Joint Meeting of the Executive Boards of the United Nations Children's Fund, the United Nations Development Programme/the United Nations Population Fund/the United Nations Office for Project Services, the World Food Programme, and the United Nations Entity for Gender Equality and the Empowerment of Women

2 June 2023

BACKGROUND NOTE

The importance of joint development solutions and quality financing in the face of multiple crises

1. Introduction

Efforts made by many countries, communities and households to recover from the socioeconomic setbacks caused by the coronavirus disease 2019 (COVID-19) pandemic are being undermined by growing global challenges. These include the global food crisis, climate-related disasters, debt and energy crises, economic shocks and an increasing number of conflicts and displacement. These compounded crises continue to disproportionately affect people in vulnerable situations, especially women and children, and have significantly increased poverty and inequality while reversing generational gains in social and economic rights and gender equality. In fact, the number of people living in extreme poverty increased for the first time in decades. An additional 100 million children fell into poverty in 2021[1] and an estimated 388 million women and girls and 372 million men and boys lived in extreme poverty as of 2022[2]. Moreover, the gap in financing the Sustainable Development Goals is increasing. There is limited alignment between critical priorities related to climate, development and humanitarian action, including to strengthen preparedness and increase systems' readiness to respond in emergencies.

This situation has further highlighted the urgency for governments, the private sector, civil society and international development partners to collaborate to address the short-term impacts of current compounding crises while promoting a pathway towards resilient, sustainable and inclusive growth and recovery. As national governments lead efforts to achieve the Sustainable Development Goals, the United Nations system must collectively support government objectives and demonstrate the impact of delivering development solutions at scale. In so doing, it is important to ensure a rights-based and whole-of-society approach to financing. This approach should be centered on the principles of *leaving no one behind*, gender equality and the right to equitable social services – particularly services related to education, nutrition, water and sanitation, protection and health, including sexual and reproductive health and rights (SRHR).

The United Nations Secretary-General recently called for a transformative Sustainable Development Goals Stimulus package. Its aim is to tackle the high cost of debt and rising risks of debt distress; expand contingency financing to countries in need; and increase affordable long-term financing for developing countries by at least $500 billion per year. This is expected to enable investments in renewable energy, universal social protection, quality education, decent job creation, universal health coverage, sustainable food systems, infrastructure and digital transformation. It would

[1] United Nations Children's Fund (UNICEF), "Preventing a lost decade: Urgent action to reverse the devastating impact of COVID-19 on children and young people", 2021, New York
[2] United Nations Entity for Gender Equality and the Empowerment of Women (UN Women), United Nations Development Programme (UNDP) and the Pardee Centre for International Futures, "Poverty deepens for women and girls, according to latest projections", 1 February 2022, accessed on 2 May 2023 at https://data.unwomen.org/features/poverty-deepens-women-and-girls-according-latest-projections

be complemented by strategies and programming to address the specific needs and rights of all vulnerable groups affected by crises, including women and children. For example, the promotion of women's empowerment and leadership has been demonstrated to not only improve development and humanitarian outcomes for the women, but also their children and dependents, and their wider communities.

2. Key entry points

- **Protecting and enhancing social spending, particularly to strengthen education, gender equality, health, nutrition and protection**. There is overwhelming evidence on the beneficial impact of early investment in children's wellbeing and in advancing human capital on overall economic development. For example, spending one dollar on ending preventable maternal deaths and the unmet need for family planning by 2030 can yield economic benefits of up to $8.40 by 2050[3]. Equally, there is evidence that each dollar spent on the care[4] sector has the potential to generate two to three times more jobs than if the same dollar were spent on other sectors, such as physical infrastructure and construction[5]. Yet, funding for social sectors continues to be insufficient and at risk of being the first to be cut during crises. Critical priorities such as early childhood development, nutrition, health, SRHR and social protection continue to compete for limited available resources.

