



Economic and Social Commission for Asia and the Pacific
Committee on Macroeconomic Policy, Poverty Reduction and
Financing for Development**Fourth session**

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Consideration of the future focus of the subprogramme**Consideration of the future focus of the subprogramme****Note by the secretariat***Summary*

A lack of adequate financial resources is one of the main challenges facing Asia-Pacific countries in effectively pursuing the climate-related goals common to the 2030 Agenda for Sustainable Development and the Paris Agreement. Thus, given the limited financial resources, it would be prudent to develop financing strategies that support both agendas. Given this context and keeping in view recent requests received from some member States for support, in the present document the secretariat provides an overview of the financing for development work to be carried out under the subprogramme in the near future.

Specifically, the secretariat has identified the following four technical areas where research and technical assistance support is being and will be provided to member States under the subprogramme on macroeconomic policy, poverty reduction and financing for development and other subprogrammes: (a) financing the just energy transition in Asia and the Pacific; (b) embedding sustainable finance considerations in the financial sector, which would mean developing sustainable banking and capital markets, including by supporting the issuance of green and sustainable bonds, pursuing debt-for-climate and debt-for-nature swaps and managing climate risks by financial regulators; (c) financing nature-based solutions, keeping in view the Kunming-Montreal Global Biodiversity Framework and Sustainable Development Goals 14 (Life below water) and 15 (Life on land); and (d) developing green project pipelines that qualify for investment by a range of investors, especially those located in Asia and the Pacific.

The Committee on Macroeconomic Policy, Poverty Reduction and Financing for Development is invited to share experiences in developing strategies that are intended to finance the goals common to the 2030 Agenda and the Paris Agreement (and, if applicable, the Kunming-Montreal Global Biodiversity Framework) and to provide guidance on the four technical areas outlined above. This would help in developing best practices and building regional partnerships. The Committee may wish to provide guidance on how the secretariat can become a more vibrant platform for channelling Asia-Pacific voices into related global financing processes and on how it can facilitate effective regional and global collaborations and consensus-building in the financing for development areas discussed in the document.

* ESCAP/CMPF/(4)/1.

I. Introduction

1. Through the 2030 Agenda for Sustainable Development, including its 17 Sustainable Development Goals and 169 targets, States strive to achieve resilient, inclusive and sustainable development pathways. Through the Paris Agreement, they have committed themselves to preparing nationally determined contributions and taking measures at the national level in line with the goal of limiting global warming.¹ The Kunming-Montreal Global Biodiversity Framework comprises four outcome-oriented goals to be achieved by 2050, with 23 targets to be achieved by 2030. Most countries in Asia and the Pacific are not on track to achieve the goals set out in these global agreements.

2. According to the Intergovernmental Panel on Climate Change,² accelerated action needs to be taken this decade to adapt to climate change and close the gap between existing adaptation plans and what is needed. Meanwhile, keeping global warming within 1.5°C above pre-industrial levels requires deep, rapid and sustained greenhouse gas emissions reductions in all sectors. Specifically, emissions should already have started decreasing in 2023 and will need to be cut by almost half by 2030. In addition, as the climate, ecosystems and society are interconnected, the effective and equitable conservation of approximately 30–50 per cent of Earth’s land, freshwater and oceans will help to ensure a healthy planet.³ Substantial financing, and the effective planning and development of strategies for such financing, is urgently required to accelerate progress towards the achievement of global goals and commitments and national priorities.

3. At the same time, recent economic developments, including higher interest rates owing to inflation, subdued economic growth prospects and increases in public debt levels, have constrained both the amount of financing available and the terms (duration, cost and standards) of such financing. Moreover, it has become more difficult to raise the domestic and international political will needed to deliver such financing. All of this means that Governments and private finance entities in the region will have to make increasingly complex choices. Concretely, it will be necessary to align financial flows and investments with both the 2030 Agenda and the Paris Agreement and, where possible, the Kunming-Montreal Global Biodiversity Framework. While all three agendas have separate targets and separate implementation instruments and processes, they are interconnected. Thus, to avoid a duplication of efforts and to make optimal use of limited financial resources, it makes sense to try to align contributions and the expected results. The secretariat recognizes that each country’s efforts to meet the requirements of these three interconnected agendas, referred to in the present document as the triple agenda, are guided by national priorities, needs and commitments.

4. Focused research, targeted technical assistance and purpose-driven intergovernmental discussions can help to unlock more financing that is better suited to each country’s needs and commitments under the triple agenda. These

¹ See [https://unfccc.int/most-requested/key-aspects-of-the-paris-agreement#:~:text=4\)%20E2%80%93%20The%20Paris%20Agreement%20establishes,domestic%20measures%20to%20achieve%20them](https://unfccc.int/most-requested/key-aspects-of-the-paris-agreement#:~:text=4)%20E2%80%93%20The%20Paris%20Agreement%20establishes,domestic%20measures%20to%20achieve%20them).

