“AN ANALYSIS OF THE ROLE AND IMPACT OF FISCAL AND GOVERNANCE POLICIES TOWARDS MAXIMISING THE PROGRESS OF SDG’S: WITH FOCUS ON BEST PRACTICES IN INDIA”.

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1. INTRODUCTION

Human needs are unlimited and man always tries to accumulate luxuries without consideration for the rights of future generations. Global warming and elevated carbon dioxide emission are visible phenomena.¹ Economic development without compromising future concerns take us to the concept of sustainable development or the “judicious use of resources”. The term sustainable development was devised in the 1970s at Cocoyoc Declaration on Environment and Development to integrate environment, and development.² The focus was on development should keep the needs of the present as well as the future.³ Sustainable development quoted from Our Common Future, or the Brundtland Report (1987) mean “Sustainable development is a development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”⁴ The four interwined dimensions to sustainable development are; society, environment, culture and economy.


In September 2016, the SDGs were adopted during the UN General Assemblies 70th annual session. These are an upgraded form of MDGs (adopted in 2000) aimed at a more just and equal world. However, the MDG outcomes and performance rates exhibit their own set of imperfections but based on them, the Sustainable Development Goals (2016-203) adopted at the UN summit (2015) with 17 goals and 169 targets varied issues.⁵ Unlike the MDGs that cater to developing countries, SDGs are holistic, universal, more definite, and focus on crisp and comprehensive targets. They cover zero poverty, education, health, environmental protection, clean water, sanitation, hunger, preventable child deaths, gender discrimination, and violence, and are monitoring with reliable data for a new world. Every country is incorporating these targets and indicators in their policy-making and working closely with their people.⁶ Compared to traditional development, financially or economically, SDG involves local people, provides employment to unemployed youth, income, education, creates a new way of life, raises the

¹ “Elevated to 20.2% within the span of 1990-2007”, Times of India, New Delhi, October 22, 2009, p.15.
² Principle 4 of the Rio Declaration on Environment and Development (1992) “To achieve sustainable development, environmental protection shall constitute an integral part of the development process and cannot be considered in isolation.”
⁴ World Commission on Environment and Development, Our Common Future (1987), “It contains the essential needs of the world’s poor and the idea of limitations imposed by the state of technology and social organization on the environment's ability to meet present and future needs.”
⁵ The SDG indicators are the tools or parameters to measure the SDG targets. They help countries to develop their implementation strategies, allocate resources as per the requirement and measure the progress made so far.
economy, preserves nature and increases accessibility for future generations. The initial adoption of SDG is expensive and challenging deterring countries from giving priority to them over traditional development. In reality, sustainable development enhances the quality of life of all citizens and the country’s economy, making them economically viable and feasible in the long run.  

The performance of SDGs is measured by various analytics tools developed by several bodies. The reports suggest that European countries have considerably achieved these targets. Finland has achieved significant success in the last 6 years with Rank 17 in 2015 to Rank 1 in 2021. Likewise, exceptional performance is shown by Austria. New countries previously ranked low in 2015 have entered the list in 2021 (Estonia, Czech Republic, Ireland, Croatia, Poland, Japan and the Slovak Republic). Few countries skyrocketed through the ranking and advanced towards the sustainable development goals with awe-inspiring success: Serbia, Chile, Czech Republic, Hungary, Estonia, Croatia, Romania, Poland, Ireland, and Japan. Some countries have maintained their SDGs ranking with progression in their economies: Brazil, China, Korean Republic, Ecuador, and Oman. Countries like Nepal, Bangladesh, Myanmar, Pakistan, Kenya, Iraq, India, and Zimbabwe, have raised their ranking impressively. Some countries that did not feature in the MDG have entered the 165 countries ranking in SDG performance, including Afghanistan, Mali, Haiti, Papua New Guinea, Mozambique, Sudan, Nigeria, and Somalia. To achieve SDGs, the increased focus is now on Low-Income-Developing-Countries (LIDC) being eligible for concessional IMF financing and international financial transfers.  