  Public finance is the backbone of inclusive and sustainable financing and remains the key source of financing of the Sustainable Development Goals, particularly in social sectors. It is also critical that joint and coordinated support be provided to governments at national and subnational levels to enable the implementation of national programmes in a way that ensures impact and reach. In this context, the United Nations system and development partners must focus on ensuring that critical investments in social sectors are enhanced and protected, especially during times of economic distress. It is important to increase the focus, size and explicit prioritization of financing for social sectors, and enhance the alignment of climate financing, development financing and humanitarian financing, while working to unlock private capital to support innovation and address critical gaps.

  The United Nations system and development partners must also support governments in enhancing the quality of spending, particularly in terms of equity, transparency, credibility, efficiency and effectiveness to deliver results and achieve impact. Enhancing efficiencies in public procurement is also critical, as, in many developing countries, it represents approximately 15 to 22 per cent of gross domestic product[6]. Sustainable procurement is not limited to what products are purchased, but also relates to how they are purchased and from whom.

  Identifying new sources of financing is key to scale up innovation and address critical gaps: this includes increasing Official Development Assistance (ODA), transforming the current debt architecture and identifying modalities for effective private and blended financing. Finally, there is a need to reinforce effective participation of civil society organizations and communities, including children, women, girls and adolescents, in setting priorities and making decisions about the financing of the Sustainable Development Goals, including in social sectors.

  The international community and the private sector can support these efforts by partnering with governments to address the root causes of inequality and to promote sustainable economic growth. United Nations entities have methodologies and tools to support governments in aligning public finance to climate and social inclusion objectives. Similarly, significant efforts are being deployed to assist private and financial sector

[3] United Nations Population Fund, "Investing in three transformative results: Realizing powerful returns", 2022, New York
[4] Defined as services in the areas of public health care, long-term care, early childhood care and education, and primary and secondary education.
[5] UN Women and International Labour Organization (ILO), "A Guide to Public Investments in the Care Economy: Policy Support Tool for Estimating Care Deficits, Investment Costs and Economic Returns", March 2021
[6] World Bank. "Procurement for Development", accessed on 10 May 2023 at https://www.worldbank.org/en/topic/procurement-for-development#:~:text=Public%20procurement%20is%20a%20fundamental,15%2D22%20percent%20of%20GDP.

actors in aligning their business operations to the Sustainable Development Goals, including through the adoption of the Women's Empowerment Principles. In addition, leveraging effective private finance investments that are compliant with legal standards and regulations can be critical to stimulating innovation and facilitating just transitions to sustainable and low-carbon economies. The private sector can help to address income and gender inequality by adopting fair labour practices and ensuring equal pay for equal work. It can also help to address environmental inequality by investing in expanding access to energy through renewable sources and reducing carbon footprints.

- **Momentum for social protection and its role in enabling Sustainable Development Goals.** The importance of the right to social protection[7] has come to the forefront of interagency collaboration in recent years, due to (i) its role in responding to consecutive global crises, building resilience and addressing poverty and inequality; (ii) its potential to contribute to accelerating progress towards multiple Sustainable Development Goals; and (iii) its role in enabling governments' leadership and capacity to meet these development goals. Furthermore, expanding inclusive social protection is essential for strengthening other critical social systems. For instance, well-designed social protection systems can narrow gender gaps in poverty rates, enhance women's income security and address violence against women[8]. Moreover, despite evidence on social protection's significant and immediate impact on children's outcomes, over 1.7 billion children, or three out of four children, still have no access to social protection[9]. Central to building strong, sustainable and universal social protection systems is adequate resourcing and the use of policy tools, including gender-responsive budgeting, to support fiscal justice through equitable distributions of resources. Yet, financing gaps to achieve full social protection in low- and middle-income countries are estimated at $1.2 trillion[10].

