Editorial

The global outlook on financing for sustainable development has deteriorated since our last projection in 2021. Sustainable development needs are greater and resources for developing countries are less. Extreme poverty levels are rising for the first time in decades. Countries most in need are paying a high price for Russia's war of aggression against Ukraine, while impacts from COVID lockdowns and supply chain disruptions linger. As a result, growth has been dragged down, and inflation driven up, with high food and energy prices hurting poor people the most. 193 million people experienced acute food insecurity in 2021. This is an increase of nearly 40 million people in one year, even before Russia's war against Ukraine disrupted global food supply. At the same time, the increasing impact of climate change is felt around the world. Despite having contributed historically the very least to global greenhouse gas emissions, developing countries have lost 20-25% of cumulative GDP per capita since the turn of the 21st century due to temperature increase.

These pressures are squeezing developing countries' resources, undermining the global sustainable development goals. Since the outbreak of the pandemic, the Sustainable Development Goals (SDGs) financing gap has widened from USD 2.5 trillion to at least USD 3.9 trillion per year, and is estimated to increase by USD 400 billion per year in 2020 to 2025. The concurrent crises have inflated low-income countries' costs of responding to emergencies in the short-term, and decreased the availability of resources to invest in long-term sustainable development. To manage this, more countries are being forced into debt. At the end of April 2022, more than half of low-income countries (55%) were at high risk of debt distress, or already in debt distress.

This *Global Outlook* demonstrates that inequalities between and within countries are magnifying at an accelerated pace, with long term, interconnected consequences for all countries. More than two years after the COVID-19 outbreak, access to vaccines remains low in developing countries – only 11% of people have been vaccinated in low-income countries compared to 73% of people in high-income countries. Poverty gaps between women and men continue to grow. By 2030, for every 100 men aged 25-34, 121 women will be living in extreme poverty. Reduced access to education during the pandemic, particularly for households with lower digital connectivity, turned back progress on educational attainment for lower income groups. The share of children in developing countries in "learning poverty" could rise 20% above pre-COVID-19 levels. Unless action is taken to better match the total global finance available with development needs, the global impacts and costs of future health, economic, social, political and environmental crises will get worse.

This vicious cycle can be broken. The global finance exists; we need a global coordinated effort to align more available capital with sustainable development goals. Global financial assets grew to reach USD 469 trillion in 2020. While the tightening of the global financial context will decrease the availability of liquidity, there is still room to shift some of this wealth in the interest of all. The annual SDG financing gap in developing countries (USD 3.9 trillion in 2020) represents less than 1% of these global financial assets. The problem is that global financial resources are disproportionately raised and invested in richer parts of the globe, and sustainable finance is bypassing those who need it the most.

We need a new sustainable finance plan that better weighs global risk prevention and management in investments. While all actors in the system have a role to play, leadership must come from governments and private sector actors in high-income economies. Drawing from the expertise of a wide array of OECD policy communities, the *Global Outlook* provides two sets of recommendations.

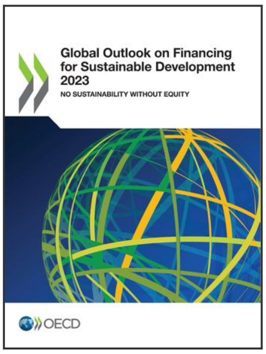
First, high-income countries should lead efforts to make the global system of financing for sustainable development more *equitable*. They can help reduce the barriers impeding the access of developing countries to sustainable finance. Examples include helping developing countries to deepen their domestic sustainable finance markets, supporting country-led, integrated national financing strategies and strengthening domestic revenue mobilisation.

Second, working with financial intermediaries, high-income countries must strengthen standards, regulations, policies and other incentives to improve SDG risk management, strengthen the impact and accountability of sustainable finance and ensure that domestic policies do not create additional barriers for developing countries to access finance.

The UN's 2030 Agenda is based on the premise that all global challenges and solutions are shared across all countries. As recent crises prove, each country's progress depends on the progress of others. Achieving more sustainable outcomes is only possible if we achieve more equitable access to financing for sustainable development.

Mathias Cormann

Secretary-General of the OECD



From:

Global Outlook on Financing for Sustainable Development 2023

No Sustainability Without Equity

Access the complete publication at:

https://doi.org/10.1787/fcbe6ce9-en

Please cite this chapter as:

OECD (2022), “Editorial”, in *Global Outlook on Financing for Sustainable Development 2023: No Sustainability Without Equity*, OECD Publishing, Paris.

DOI: https://doi.org/10.1787/f7064345-en