3. UNDERSTANDING FINANCING FOR SDG AND FISCAL REQUIREMENTS

The deadline for achieving Agenda 2030 is fast approaching and research into the ways and means to accelerate the SDGs through proper financing remains an imperative theme. Financing for sustainable development means paying for sustainable development. Every country is cooperating and signing various documents towards this aim. IMF estimated that about $1.3 trillion (2016 US$) per year during 2019–30 is required for concrete advancement in infrastructure. It stated that an additional $1.3 trillion for health and education-related SDGs is essential. The UNs estimation to achieve SDG globally was $5 -7 trillion per year between 2015 and 2030. For the varied purpose, developing countries will need $3.3-$4.5 trillion per year. Reports by prestigious groups throw light on the percentage of GDP allocation towards SDG. The SDSN report on SDG Financing Gap and budget needs also recommended the countries increase their domestic revenues by a 5-percentage

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9 Like the UN Statistical Commission for Expert Group on SDGs indicators and UNEP and OECD as repository agencies. However, a comparison brings out discrepancies in the evaluation of the countries due to selected indicators and the methods applied. Globally the Inter-Agency and Expert Group on SDG Indicators annually reports on progress made wrt the targets. A High-level political forum has been formed that is informed about progress, oversees follow-up and conducts a national review.

10 As per the World Bank, the LIC group includes countries with a GDP per capita at or below $1,025. LMIC group includes countries with a GDP per capita above $US 1,025 and at or below $US 3,995. IMF’s LIDC group includes countries with a GDP per capita at or below $US 2,700. India is excluded because it is deemed to have market access similar to other emerging economies.


point of GDP between 2019 and 2030 as the annual financing gap is roughly 17 per cent of GDP in LICs and 5 per cent of GDP in the LMICs despite a domestic budget revenue increase of 5 percentage points of GDP.\(^\text{14}\) The least-developed countries and vulnerable communities are the weakest so their needs are the greatest.\(^\text{15}\) Ironically, for funding SDGs, countries still rely on the traditional “funding” approach like government revenues, taxes, income on public assets, and grants thereby preventing a holistic consideration of the various potential sources of capital. Though the need of the hour is that SDGs funding must attract public, private, domestic and international sources.\(^\text{16}\) The financing of SDG should be far-reaching with initiatives at two levels.

At Global level: IMF, World Bank, UN and other agencies must estimate and arrange the potential SDG revenue sources and utilization of SDG financing. Steps like global tax reforms and earmarked taxes for wealth, financial transactions, prevent individuals and multinational companies from going to tax havens that lead to a loss of revenues. Wealth tax on rich billionaires and financial transactions tax can be imposed on security purchases. Blended financing through necessary infrastructure financing, project financing, including private equity and debt, public tolls and tariffs, strengthened domestic resource mobilization, increasing philanthropy, pledge, debt relief, restructuring and promotion of financial investment in highly indebted LICs can help. A globally coordinated carbon tax for the SDGs and promoting export and trade in developing countries to make trade inclusive will be useful. The international community should fund the countries that are deficient in domestic resources through official development assistance (ODA).

At National Level: There is a need to close the SDG financing gap by countries through effective actions and at their level. Accomplishing these ambitious goals require a holistic way of executing and implementing them. It requires integrating various domains like social, economic, gender and climate aspects through responsible and effective administration at each level of governance. The government can raise enough revenues, call up the domestic public resources, better public policies and regulations to attract private sector investment, prevent an outflow of illicit funds and proper domestic tax administration. Tax administration, public financial management, regulation and public policies must be efficiently utilised towards better economic growth, social progress, transparency, accountability and corporate sustainability. Through strengthened public policies private sector can be mobilized to invest in clean technologies, innovation and devising ways to reduce waste with dependence on natural resources. Increasing awareness among the masses about the SDGs and how they can be effective.

4. FISCAL POLICIES AND GOVERNANCE TOWARDS SDG- THE INDIAN SCENARIO

‘Sabka Saath, Sabka Vikas’
(“Collective Effort, Inclusive Development”)
- The honourable Prime Minister
Mr. Narendra Damodardas Modi\(^\text{17}\)

In 2015, India adopted the 2030 Agenda for achieving 17 Sustainable Development Goals ensuring that no one was left behind. The 17.5% of the world population lives in India, with a meagre 2.4 per cent of the world’s area with 58 positions on the SDG India Index.\(^\text{18}\) It has steadily progressed in


\(^{15}\) ICESDF, para 61. Quoted in “Financing for Sustainable Development”, WWF Position Paper, January 2015, p.4


\(^{17}\) On the underlying principle of the 2030 Agenda for Sustainable Development.

health, energy, and infrastructure areas with a score of 66 in 2021.\textsuperscript{19} It is due to the good governance and policy initiatives taken by the Indian leadership for advancing sustainable development and its related strategies.

