



International
Labour
Organization



United Nations
Department of Economic and Social Affairs



2021 HLPF

Joint High-Level Event: UNDP, UNCTAD, ILO, DESA

The role of business and the financial sector in financing a sustainable and resilient recovery from COVID-19

Objectives

The 2021 HLPF takes place at a time of growing concern about the lingering health and socioeconomic fallout from the COVID-19 pandemic, alongside the pressing demands to tackle the climate, biodiversity and pollution crises and bridge the digital divide – all of which require significant financial resources to ensure hard-won development gains are not permanently reversed. The pandemic poses existential challenges, but it also offers significant opportunities to pursue a more sustainable paradigm as trillions of stimulus and recovery packages are rolled out.

As economies restart, there is an opportunity to develop more integrated and effective financing strategies that ensure investments across the dimensions of sustainable development promoting sustained economic growth that creates livelihood and decent employment opportunities for all – including women, youth, and micro, small, and medium enterprises (MSMEs)– and promotes a just transition to green and digitally-enabled societies. Sound public policies and the right incentives for the private sector and actors across the financial ecosystem, including through the implementation of a global framework for sustainability reporting, are needed to encourage transformative shifts and stimulate the strategic investments required to get the world on track to meet the SDGs. The 2021 HLPF will put in focus SDGs 1 (on no poverty), 5 (gender equality), 8 (decent work and sustainable economic growth), 10 (reduced inequalities), 12 (sustainable consumption and production), 13 (climate action) and 17 (on partnerships), among others.

The high-level event on the margins of the HLPF will engage representatives of governments, business and the world of finance (stock exchanges, banks, insurance companies, asset owners and asset managers) to discuss experiences, solutions and initiatives around the world, facilitating the financing transition towards more inclusive, sustainable and resilient societies.

The urgency to develop a coordinated response to enable ambitious financing solutions is the basis of the initiative led by the UN Secretary-General and Prime Ministers of Canada and Jamaica on Financing for Development in the Era of COVID-19 and Beyond. The Menu of Policy Options presented to Heads of State and Government in September 2020, aims to address the current emergency and to promote a swift and sustainable recovery to pave the way for a more inclusive, sustainable, and resilient development

paradigm. UNDP, ILO, UNCTAD and DESA have been tasked to provide policy advisory support and facilitate the collaboration among Members States, civil society representatives, private sector and actors in the financial sector to move towards implementation of the Menu of Policy options for sustainable finance and climate change, a socioeconomic recovery and finance and technology.

The High-Level event builds on extensive consultations and expert meetings convened by UNDP, ILO, UNCTAD and DESA on their respective clusters, carried out between January and July 2021. The High-Level event further builds on the outcomes of the joint side event organised by UNDP, ILO, UNCTAD and DESA on the occasion of the ECOSOC Financing for Development Forum on 13 April 2021 focused on: “Financing COVID-19 recovery: Towards a green, purple and digital transition.” These joint initiatives respond to the clear need to advance a coherent and an integrated approach across themes. UNDP, ILO, UNCTAD and DESA plan to continue these joint efforts in the months to come, including at the 76TH General Assembly in September 2021 and at UNCTAD’s World Investment Forum in October this year.

Background

The Covid pandemic has caused dramatic falls in private capital flows to developing countries, with global FDI flows forecast to decrease by up to 45 per cent in developing economies. This impacted not only MNEs, but also millions of MSMEs suppliers worldwide, particularly in developing countries. It also affected SDGs financing, which is scaling down or growing at a slower pace, thus undoing the recent gains achieved towards the attainment of the SDGs. Many developing countries experienced falling revenue combined with increase in expenditures on health, social protection and support packages for businesses. The fiscal shock have led to an increase in government debt requiring in some countries debt restructuring and relief measures. Expanding the fiscal space is important for Governments to be able to undertake additional expenses in climate action and the social sectors that are critical to attain the SDGs.

Reversing the fall in private capital and building resilience now and beyond the crisis, requires immediate and mid- to long-term policy responses to promote trade and investment, mobilise domestic resources, support MSME, entrepreneurs, and social economy suppliers, reorient capital markets towards sustainability, and expand productive capacity for essential goods and services, particularly in the areas of food and health as well as other SDG sectors, especially in small and vulnerable economies.

The pandemic has exacerbated troubling trends in the form of rising poverty and increasing inequalities, displayed by growing disparities between rural and urban settings, and for women and youth across societies, large job losses and enhanced vulnerabilities for large segments of the population around the world that lack social protection. National measures to contain the pandemic have required different types of workplace closures leading to high losses in working-hours. In 2020, 8.8 per cent of global working hours were lost relative to the fourth quarter of 2019, equivalent to 255 million full-time jobs. The working-hour losses are reflected in higher levels of unemployment and inactivity and have translated into substantial losses in labour income – reinforcing the pre-existing trend of income going to capital instead of labour. The ILO estimates a global decline in labour income of 8.3 per cent in 2020, which amounts to US\$3.7 trillion, or 4.4 per cent of GDP. The prospects for 2021 point to persistent decent work deficits. Importantly, the economic impact of COVID-19 is *not gender neutral*: women and youth are affected disproportionately to men.