- **Innovative financing solutions and partnerships.** Integrated National Financing Frameworks (INFF) allow countries to align public and private financing policies and flows to national development priorities, enhancing coherence, transparency and coordination across the government and with national stakeholders and development partners. The INFFs contribute to improving the use and mobilization of public financial resources and to exploring diverse innovative and blended finance solutions. Sovereign Sustainable Development Goal and thematic bonds, and debt swaps for Sustainable Development Goals, nature or climate are among the available mechanisms that can help to mobilize private capital for sustainable development investments and channel debt service payments to the Sustainable Development Goals in specific areas and sectors. Moreover, regional and continental innovative financing frameworks provide an avenue for scaling up blended finance instruments and intraregional trade initiatives among like-minded countries within a region or continent, thereby catalyzing greater impact beyond national borders. Scaling up these solutions requires strengthening their linkages to public finance and national priorities, having greater focus on development impact, and building strong broad-based partnerships involving governments and public and private sector actors, including institutional investors and philanthropic institutions, International Financial Institutions (IFIs), Development Finance Institutions and regional and continental bodies.

- **Strengthening all forms of international development cooperation**. Demands for international development cooperation to finance key social and economic sectors are higher than ever. ODA providers must meet their commitments and increase support to flexible, predictable and multi-year financing, particularly of regular resources. ODA and all forms of development cooperation must be scaled up. Furthermore, there is a need to adapt and accelerate support for countries in debt distress with the ultimate objective of reducing their debt stock and providing long-term relief. Another priority is reducing transaction

[7] Sustainable Development Goal 1.3 https://unstats.un.org/sdgs/metadata/; and Convention on the Rights of the Child

[8] https://www.unwomen.org/en/digital-library/publications/2017/2/making-social-protection-gender-responsive

[9] ILO and UNICEF, "More than a billion reason: The urgent need to build universal social protection for children. Second ILO-UNICEF joint report on social protection for children ", 2023, Geneva and New York

[10] ILO, "Press release: UN Secretary-General calls for accelerated action on jobs and social protection", 28 September 2021, New York

costs, strengthening complementarity and enhancing coordination across and between bilateral and multilateral partners to boost aid effectiveness and support developing countries in better leveraging ODA to shape and drive their own national priorities.

Debt remains a critical challenge in many low- and middle-income countries and is diminishing fiscal space for investing in the Sustainable Development Goals and in climate action. A total of 52 developing countries, which together are home to half of the world's population living in extreme poverty, suffer from severe debt problems and high borrowing costs[11]. Moreover, an increasing number of developing countries are allocating a significant portion of their public revenue towards debt service payments, impacting social sectors[12].

The United Nations system must scale up its advocacy and engagement with IFIs and creditors to promote a new international debt restructuring architecture that includes greater concessional support for heavily indebted low- and middle-income countries; greater transparency on debt as part of national budget processes; and coordinated action by creditors to ensure progress towards achieving the Sustainable Development Goals.

- **Integrated financing for inclusion and climate action**. Aligning and integrating finance for poverty reduction, inclusion and climate action is essential for a just transition to resilient and low-carbon economies. Reaching the global net-zero requirement in line with the long-term temperature-related goal of the Paris Agreement[13] requires deep transformations across countries that experience different vulnerabilities, endowments and socioeconomic circumstances. The human and economic costs of more frequent, intense and extreme weather events are disproportionately higher among more vulnerable countries, including least developed countries and small island developing states, and countries reliant on agriculture. Climate change increases the need for essential services, while reducing resilience and adaptive capacity in a vicious cycle, disproportionally impacting the poor and most vulnerable populations and increasing inequality. As countries seek to respond to the climate crisis, it is critical to ensure coherence between emission reduction, adaptation and actions to enhance social justice and inclusion and realize the benefits of the green transformation, including job creation. Understanding the specific dynamics between poverty reduction, equity and climate resilience policies is key. Policy measures on Sustainable Development Goal budgeting, taxonomies and standards can help to create an enabling environment and align public and private finance for the transition to low-carbon economies in a way that ensures fair and inclusive outcomes. Governments, the private sector and international development partners must budget for and finance adaptation measures in all key sectors, including education, health, nutrition and social protection, as the social, economic, environmental and political costs of inaction would be much higher. There is a need for stronger international cooperation, decisive global policy efforts and scaling up of financing in line with international commitments to protect the poorest nations from the spillover of developed countries' policies and the brewing debt crisis, and to help to increase long-term investments in the Sustainable Development Goals and climate adaptation.