² *Climate Change 2023: Synthesis Report – Summary for Policymakers, Contribution of Working Groups I, II and III to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change*, Core Writing Team, Hoesung Lee and José Romero, eds. (Geneva, 2023).

³ Ibid.

are the core activities of the refined, near-term future focus of the work to be carried out under the subprogramme on macroeconomic policy, poverty reduction and financing for development. The work that has already been done and, importantly, the lessons learned about how best to enable, unlock and structure financial flows also contribute to different global multilateral processes in which the secretariat and member States are already involved. Moreover, the secretariat intends to continue to share experiences and important lessons from the Asia-Pacific region to better shape and contribute to the global discourse at a moment of great change.

5. The present document is structured as follows: section II contains information on the growing demand from member States in the region for assistance in areas of financing for development related to the triple agenda; section III sets out the four technical areas on which the secretariat aims to work under the subprogramme on macroeconomic policy, poverty reduction and financing for development and that are aligned with the triple agenda, as well as the types of assistance that it can provide; and section IV outlines issues for consideration by the Committee on Macroeconomic Policy, Poverty Reduction and Financing for Development.

II. Growing demand by member States for assistance in areas of financing for development related to the triple agenda

6. In recent months, the secretariat has received several formal and informal requests from member States for technical assistance in certain areas of financing for development, including:

(a) Requests for convening and facilitating peer learning on financing the just energy transition in the region and, in particular, on the just energy transition partnerships recently launched in Indonesia and Viet Nam. Some member States have also expressed interest in learning more about the just energy transition partnerships launched in Senegal and South Africa;

(b) Requests for technical assistance and knowledge products on the issuance of green, social, sustainability and sustainability-linked bonds, as well as on deepening capital markets through the adoption of progressively strong green standards;

(c) Requests for technical assistance, advisory services and analytical research on the establishment of sustainable finance policies, standards and strategies for the banking sector;

(d) Requests for technical assistance and advisory services on innovative sustainable finance instruments, including debt-for-nature and debt-for-climate swaps;

(e) Requests for technical assistance and capacity-building in developing nature-based finance frameworks;

(f) Requests for capacity-building and analysis on how to build processes that can lead to viable green project pipelines for a range of investors, especially investors located in Asia and the Pacific.

7. Furthermore, the secretariat has already started to carry out the following activities:⁴

(a) To support the Association of Southeast Asian Nations (ASEAN) secretariat in developing a sustainable financing road map for ASEAN member

⁴ See also ESCAP/CMPF(4)/4, paras. 26 and 34 (i).

States that includes recommendations for actions to be taken to develop a sustainable financing ecosystem, organized by sector and priority;

(b) To support, as a member of the Independent High-level Expert Group on Climate Finance, the writing of a follow-up report for the twenty-eighth session of the Conference of the Parties to the United Nations Framework Convention on Climate Change, to be held in Dubai, United Arab Emirates, in December 2023.

8. The increasingly interconnected nature of these requests indicates that there is a growing demand within the region for assistance to enable, unlock and structure public and private financing that fits the particular circumstances of countries, as well as their national priorities and commitments with respect to the triple agenda.

9. The fact that many countries need to urgently mobilize additional public and private funds to finance efforts aimed at achieving the goals of the triple agenda adds considerable complexity on multiple fronts. For instance, Governments need to allocate funds in a balanced way across the goals. Successful financing strategies adopted in one country, therefore, have great potential for other countries. This is all the more important given that many policymakers, regulators and private financial entities are grappling with the problem of how to increase the volume and speed of financing that is aligned with these areas. There is a growing need for research and knowledge products that address country-specific issues to be shared across the region and especially between countries in similar circumstances. As the most inclusive intergovernmental platform in the Asia-Pacific region and a key entity supporting States to adhere to global frameworks and meet their commitments related to sustainable development and climate change issues, the Economic and Social Commission for Asia and the Pacific (ESCAP) has an important role to play.

10. Globally, efforts to reform multilateral processes to accelerate financing for the implementation of the 2030 Agenda and the Paris Agreement, as well as the Kunming-Montreal Global Biodiversity Framework, are gathering momentum, particularly with respect to streamlining the strategies of multilateral development banks. These reforms are expected to unlock more financing, which will have to be more effectively aligned with the goals of the triple agenda. Fully cognizant of these emerging developments, the secretariat intends to assist member States in the areas outlined below (see sect. III). This also creates an opportunity, within Asia and the Pacific, for countries facing similar circumstances and challenges to join regional cooperation efforts, strengthen regional platforms, including the one provided by ESCAP, and promote the sharing of best practices regarding the financing of efforts to achieve the goals of the triple agenda.

11. Through the work it does under the subprogramme on macroeconomic policy, poverty reduction and financing for development, and in close collaboration with partners, ESCAP will continue to channel and amplify the voice of Asia and the Pacific into multilateral global processes and discourses. Partners already include multilateral development banks, leading global institutions and other United Nations entities engaged in macroeconomic policy, poverty reduction and financing for development. Furthermore, these efforts leverage the work done under several other subprogrammes of ESCAP and will contribute to the implementation of ESCAP resolution 79/1 on accelerating climate action in Asia and the Pacific for sustainable development.