MSMEs, which account for two-thirds of jobs worldwide, are particularly in danger: they represent around 70 per cent of global employment in retail trade and almost 60 per cent in the accommodation and food

services sector. And MSMEs owned by women are also 27 per cent more likely to not survive the pandemic. For the workers in the informal economy, the impact of the crisis is even more intense. They have less access to social protection, health insurance, sick pay and do not benefit from income-soothing mechanisms.

The COVID-19 pandemic has widened inequality across countries laying bare the striking differences in preparedness of health systems across the world to face the health-related impact of COVID whether it is measured in terms of intensive care units/beds or oxygen equipment; access to personal protection equipment or health personnel. But there are also major differences in the policy response to the socio-economic implications of the crisis. For instance, as a share of GDP, the liquidity and financial support provided by G20 countries was 8 times the amount provided by countries in Sub-Saharan Africa (as of August 2020). The COVID crisis has compounded pre-existing inequalities in relation to countries' capacities to borrow and spend. Low and middle-income countries face liquidity and fiscal constraints to sustain investments for an inclusive and resilient recovery.

On the other hand, the climate emergency is not receding. The year 2020 tied as the hottest year on record, turning the last seven years as the warmest since modern record-keeping. The Living Planet report estimates biodiversity loss of 68 per cent since 1970. The IPBES Global Assessment of biodiversity alerts that 1 million animal and plant species are threatened with extinction, many within decades. The pace and depth of reform of the economic and financial system are not enough to effectively support the necessary transitions in our economies and societies. For instance, while globally there are 61 carbon pricing programmes, less than 5 per cent are priced at the Paris Agreement goals. Governments support for the production and consumption of fossil fuels totalled \$478 billion in 2019, while there are estimates that major world's banks invested \$3.8 trillion in financing fossil fuels since the adoption of the Paris Agreement in 2015, showing higher expenditures in this sector in 2020 – in spite of the COVID-19 crisis – than in earlier years over the period. Overall, only one per cent of the total stimulus package has gone to the green economy and only 18 per cent of the recovery packages.

Investments should be targeted instead to sectors with the greatest potential to create decent jobs and to promote a just transition to environmentally friendly economies. Key to redirecting these investments will be a more accurate pricing of the underlying risks. A Global Set of Standards for Sustainability Reporting can help investors price better the underlying risks their portfolios are carrying as well as understanding the impact of their investments. Such standards should build upon existing reporting approaches developed by the existing well established UN bodies and initiatives such as UNCTAD, UNDP, UNEP FI, ISAR, SSE, among others, as well as taking into consideration other global standards setting processes like the IFRS, with the Sustainable Development Goals as the overarching framework.

A shift to a greener economy could create 24 million new jobs globally by 2030 and could lift millions out of poverty if the right policies are put in place. If unabated, climate change is expected to have negative implications for economic growth, human health, employment and livelihoods. There is a need to increase the ambition of nationally determined contributions (NDCs) and integrate in coherent SDG financing strategies the required resources to achieve them, including financing the social dimensions of the ecological transition.

Investing in the extension of social protection coverage is a significant factor in tackling persistent poverty, economic insecurity, growing levels of inequality and insufficient investment in human capabilities. Universal access to social protection systems, including by establishing and maintaining nationally

determined social protection floors is not only an important means of assisting those living in or vulnerable to falling into poverty but also a factor that helps to stabilize the economy and maintain and promote employability.

The COVID-19 pandemic has demonstrated the critical role of digital technologies in so many areas, using digital solutions such as e-learning, e-health, telework, e-commerce and e-government. But the pandemic has also exposed digital gaps - the lack of Internet access, low network speed, gaps in skills, and social factors that affect the access and participation of people. Digital divides are particularly severe between countries. The proportion of people using the Internet in developed countries is more than four times that in the least developed countries. Affordability is a barrier to access for many people, reducing opportunities to take advantage of new technologies and potentially exacerbating other inequalities. Fixed and mobile broadband prices exceed 5 per cent of average gross national income per capita in various developing and the least developed countries, while in many developed countries prices are lower than 2 per cent. These digital divides are the result of social inequalities and, in their turn, reinforce existing inequalities, in a vicious cycle. Technical solutions using digital technologies can benefit marginalized groups and those who are further behind, but they can also help even more those that already have an advantage in several social and economic dimensions (wealth, education, health). Policies to solve the digital divide need to be multidimensional: technological, economic, educational, social and persuasive (creating awareness). Finance and investment should be directed to several areas: 1) physical access to ensure availability, 2) support the ICT sector, markets, competition and innovation, to increase ICT availability and affordability, 3) digital skills to improve the readiness of people to use digital solutions, 4) access, affordability and relevance of the digital applications, including e-commerce and e-government, and 5) support the digitalization of production sectors and structural transformation.

Format of the High-level event

The event will start with a High-level opening session followed by a moderated Davos style discussion with private sector representatives on specific actions necessary to advance sustainable finance and climate action, an inclusive job-rich recovery and leverage disruptions of digital technologies.

Participants:

Private sector representatives (Business, corporate membership organisations, financial sector representatives)

UNDSG, Principals of UNDP, UNCTAD and ILO

UN Special Envoys on Finance

IFI representatives

Government Ministers