- **Unlock development financing in fragile and crisis settings**. Persistent poverty and inequality, armed conflicts, gender-based violence, the climate emergency, rising inflation and debt distress are pushing more countries into fragility and conflict. In an era of polycrises, the global community must recognize that today's crises are increasingly long-lasting, recurring and complex, requiring multi-year integrated development and financing solutions. It is also important to ensure that financing solutions address the rights of the most vulnerable groups, including women and children, and particularly their rights to sexual and reproductive health and the right to education, social protection, health and other services.

[11] United Nations, "Financing for Sustainable Development Report 2023: Financing Sustainable Transformations", 2023, New York
[12] UNICEF, "COVID-19 and the Looming Debt Crisis, Innocenti Policy Brief series, Brief 2021-01, Protecting and Transforming Social Spending for Inclusive Recoveries", 2021, Florence; and International Development Committee (United Kingdom), "Debt relief in low-income countries", 10 March 2023, accessed on 10 May 2023 at https://publications.parliament.uk/pa/cm5803/cmselect/cmintdev/146/report.html
[13] United Nations, Climate action accessed on 10 May 2023 at https://www.un.org/en/climatechange/paris-agreement#:~:text=In%202023%2C%20the%20first%20%E2%80%9Cglobal,warming%20below%201.5%20degrees%20Celsius.

In this context, the United Nations can adopt approaches that strengthen the humanitarian-development-peace nexus, including financing across the three pillars. The United Nations system plays a critical role in convening actors across the pillars to ensure coordinated and coherent country-level support during and beyond crisis. This support builds on United Nations engagement in relevant global processes, including the Inter-Agency Standing Committee for humanitarian coordination and the Development Assistance Committee – United Nations Dialogue. Furthermore, the United Nations can strengthen and implement crisis-sensitive sustainable financing efforts. The United Nations system can continue adapting existing sustainable finance service offers, ensuring that they are adaptable, sensitive to and deployable in fragile and crisis contexts, and that they respond to cross-cutting challenges like climate change, gender inequality and displacement. This includes exploring financing solutions beyond ODA, including innovative financing, improving inclusive coordination mechanisms and generating evidence on investment impacts. Finally, the United Nations can strengthen the capacities of governments to build resilient national systems and processes**.** The United Nations system can continue to build national institutional capacity to access and effectively manage increasingly diverse sources of financing and build new partnerships. This is imperative to ensure strong and sustainable national institutions that do not require ongoing United Nations system support, particularly considering declining resources and rising needs.

3. Progress on joint innovative solutions

- **United Nations Secretary-General Global Accelerator**: In response to the above challenges, the working group on financing of the Global Partnership for Universal Social Protection to Achieve the Sustainable Development Goals has agreed on key principles to guide international and national financing of social protection, namely that:
  - financing of social protection should take a rights-based approach and be guided by international social security standards;
  - the State is the key actor for social protection financing and implementation; and
  - international resources should support the expansion of social protection systems in countries with limited fiscal space.

  Translating these agreed principles into concrete and rapid action is a significant challenge. In response, the United Nations Secretary-General created the Global Accelerator on Jobs and Social Protection for Just Transitions as part of "Our Common Agenda". This multi-stakeholder initiative, launched in September 2021, is aimed at supporting the creation of 400 million decent jobs, extending social protection to the 4 billion people who are currently excluded, and facilitating just transitions for all. The Global Accelerator is also meant to achieve more effective and coordinated multilateral cooperation, an imperative for addressing current and future crises.