III. Future focus of the subprogramme on macroeconomic policy, poverty reduction and financing for development

12. Four technical areas related to financing for development have emerged from the growing demands of member States for support under the subprogramme: financing the just energy transition; embedding sustainable finance considerations in the financial sector; financing nature-based solutions; and developing green project pipelines. In all four technical areas, and time and resources permitting, ESCAP will provide assistance in line with the three pillars that underpin the secretariat's work, based on country needs. In other words, it will develop specific research and knowledge products; provide targeted advisory services, technical assistance and capacity-building; and facilitate purpose-driven intergovernmental discussions to promote peer learning. All the while, ESCAP will focus on aligning public and private financial flows with the goals of the triple agenda in line with national circumstances.

13. **Financing the just energy transition.** Countries in Asia and the Pacific are having to urgently find ways of financing the just energy transition in line with their nationally determined contributions and the 2030 Agenda. Possible ways could include building multi-stakeholder financing partnerships that bring together concessional, private and public finance stakeholders; supporting the financing of efforts to phase out coal and other fossil fuels; ensuring that there is an enabling environment by supporting financial regulators and policymakers; and unlocking more local-currency financing by private investors.

14. **Embedding sustainable finance considerations in the financial sector.** Under this area, countries could develop sustainable capital and banking markets and promote the use of sustainable finance instruments, which could include the issuance of green and sustainable bonds and the adoption of sustainable lending practices and debt-for-nature and debt-for-climate swaps. They could also support financial regulators and policymakers in greening the financial system in the region.

15. **Financing nature-based solutions.** Under this area, countries could carry out assessments of the challenges and opportunities involved in developing nature-based finance strategies; assist in identifying suitable nature-based finance interventions; and support financial regulators and policymakers to gradually incorporate nature-based considerations into their financial systems as part of their measures to meet the commitments made under the Kunming-Montreal Global Biodiversity Framework.

16. **Developing green project pipelines.** Across the globe and within the region, it is increasingly being recognized that current project pipelines are not providing enough investment-ready projects on the scale and at the speed needed to meet the goals agreed to by Governments. The reasons for this are manifold and include: the higher cost of capital, as a result of which projects will have to generate substantial rates of return; the additional costs of complying with environmental, climate-related and, increasingly, nature-based standards on top of traditional financial requirements; the relative scarcity of financing in the local currency, which exposes projects to exchange rate risks; and the lack of capacity and understanding of project developers regarding the requirements of different investors, which is often attributable to insufficient dialogues between investors and developers at the early stages of project development. To establish green project pipelines, ESCAP will respond to requests for capacity-building assistance and work with policymakers and

government agencies to overcome the above-mentioned challenges, especially by facilitating dialogues among States, investors and providers of grants and concessional loans. While ESCAP will not itself work on building project pipelines, as that task is most efficiently conducted directly by investors and project developers, it will assist countries in building better processes to develop such pipelines at scale and ensure that they are aligned with the triple agenda to the extent possible.

17. The four technical areas are significantly interconnected. For example, developing sustainable finance policies and tools for the banking sector and capital markets could also increase financing towards the just energy transition. Efforts to assist countries in building effective green project pipelines to strengthen the financing of the just energy transition would benefit from an increase in sustainable financial flows from sustainable finance frameworks. Helping countries to develop nature-based finance solutions could also assist them in obtaining revenue from their nature-based assets when financing is constrained. It could also show financial regulators how to incorporate nature-based and biodiversity standards into the financial system. Bringing together public and private finance stakeholders across all four technical areas would foster deeper cooperation between the two and increase coherence within the financial system that would support countries' financing goals related to the triple agenda. The results of lessons learned at the country level can be disseminated to other countries facing similar circumstances, allowing them to leapfrog stages of development and efficiently use limited resources. In addition, regional cooperation can create opportunities for the alignment of sustainable financing frameworks, increasing interoperability between frameworks in the region and creating efficiency in terms of costs of financing for all investors.

IV. Issues for consideration by the Committee

18. The Committee on Macroeconomic Policy, Poverty Reduction and Financing for Development is invited to share national experiences in developing strategies that are intended to finance the goals common to the 2030 Agenda and the Paris Agreement (and, if applicable, the Kunming-Montreal Global Biodiversity Framework), mindful of the current changing economic environment and with a view to developing best practices and building regional partnerships.

19. The Committee is also invited to share experiences and suggestions on how to more effectively and efficiently build partnerships across the region, especially among countries facing similar circumstances.

20. The Committee may wish to provide guidance on how the secretariat can become a more vibrant platform for channelling Asia-Pacific voices into related global financing processes, and how it can facilitate effective regional and global collaborations and consensus-building in the financing for development areas discussed in the present document.