Transparency, accountability and good governance ensures fair and responsible use of financial resources toward the sustainable development agenda. The domestic policies affect the progress of a country and are instrumental in sustainable and equitable development.\textsuperscript{20} In India strategy for achieving SDGs focuses on meticulous planning and implementation of several schemes in line with SDG targets. For this, Localising is crucial since it recognises subnational contexts towards them.\textsuperscript{22} NITI Aayog oversees the implementation of the SDGs in India. It periodically collects data on SDGs. In consultation with the Ministry of Statistics and Programme Implementation has evolved indicators reflecting the SDG goals and targets. Union and state governments run schemes/programmes in consultation with the stakeholders. The Indian states stand at different pedestals with Kerala and Himachal Pradesh as the front-runner states and Chandigarh as Union Territory with a score of 68. Assam, Bihar and remains low scorer at below 49.\textsuperscript{23} The various SDG-specific schemes run by ministries and departments of the government of India are discussed below.\textsuperscript{24}

**Goal 1: Eradicate poverty**- To end poverty,\textsuperscript{25} the national MPI\textsuperscript{26} allocate resource through social safety nets and government-supported social protection measures for the poor and vulnerable. For eg: the Ayushman Bharat scheme for universal healthcare, the Mahatma Gandhi National Rural Employment Guarantee Scheme to improve the purchasing power of people living below the poverty line by providing employment in the rural areas and the National Food Security Act for the availability of subsidized food grains.

**Goal 2: Zero Hunger**- The Supplementary Nutrition Program try to end malnutrition among vulnerable groups through Take Home Ration.\textsuperscript{27} Further, the National Nutrition Mission (POSHAN Abhiyaan) provides holistic supplementary nutrition to children and pregnant and lactating women.


\textsuperscript{26} Multidimensional Poverty Index (MPI) is a systematic, robust, and nuanced measure to estimate our progress towards achieving this goal. It was developed by Oxford Poverty and Human Development Initiative and United Nations Development Programme and measures and monitors progress on achieving target 1.2 of the SDG on multidimensional poverty.

**Goal 3: Good health and well-being**- Financial inclusion programmes for poverty, unemployment, and life-threatening situations, large-scale digital transfers under the Jan Dhan Yojana Programme, in the health sector the National Health Mission, Ayushman Bharat and Pradhan Mantri Jan Aarogya Yojana are functional.

**Goal 4: Quality education**- The Indian government has devised innovative programmes and digital efforts like Samagra Shiksha, Sarva Shiksha Abhiyan, and Rashtriya Madhyamik Shiksha Abhiyan.

**Goal 5: Gender equality**- Beti Bachao Beti Padhao (‘Save the girl child, educate the girl child’), Janani Suraksha Yojana, and Pradhan Mantri Ujjwala Yojana are some of the national-level plans to address gender discrimination and women empowerment concerns.

**Goal 6: Clean Water and Sanitation**- Safe drinking water and sanitation is focussed through schemes like Swachh Bharat (Clean India Campaign). Some 100 million toilets were constructed in the last five years.


**Goal 8: Decent work and Economic Growth**- The government has launched programmes that will increase job opportunities and improve skills. Prime Minister’s Employment Generation Programme, Start-up India, and Skill India are some of these programmes.

**Goal 9: Infrastructure, Innovation and Industrialization**- The projects like the Atal Mission for Rejuvenation and Urban Transformation, Heritage City Development and Augmentation Yojana and Pradhan Mantri Gram Sadak Yojana for all-weather roads are some of the examples to foster these aims.

**Goal 10: Reduced inequality**- The Pradhan Mantri Jan Dhan Yojana, Prime Minister Employment Generation Programme, and Deen Dayal Upadhyaya Grameen Kaushalya Yojana are programmes targeted at eliminating inequality.

**Goal 11: Sustainable cities and communities**- The Pradhan Mantri Awas Yojana is a national government initiative toward affordable housing and preventing slum development.

**Goal 12: Creating sustainable consumption and production patterns**- Soil Health Card scheme gives each farmer soil nutrient status to improve soil quality, health and profitability. Toward an increase in the use of solar, wind and other renewable energy sources and reducing the use of fossil fuels, the targets have been set at 175 GW by 2022.

**Goal 13: Climate Action**- Towards no plastics and preventing Single-use plastics, the Indian government has notified the Plastic Waste Management (PWM) Amendment Rules 2021. As a part of the International Solar Alliance, India will increase its reliance on solar energy and mobilises its solar power financing. India has ratified Paris Agreement to combat climate change.

**Goal 14: Life below water**- To conserve and improve marine health several laws and international conventions are ratified. The National Oil Spill Disaster Contingency Plan is updated, the Coastal

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Ocean Monitoring and Prediction System and Marine Observation System keeps checks on coastal processes and monitors water quality.

