## **Financing Policy Brief Series – Recommendations for FfD4**

# **Enhancing synergies between global commitments and aligning financial flows**

Prepared by the Economic and Social Commission of Asia and the Pacific (ESCAP)

Bangkok, Thailand

18 October 2024

## **Key messages (max. 200 words)**

* Financing sustainable development and climate action remain at the center of both the sustainable development agenda and climate negotiations. However, the underlying issues have primarily been debated and developed separately. This needs to change.
* At the national level, what is needed is an approach that integrates all the international commitments of countries – regarding sustainable development, climate change, and other issues – with their national investment planning and financing processes. A similar integrated approach needs to be pursued at the global level as well with regards to international financial flows.
* Governments, financial regulators, and private finance entities would need to work together on a common set of actions and strategies to ensure that sufficient finance is mobilized for these global commitments.

## **Problem statement (max. 500 words)**

The 2030 Agenda for Sustainable Development involves 17 Sustainable Development Goals and 169 targets, and strives to achieve resilient, inclusive and sustainable development pathways. The Paris Agreement on climate change establishes binding commitments by all Parties to prepare nationally determined contributions (NDCs) and encourages them to pursue domestic measures to achieve the NDCs in line with the stated goal of limiting global temperature increase. By and large, most countries in Asia and the Pacific are not on track to achieve the goals highlighted in both these global frameworks and agreements. Additionally, one key reason is lack of sufficient financing to undertake the needed initiatives.

***Need for enhancing synergies among global commitments and alignment of financial flows***

There are several differences between these global commitments and frameworks with respect to finance related commitments, language and strategies. Nonetheless, the issue of financing remains at the center of both the sustainable development agenda and climate negotiations, with the underlying details being debated and developed separately. At the same time, the current international financial architecture is fragmented and lacks the ability to enable efficient and effective funding or provide an environment for investment for synergistic action to fulfil commitments across these global frameworks and commitments.[[1]](#footnote-1)

Without aligning financing targets, flows and goals, there will be fragmentation in progress across sustainable development and climate ambitions. With over 80 per cent of Sustainable Development Goal targets directly linked to climate, either through positive co-benefits or negative trade-offs, there is an urgent need for a synergistic approach to harness these benefits and minimise trade-offs.[[2]](#footnote-2)

At the national level, what is needed is an approach that integrates all the international commitments of countries – regarding sustainable development, climate change, and nature – with their national investment planning and financing processes. To this end, the government, financial regulators, and private finance entities would need to work together on a common set of actions and strategies to ensure that sufficient finance is mobilized for these global commitments.

A similar integrated approach needs to be pursued at the global level as well with regards to international financial flows. Such an integrated international development system, supported by aligned financing strategies, represents the essence of needed reforms of the international financial architecture. An integrated international development system approach on financing has the potential to guide and aid countries in setting integrated national financing approaches, rather than experiencing the inefficiencies of the fragmentation that exists today.

This is particularly important given the economic headwinds facing the global economy as well as the Asia-Pacific region today. High(er) interest rates due to inflation, subdued economic growth prospects and increases in public debt levels, have constrained both the size of available financing, as well as its terms such as the duration, the cost, the standards accompanying such financing and the necessary domestic and international political will needed to deliver such financing. This points to an era of increasingly complex choices to be made by governments, regulators and other finance stakeholders in the region. Alignment between national, regional and international approaches, whether on sustainable financing regulation, or on sustainable financing policies, will be essential to drive the financing needed to fulfil commitments across different global frameworks and commitments.

Many financial policymakers and regulators have already started to integrate climate concerns into their financial policies, regulations and supervisory frameworks. These actions will have ripple-on effects on the achievement of Sustainable Development Goals interlinked with climate change. Sustainable Development Goal integration into financial policies and regulations is less standardized, with only few countries taking this up in an Sustainable Development Goal-climate budget tagging approach, or aspects of the Sustainable Development Goals through the integrated national financing frameworks (INFFs).

Without government, financial regulators and private finance entities working on a common framework and a common set of actions, sufficient finance for these goals cannot be mobilized. For that to happen, coherence, consistency and clarity in the international development system is essential.

## **Policy solutions (max. 500 words)**

1. **Strive for coherence, consistency and clarity in the international development system, as relates to sustainable finance.** The *Financing for Development* process, both at the national and international level, should strive to align financing flows and targets with all key international frameworks and agreements already committed to by countries. These agreements have specific financing-related text, which have been incorporated by some financial regulators, and which is already driving the progress of sustainable finance regulations in the region. This aspect can be strengthened further.

Integration of climate and development agendas within national financing frameworks, coupled with enhanced collaboration among government agencies and regulators, is essential for coherent and effective action.

## **Specific recommendations for FFD4 (max. 300 words)**

* Ensure that the Outcome Document reflects intentions by member States to integrate their international commitments regarding sustainable development and climate ambitions with their national investment planning and financing processes.
* A similar integrated approach needs to be pursued at the global level as well with regards to international financial flows. Such an integrated international development system approach on financing has the potential to guide and aid countries in setting integrated national financing approaches rather than experiencing the inefficiencies of the fragmentation that exists today.

**A 75-word summary of the brief for the website.**

This brief focuses on the importance of strengthening the coherence and consistency of the international development system with respect to financing sustainable development and climate ambitions. It highlights the fragmented approaches to financing currently prevalent and underscores the need to integrate international commitments regarding sustainable development and climate ambitions with national investment planning and financing processes. A similar integrated approach is called for at the global level as well.

1. *Synergy Solutions for Climate and SDG Action: Bridging the Ambition Gap for the Future We Want*, second edition (United Nations publication, 2024). [↑](#footnote-ref-1)
2. Ibid. [↑](#footnote-ref-2)