

PRI RESPONSE

BUSINESS STEERING COMMITTEE RECOMMENDATIONS FOR FFD4

October 2024

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INTRODUCTION

The Principles for Responsible Investment (PRI) works with its international network of signatories to put the six Principles for Responsible Investment into practice. Its goals are to understand the investment implications of environmental, social and governance (ESG) issues and to support signatories in integrating these issues into investment and ownership decisions. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society as a whole.

The six Principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a menu of possible actions for incorporating ESG issues into investment practice. The Principles were developed by investors, for investors. In implementing them, signatories contribute to developing a more sustainable global financial system.

The PRI develops policy analysis and recommendations based on independent evidence-based policy research, considering signatory input.

ABOUT THIS SUBMISSION

This submission is part of the suite of recommendations developed by PRI and other members of the FfD4 Business Steering Committee. The objective of the submission is to inform the substantive preparations for FfD4.

It is based on PRI's 2023 policy white paper, *Investing for the Economic Transition: The Case for Whole-of-Government Policy Reform*, which can be found here:

<https://www.unpri.org/policy/investing-for-the-economic-transition-the-case-for-whole-of-government-policy-reform/11817.article>.

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RECOMMENDATION NO. 2

Adopt a whole-of-government approach to the economic transition to net zero.

To effectively mobilize private finance and investments for sustainable development, and encourage long-term finance and investment, the economic transition must be placed at the heart of public policy making. An effective policy approach to redress decades of market and government failures on environmental and social issues needs to be the responsibility of governments as a whole and needs to be executed as such.

Member States must mobilise all sectors of the economy and society at the relevant level to ensure policy effectiveness for the results sought – a sustainable and equitable economy that benefits natural and social systems.¹

¹ European Commission (2021), [Whole-of-government approach](#).

RATIONALE FOR RECOMMENDATION NO. 2

Governments pursuing a just transition to a sustainable and equitable economy face significant barriers, and more rapid and comprehensive reform is needed to address them.

Research has shown that financing of climate goals has grown at an impressive rate since 2011/12, but it is still well below what is needed to limit global warming to 1.5 ° C.² Adaptation is particularly underfunded and for developing countries, international adaptation finance flows are five-10 times below estimated needs, and the gap is widening.³ A similar picture emerges in other areas targeted by the SDGs;⁴ there has been clear ambition, significant progress and large amounts of investment, but much more targeted, well-planned and well-communicated policy action is needed to raise the capital required to transition successfully to a sustainable economy.

A successful economic transition at the scale needed will require more comprehensive and rapid changes across all sectors of the economy and in all aspects of how we live and work. There are numerous barriers to a successful economic transition at the scale needed, including vested interests, short-term investment cycles, failures to price environmental and social externalities, perverse subsidies, and tax avoidance and evasion practices.

Many, if not all, of these barriers can be removed by a whole-of-government approach to the economic transition to net zero.

PRI's whole-of-government framework can be used by governments to understand and identify the key features of public policy needed to enable the transition.⁵ This framework stresses the importance of the economic transition becoming a central goal of public policy, both as a necessary prerequisite for ensuring effective coordination across government (i.e., 'structural features') and to ensure consistency of policy goals, of implementation measures and of collaboration (i.e., 'dynamic features'). It identifies stakeholder consultation (e.g., with cities, sub-national governments, labour unions, companies, investors, civil society organisations, and academia) and public-private sector partnerships as cross-cutting aspects.

Whole-of-government approaches should be developed bearing in mind the following elements:

- **The economic transition must be a central goal of public policy;**
- **Governments must adopt national transition plans that are informed by science and international norms;**
- **The economic transition requires all major areas of government policy to be aligned;**
- **Policy makers need to create the conditions to support and enable private finance to contribute to the transition alongside public finance;**
- **International collaboration to complement national transition policy reform; and**

² Climate Policy Initiative (2021), [Global Landscape of Climate Finance: A Decade of Data: 2011-2020](#).

³ UNEP (2022), [Too Little, Too Slow](#).

⁴ See, for example, the UN's [assessment of progress against the Sustainable Development Goals](#).

⁵ For more information about the framework, see PRI's 2023 policy white paper, [Investing for the Economic Transition: The Case for Whole-of-Government Policy Reform](#).

- **Robust and regular monitoring is critical to ensure that the policy interventions adopted are meeting the goals, and to ensure that the spillover and knock-on effects are identified and addressed by policy review processes.**

Responsible investors have a clear interest in governments designing and implementing effective policy frameworks that enhance the resilience and stability of financial and economic systems, improve market efficiency, address their concerns regarding ESG issues, and safeguard financial returns. Adopting a whole-of-government approach to the economic transition would enable private finance to play a much greater role in achieving global sustainability goals.

REFERENCES

PRI (2023), [Investing for the Economic Transition: The Case for Whole-of-Government Policy Reform](#).

The PRI has experience of contributing to public policy on sustainable finance and responsible investment across multiple markets and stands ready to support the work of UN Member States further.

Please send any questions or comments to policy@unpri.org.

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