



# HIGH-LEVEL POLITICAL FORUM ON SUSTAINABLE DEVELOPMENT

#HLPF #SDGs #GlobalGoals [sustainabledevelopment.un.org/hlpf/2021](https://sustainabledevelopment.un.org/hlpf/2021)

## Investing in the SDGs

### How can public and private financing be scaled up to unlock catalytic investments for the achievement of the 2030 Agenda

*Monday, 12 July 2021, 9:00 AM- 11:30 AM*

#### Secretariat Background Note

#### Background

Five years after the adoption of the 2030 and Addis Ababa Action Agendas, mobilization of sufficient financing and other means of implementation remains a critical challenge for SDG implementation. The **COVID-19 pandemic has exacerbated financing gaps**, with financing needs increasing in parallel to significant reductions in availability of public and private financing for SDG investments. As a result, many countries face significant fiscal constraints. Sovereign debt levels, which were already elevated prior to the pandemic, have increased further, threatening debt sustainability. In the absence of corrective and forward-looking actions, there is a severe risk of debt crises that will hamper achievement of the 2030 Agenda.

**Developing countries have been hit particularly hard by debt sustainability challenges**, which have been acutely amplified by the pandemic. Several developing countries have recently defaulted on their sovereign debt, jeopardizing their ability to kickstart the COVID-19 recovery and invest into achievement of the SDGs. Global actions such as the G20 and Paris Club Debt Service Suspension Initiative (DSSI) and the G20 Common Framework for Debt Treatment beyond DSSI have been a first step to provide short-term support, but further steps are urgently needed to support developing countries, including Middle-income countries. In addition to the COVID-19 crisis, countries are also facing increasingly acute climate-change related risks that are further undermining their debt sustainability. In this context, urgent support is needed to strengthen countries' debt sustainability, including by exploring existing and innovative instruments, such as debt swaps and debt cancellations that can provide breathing space and free



*Sustainable and resilient recovery from the COVID-19 pandemic that promotes the economic, social and environmental dimensions of sustainable development: building an inclusive and effective path for the achievement of the 2030 Agenda in the context of the decade of action and delivery for sustainable development*



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up resources for SDG investment. Moreover, changes to the global debt architecture will be necessary to increase long-term debt sustainability and increase resilience to future debt crises.

**Rising inequalities are also threatening the financing of the SDGs** globally. A large number of developing countries have been unable to mobilize resources for the recovery, unlike many developed countries that have advanced recovery packages in the trillions of dollars. An unprecedented policy response to support developing countries in the COVID-19 response and recovery is needed to unlock liquidity, particularly for countries in special situations such as Least Developed Countries (LDCs), Landlocked Developing Countries (LLDCs), and the Small Islands Developing States (SIDS), which have been hit the hardest by the crisis. Thus far, liquidity constraints have proven to be an insurmountable hurdle towards unlocking investment at scale into implementation of the 2030 Agenda.

To build the foundations for resilient, equitable and inclusive post-COVID economies, all financing flows must be aligned with the 2030 Agenda. To strengthen resilience and adaptive capacity against future shocks and crises, investments need to prioritize sectors that can advance the SDGs and the Paris Agreement. **Mobilizing private sector resources in addition to public resources is vital to narrow the financing gap**, particularly in developing countries and in priority areas, such as sustainable infrastructure. Private sector actors and rating agencies also have a key role to play in providing fiscal breathing space in the short term and achieving debt sustainability in the long-term.

The discussions in the HLPF session on “investing in the SDGs” will **build on the action-oriented discussions and recommendations of the 2021 Forum on Financing for Development follow-up**. The Forum amply underlined that on the current trajectory of an uneven recovery, there is a severe risk of a lost decade for sustainable development. The Forum’s outcome document underlined the urgent commitment of the international community to counteract this adverse trend and finance a recovery from COVID-19 for all that is aligned with the 2030 Agenda. To tackle the immediate needs of the COVID-19 response, Member States resolved to work tirelessly to ensure timely access for all countries to COVID-19 vaccines, therapeutics and diagnostics. Member states also committed to extend social protection for all, including workers in the informal economy and called on the international community to strengthen inclusive dialogues and mechanisms on sovereign debt to advance the discussion on debt transparency



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and responsible lending and borrowing. Member States also recognized the need to develop a common framework of definitions and criteria for sustainable economic activities.

## Objectives

Lack of fiscal space and the risk of sovereign debt distress have come on the top of the global policy agenda as key stumbling blocks to achieving the SDGs until 2030. The **key challenge is to enable countries to invest in recovery, climate action and the SDGs while maintaining sustainable debt levels**, and to prevent and effectively and fairly resolve debt crises to safeguard SDG progress and enable climate action.

To achieve these objectives the dedicated session on “Investing in the SDGs” at the 2021 HLPF will aim to:

- **Advance the dialogue on how to** enable all countries to mobilize the needed resources to recover from the COVID-19 pandemic and advance investments in the SDGs;
- **Explore how all sources of financing**, including public and private, **can be channeled towards sectors and investments aligned with the 2030 Agenda** and the Paris Agreement as well as highlight the role that the private sector can play in investing in the SDGs;
- **Identify actionable policy solutions such as innovative financing mechanisms and debt instruments that can improve debt sustainability** in light of SDG investment needs and climate risks as well as stress needed improvements to the international debt architecture to prevent debt crisis in the future.

## Proposed guiding questions

The discussion in the Session on “Investing in the SDGs” will be framed by the following guidance questions:

- What innovative financing and debt instruments can unlock investment in the SDGs in the context of limited fiscal space, including in countries with special situations?



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- What steps in addition to the G20 Debt Service Suspension Initiative and Common Framework are needed to improve debt sustainability and free up resources for investments in the SDGs?
- What measures can strengthen global debt sustainability in the long term, including changes to the international debt architecture?
- What role can the private sector play to channel investments towards the investment in the SDGs and contribute to closing the financing gap in developing countries?



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