at scale, and of established and broadly accepted methodologies for assessing the risk of new technologies and sustainable investment projects, hinder the mobilization of more sustainable finance and impede the redirection of flows away from traditional, non-sustainable investments.

As a result, key priorities remain underfunded—sustainable infrastructure; modern, efficient, and renewable energy systems; transportation, waste and water management systems—while potential private sector sustainable investment projects do not find the funding they need because of the perceived risk and the lack of an appropriate project pipeline.

Deep changes, both across the business and financial sectors and in public policies, are needed to mobilize private finance at the scale and speed necessary:

- *On the government side*, domestic budgets supported by tax reforms, including subsidy removals to increase revenue generation for enhancing services in health, water, education, are fundamental. Countries need to strengthen enabling environments to reduce investment risks. These include predictable and rational policies and regulations; stronger public institutions and the rule of law; efforts to deepen still embryonic domestic financial systems; and a financial regulatory and supervisory regime that strengthens stability while avoiding the inadvertent deepening of the short-termism of private capital markets. Governments should also, where appropriate, strengthen the capacity of the domestic private business sector to develop pipelines of sustainable investable projects into which private capital can flow. The successful experiences of other countries will be a tremendous support to these efforts.
- *On the private side*, private enterprises need to incorporate the true costs of unsustainability and the myriad opportunities for sustainable investments into their business models, in the process developing a pipeline of bankable sustainable projects at scale, into which capital can flow.



Private finance can foster this by requiring companies in which they invest to disclose their sustainability profile and impact and their efforts to integrate sustainability considerations into their business decisions. Together, these efforts will shift business investment and capital allocation decisions into alignment with the sustainable development agenda.

OBJECTIVES

The Strategy aims to accelerate progress in key areas where the leadership of the Secretary-General can galvanize action from the global to the local arena. This calls for:

1. Aligning global economic policies and financial systems with the 2030 Agenda.
2. Enhancing sustainable financing strategies and investments at the regional and country levels.
3. Seizing the potential of financial innovations, new technologies and digitalization to provide equitable access to finance.

1: Aligning global economic policies and financial systems with the 2030 Agenda.

1.1 Public policies that are firmly and consistently formulated to achieve sustainable development can realign incentives and alter market perceptions of risk. These policies influence private decisions on capital allocation, investment, location and sourcing. They also help to limit excessive conjunctural swings and financial volatility, and can incentivize the financial system, and private individuals, to build up their resilience to eventual economic and financial shocks.

1.2 These changes to the policy framework must ensure specific financial sector policies and regulations that encourage the rising demand for, and supply of, finance for sustainable activities. This will include removing obstacles to the mobilization of longer-term resources. At the same time, an appropriate balance must be struck between measures to preserve systemic stability and reduce the vulnerability to economic, financial and climate shocks, and steps to encourage financial innovations that mobilize resources more efficiently and promote more inclusive financial systems that provide financial access to all.

1.3 While there are fragmented standards, there are still no globally agreed definitions of concepts such as impact and sustainable investing, despite growing private interest in them; and existing sustainability principles have not yet led to adoption of globally accepted standards to guide the evolution of innovative financial instruments for sustainable finance—such as green bonds, sustainability bonds, SDG bonds and other innovative instruments.

1.4 The United Nations plays a unique role in setting the global norms with which economic policies and financial systems should be aligned. The Monterrey Consensus, the Doha Declaration, and the Addis Ababa Action Agenda provide a comprehensive vision of the interplay of resources from domestic and foreign, public and private sources, and the necessary alignment of policies and financing flows with sustainable development.

1.5 The United Nations has been working closely with global policymakers and regulators to foster a deeper understanding of the role of public policy in developing a sustainable financial system. This will contribute to frame the discussions on definitions, principles and guidelines and develop the standards that will facilitate the deepening of the markets for sustainable finance.



1.6 Private financial institutions, for their part, have been working with the United Nations to understand today's environmental, social and governance challenges and why they matter to finance. This has led these actors to consider explicitly how sustainability can be profitably woven into the core business models of private enterprise and finance.

2: Enhancing sustainable financing strategies and investments at the regional and country levels.

2.1 The United Nations development system will support the development of sustainable financing strategies at the country and regional level, in particular through its country offices and regional teams. This role will include providing advice and support for: creating investible projects; supporting countries in negotiating complex contracts with private entities; building enabling environments; deepening domestic financial markets; and developing integrated financing strategies. Member states will thus be better equipped to attract the capital they need to implement the SDGs.

2.2 Countries must also strengthen and increase the effectiveness of their tax systems to generate the domestic resources for funding the government contribution to meeting the SDGs. The United Nations will continue providing capacity building support for domestic resource mobilization in countries that need assistance. The United Nations, in collaboration with other international institutions, will help developing countries address challenges in international taxation that complicate their domestic resource mobilization efforts, including dealing with illicit financial flows, tax evasion, tax transparency and base erosion and profit shifting.

3: Seizing the potential of financial innovations, new technologies and digitalization to provide equitable access to finance.

3.1 Access to finance is one of the pre-requisites of sustainable and equitable development. The digitalization of finance has allowed for major progress in financial inclusion in recent years, expanding access to financial services for hundreds of millions of people. Still, large gaps remain, particularly in the poorest countries, for women and micro, small and medium-sized enterprises. The complexity of scaling up coverage needs support to institutions and human resource capacities.

3.2 Financial innovation, including new financial instruments, as well as new financial technologies, institutions and markets have great potential to help close these gaps, but also raise risks to customers and systemic risks to financial market stability and the conduct of monetary policy. This poses challenges to financial regulation and consumer protection.

3.3 The United Nations will bring together policy makers and financial regulators, as well as the innovators in the space of digital finance and fintech, to exchange information and experience on innovative financial instruments and good practices. Such exchanges will explore the implications of new financial technologies, particularly the digitalization of finance, for regulatory frameworks, and frame the development of global norms that will guide further developments in this area. At the same time, such exchange could foster a deeper understanding of the potential risks to financial and economic stability, and the development of approaches to minimize and more effectively manage such risks.

Executing the Strategy: The Secretary-General will provide a three-year roadmap of actions and initiatives, building on current and future activities of key stakeholders, to mobilize investments and support for financing the 2030 Agenda for sustainable development.

