

## SDG Financial Gap

### Why in News?

In the recently held 'Voice of Global South Summit', Union Finance Minister raised the issue of the SDG-financing gap faced by developing countries.

### What is SDG?

- **SDGs**- Sustainable Development Goals are objectives established by the **United Nations** in 2015 to address major global challenges by 2030.
- It is officially known as '*Transforming our world: the 2030 Agenda for Sustainable Development*', a set of 17 Goals with 169 targets.
- **Purpose**- To create a more *equitable, sustainable world* by tackling issues like poverty, inequality, climate change, environmental degradation, and justice.
- The SDGs framework sets targets for **231 unique indicators** related to economic development, social welfare and environmental sustainability.
- **India**- It is a **signatory** and has committed to achieve these goals.

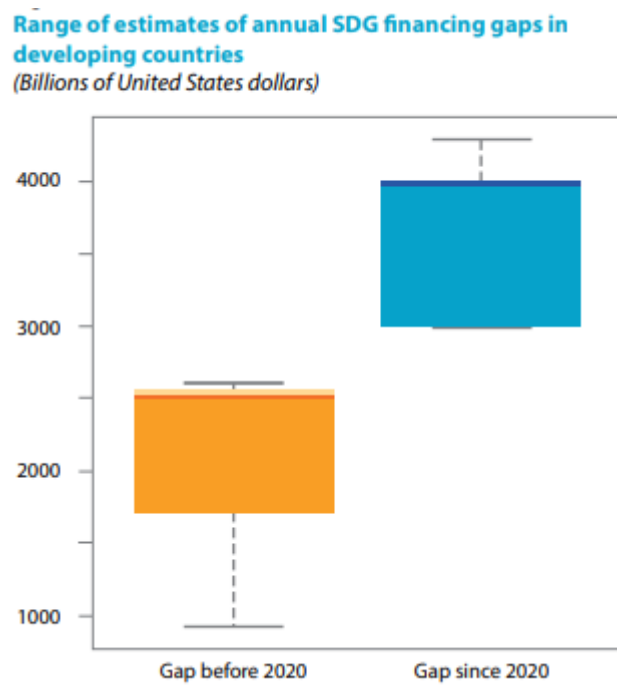


### What is SDG financial gap?

- Achieving the economic transitions needed to reach the SDGs will require investments at unprecedented scale.
- **Investment needs**- Developing countries need approximately 4 trillion USD annually and over 2 trillion USD is required specifically for energy transition (SDGs 7 and 13).
- Sizeable capital expenditure is required also in water, sanitation, and infrastructure.

According to the International Monetary Fund's report, India's investment needs to meet its climate-change adaptation, and mitigation targets are sizable, estimated at 4-8% of gross domestic product per year.

- **SDG financing gaps-** *Investments are failing* to meet required levels.
- SDG financing and investment gaps are estimated *between USD 2.5 trillion and USD 4 trillion annually* as per the 'UN's 2024 Financing for Sustainable Development Report (**FSDR 2024**)'.



- **Debt pressures-** Most financing is in the form of non-concessional loans, adding to debt pressures.
- **Debt servicing vs. Climate adaptation-** *60% of low-income countries* spend each year *around five times more on debt servicing* than on climate adaptation.
- **Insufficient climate-finance** - Despite developed countries met their climate-finance targets for the first time in 2022 by raising 115.9 billion USD, yet they are insufficient for meeting all Nationally Determined Contributions.

### What are the other reasons for lagging in achievement of SDGs?

- With just six years remaining, the current progress for most developing countries falls short of what is required to meet the SDGs.
- Not a single one of the 17 goals is on track to be achieved by the 2030 deadline.
- **Weak political commitment-** Inconsistent commitment from governments can hinder progress, especially in countries where political instability prevails.
- **Inadequate data collection-** Reliable and comprehensive data is often lacking, making it difficult to measure progress accurately.
- **Climate change-** Ongoing environmental challenges and climate change impact various SDGs, making it difficult to achieve targets related to clean water, health, and sustainable cities.

- **Lack of institutional capacity-** Many countries lack the institutional capacity to effectively implement and manage SDG-related programs.

## How India manages its financial needs for SDG?

*In the 4th edition of SDG India Index by Niti Aayog, India had made progress, obtaining a score of 71 in 2023-24, up from 66 in 2020-21 and 57 in 2018.*

- **Budgetary allocations-** Indian government allocates funds to SDG-related initiatives through its *national budgets and NITI Aayog plans*.
- Each plan outlines specific goals and the associated financial requirements.
- Both *central and state governments* contribute to SDG financing, with various *schemes and programs* designed to address specific goals such as poverty alleviation, education, and health.
- **Collaborations-** India encourages *partnerships between the public sector and private companies* to leverage additional resources and expertise.
- **Corporate social responsibility funding** - Under the Companies Act, large corporations are required to invest a portion of their profits into social and environmental initiatives, which can support SDG-related projects.
- **Foreign aid and grants-** India receives financial assistance from international organizations, development agencies and other bilateral and multilateral donors.
  - **FSDR 2024 report** - *India is benefiting* from growing interest from multinationals, which see India as an *alternative manufacturing base* in the context of developed economies' supply chain diversification strategies.
- **Development loans-** India often takes concessional loans from international financial institutions to fund large-scale projects related to SDGs.
  - *National Development Bank* is planning to issue 30% cent of its loans in national currencies between 2022 and 2026, including South African rand and *Indian rupee denominated bonds*.
- **Green bonds-** India has *introduced green bonds to raise funds* for environmentally sustainable projects, supporting goals related to climate action and clean energy.
- **Dedicated institutions-** Institutions like the NITI Aayog play a crucial role in coordinating SDG efforts, monitoring progress, and advising on resource management.

## What lies ahead?

- Close financing gaps for SDG/climate investments (both public and private) at scale and with urgency.
- Close policy and architecture gaps, and reform international institutions.
- Close credibility gaps and trust deficits both international and domestically.
- Formulate and finance new development pathways.
- Effective *management of public debt and deficit* is crucial, with a focus on directing government spending towards developmental goals.

## References

1. [Business Standard | Challenges in financing for SDG](#)

2. [UNCTAD| Financing for Sustainable Development Report 2024](#)