**Goal 15: Life on land**- To protect and rehabilitate natural regions and prevent poaching and trafficking of protected flora and wildlife, the government has enacted the National Environment Policy of 2006, National Agroforestry Policy (2014), the Green Highways Policy (2015) etc.

**Goal 16: Peace, justice and strong institutions**- To reduce conflict and promote the rule of law, Aadhaar or a biometric identification database is created. Empowering laws like the Right to Information Act (2005) makes the institutional apparatus transparent and accountable.

**Goal 17: Partnership for the goals**- Partnerships among various segments of governments, business organisations and civil society mobilises domestic resources. For example, India used its North-South cooperation for sharing knowledge, usage of Information and communication technologies.

5. **FINANCING SDG: THE INDIA PRACTICES**

Poverty eradication and inclusive economic growth are the prime agendas for development that require additional resources. Due to several governmental measures more than 90 million people have improved living standards.\(^1\)\(^2\)\(^3\)\(^4\) Indian financial shortfall to achieve the SDGs is around INR 533 lakh crores (USD 8.5 trillion) or INR 36 lakh crores (USD 565 billion) per year.\(^5\)\(^6\) As a result, for financing SDGs India has undertaken the following measures:

1. **Role of Finance Commission**- The Finance commission\(^7\)\(^8\) uses the SDGs framework to allocate grants for the States. As 70 per cent of the Indian population is rural, for empowering local government, the rural fund allocation is done at Rs.674 per capita per annum by the 15th Finance Commission.\(^9\)\(^10\) The commission ensures effective spending by the government and locates innovative finance sources. It undertakes measures towards enhancing effective expenditure, budgeting, spending reforms, schemes, and improved governance.

2. **Role of Budgeting** - From the sustainability perspective, the budget focuses on various sectors like the education sector, where to increase the enrolment rate, especially in Higher Education institutions there is a budgetary allocation increase from 26% to 50% with an increased focus on digital equity. Upskilling for boosting employability digitised land records and the use of AI are other initiatives.

3. **Increased Official Development Assistance (ODA)**- They are an aid to promote economic development and the welfare of people in developing countries and are prime sources of financing.\(^11\) Since 2003, India is the top recipient of the Japanese government's financial aid

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\(^{31}\) The Finance Commission of India is a Constitutional body constituted under Article 280 of the Constitution every five years. They review the finances and recommend tax devolution among the Centre and the States from the divisible pool.


under the ODA. This money is utilised for promoting infrastructure, climate change, maritime, human resources, environment, road network and gender justice.\textsuperscript{34}

4 \textbf{International collaboration to aid development}- For example, New Development Bank supports rural areas by providing loans. In 2017, India was provided with a loan of $470 million to support the doorstep water supply and the sanitation project that covers 3,400 villages in Madhya Pradesh, the largest Indian state. Further, the India-Brazil-South Africa Facility for Poverty and Hunger Alleviation, and India-United Nations Development Partnership Fund for purchasing ventilators and personal protective equipment are other endeavours.\textsuperscript{36} The European Investment Bank has extended support of more than €2 billion to solar energy projects, wind farms and hydroelectric plants for generating about 3.97 GWh power per year for 4 million households.

5 \textbf{Technology transfer/facilitation on favourable terms}- To implement the SDG, the Addis Ababa Action Agenda establishes a mechanism to make technologies available to developing nations. India submitted for developing, deploying, disseminating, and transferring technology to the developing nations on a priority basis and requires the focus of each country to provide enabling environment for simplified access to technology.

6 \textbf{The role of World Bank}- The World Bank has extended a loan of $1.5 billion loan for the Swachh Bharat Mission (Clean India Campaign) that aims to provide improved sanitation in rural areas. The loan has supported the construction of 103 million household toilets to stop open defecation.\textsuperscript{37} Another $1 billion loan support from the World Bank will accelerate cash transfers and food benefits for migrants and informal workers.