- **Integrated National Financing Frameworks (INFF):** The INFFs have been providing a framework for financing national sustainable development priorities and the Sustainable Development Goals at country level. They facilitate close collaboration among United Nations agencies and with national governments and various stakeholders, including IFIs. Moreover, the INFF Facility, launched in 2022, seeks to expand partnerships to (1) provide technical assistance and capacity building to countries on the INFFs and (2) provide a platform for countries to mutually share and learn. Around 86 countries are using the INFFs to establish a more coherent and sustainable financing architecture at country level and to articulate financing strategies to integrate financing with the Sustainable Development Goals. A total of 250 reforms have been undertaken and systems are being strengthened to improve collaboration. This represents a clear entry point to operationalize the Sustainable Development Goals Stimulus plan of the Secretary-General at country level. The INFFs help to identify relevant areas and opportunities for improving the public and private finance policy context and for mobilizing partnerships to support innovative policies and mechanisms to finance the Sustainable Development Goals, including through thematic bonds and blended solutions. There has been an increasing number of requests for technical assistance through the INFF Facility, including on thematic sovereign bonds, which have seen important growth in recent years, although they remain only a fraction of overall sovereign debt issuances[14].

- **Just energy transition:** The United Nations system is working alongside governments and other partners to support the implementation of Sustainable Development Goals and the objectives of the Paris Agreement and to ensure that available financing is commensurate with the significant investments required to transform economies, considering the principles of equity and *leaving no one behind*. Supported by the United Nations system, 120 developing countries have increased ambitions within their Nationally Determined Contributions (NDCs), strengthening mitigation targets and adaptation measures, including by expanding access to energy while accelerating transition to renewable sources. Governments must finance, implement and monitor the NDCs in a way that fully advances the Sustainable Development Goals, inclusiveness and longer-term resilience. The United Nations system, development banks and IFIs are supporting efforts towards more coherent and holistic policy and financing approaches. This includes technical assistance and support to reforms on taxation, budgeting and public finance management that integrate risk analysis and the costing of action to advance the Sustainable Development Goals, inclusion and climate action in support of just transitions. Some of these entities are also involved in the management of infrastructure and procurement projects that are aimed at accelerating energy transition. In capital markets, the areas of energy, infrastructure and transport collectively represent more than 80 per cent of the fixed-income market in volume. Climate remains a major focus among investors in the equity markets, as shown by the proliferation of index funds and Exchange Traded Funds tracking newly created climate transition benchmarks aligned with the Paris Agreement. Transition finance policy frameworks and other policy tools that integrate social protection and other key social objectives into financial decision making, play a key role in integrating financing for inclusion and climate action. The United Nations system can increase in-country collaboration to assess and mitigate negative social and economic impacts of the energy transition, including through the identification of transitional activities and investments, the reporting of information on transition activities and investments, and the development of transition-related financial instruments.

- **Anticipatory action and the nexus between development and humanitarian financing:** To support a shift in the humanitarian system from increasingly expensive crisis response to more forward-looking management of climate risks, the United Nations system in collaboration with development partners, has piloted anticipatory action ahead of different types of climate hazards and across diverse country contexts. This collaboration has led to the development of operational frameworks for anticipatory action that define the roles of various partners, the early warnings to be used, how to reach affected populations, and priorities for evaluation and learning. Protocols were developed to release pre-positioned financing predictably and rapidly when a pre-agreed trigger-point is reached. Based on strategic alignment and combination of development, climate and humanitarian funding, early investments in an anticipatory action programme by the United Nations system and civil society have allowed a range of partners to rapidly adjust their disaster response programmes to become more forward-looking.

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[14] No low-income country and only six lower-middle income countries have accessed the thematic bond market. The United Nations system is advising more than 40 governments – and plans to increase its support – on debt instruments such as Sustainable Development Goal, “green”, “blue”, social and gender bonds, as well as on debt restructuring through debt-for-nature or climate, to channel debt service payments towards investments in sustainable development.