7 \textbf{Remittances}- Remittances\textsuperscript{38} are important for the Indian economy and society. They help in achieving SDG at the household level with positive socio-economic impact on families and communities (SDGs 1-6); at the community level (SDGs 7, 8, 10, 12 and 13); and at the national level through revitalized Global Partnership as outlined in SDG 17.\textsuperscript{39} Every year United Nations celebrates June 16 as the International Day of Family Remittances to recognize the contribution of expats to their families back home. They support the economic growth of their home countries through diverse government policies, financial inclusion and market regulations. India is the world’s topmost remittance recipient which has grown steadily from $62.7 billion in 2016, $65.3 billion in 2017 and $79 billion in 2018. Around 250 million people living outside their countries of origin send remittances to India for a better quality of life for their families. These funds are utilised for poverty reduction, improving health, better education, housing and sanitation, access to clean energy in remote areas, and adopting sustainable agricultural and irrigation systems.\textsuperscript{40}

8 \textbf{Tax Reforms, Tax Compliance and improving tax Capacity}- Since the Indian tax-to-GDP ratio is lower than the BRICS average, an increase in domestic resources through effective tax base, tax administration and tax reform (like Goods and Services Tax and direct tax) have eased the Indian tax regime. The domestic resource mobilisation and illicit financial flows

\textsuperscript{36} UNOSSC, “India-UN Development Partnership Fund Is Responding to COVID-19 through South-South Cooperation,” July 9, 2020. Also see: UNOSSC, “Brazil Commits $2 Million to the IBSA (India, Brazil and South Africa) Fund,” August 19, 2020.
\textsuperscript{38} The International Organization for Migration (IOM) defines remittances as a set of contributions such as goods and money that are transferred to households and communities by migrants working outside their home countries, IOM (2020) “World migration report. International Organisation for Migration”, Geneva.
were a major challenge to taxation efforts that are now managed. An innovative tax called Swachh Bharat Cess (Clean India Cess) was imposed to raise funds for the Clean India Mission. Thus, significant tax reforms and compliance has made India find a place in the top 100 list of the World Bank’s Ease of Doing Business rankings.

9 **Strengthening fiscal resource sharing:** The Indian government at each level is responsible for putting SDG strategies into action that has changed budgetary relationship at the national, state and municipal level. The centre has enhanced the financial devolution towards SDG goals of universal primary education, health, employment, affordable housing, and urbanisation. Growing fiscal federalism among Centre-State has changed their fiscal relations as revenue transfers are rationalised resulting in improved central schemes and State’s autonomy in spending. The devolution is focused on local bodies that plan development at the local level as per individual needs.

10 **Promoting entrepreneurship and the private sector:** The private sector is motivated to aid the cause of sustainability. Foreign direct investment is a good source of non-debt financial resources for the private sector. The government has introduced reforms to attract FDI in sectors like digital, insurance intermediaries, etc. The blending of private resources with public finance provides conditions for investment and financing SDGs. It secures increased growth, employment, better productivity, cross-border trade in India thereby evolving as the third largest start-up hub in the world. Due to its dynamic start-up ecosystem, it has attracted USD 12 billion in investments in 2019.

11 **Public private partnership (PPP):** It promotes private and foreign direct investments in public infrastructure projects, telecommunications, public transportation systems etc. Government agencies represent the public partner at the local, state and national levels. The private partner can be a privately-owned business, public corporation or consortium of companies with a specific expertise area. The PPPs leverage public financing and increase private financing for SDGs.

12 **SDG Lending Certificates:** They incentivize banks to adopt a pro-SDG strategy. The Bank establishes priority sector lending targets for the banking sector (such as agriculture, education, or small and medium-sized enterprises). Each financial year the bank reports its SDG lending achievement to priority sectors and sells and purchases the Priority Sector Lending Certificates akin to a carbon credit scheme through a trading platform. This strategy incentivizes banks to lend more to the SDG sector.

13 **Increase in philanthropy:** Philanthropy has a strong foundation in Indian religions and culture. The contribution from private philanthropy increases government spending. They

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42 https://sustainabledevelopment.un.org/content/documents/16693India.pdf
cover the funding gaps and ensure timely and effective fund deployment with greater accountability and monitoring.48 Private philanthropy is proposed to solve India’s development problems through long-term fund capital that will be an additional annual investible corpus50 for example in the case of the SDG goal of education, India has a strong score that attracts maximum funding. According to the UN, Indian philanthropy has increased from US $894 million to $5.3 billion (2011-2016).51

14 Corporate social responsibility (CSR)- Beginning in 2014, the CSR mandate of companies is growing annually by 19%. The CSR mandates have helped generate an annual inflow of funds for the social sector. It can help in linking India’s existing funding gap by catalysing government action and innovation.52

CONCLUSION

The SDG are comparatively extensive to MDGs and covers more grounds for economic growth, social inclusion and environmental protection. Their objective aspires to address the persisting inequalities, accelerate economic growth by providing better jobs and industrialization, bring about gender equality and women empowerment, sustainable utilization and production, climate action and peace and equity globally. Tackling Poverty, integrated social, economic and environmental dimensions through better cooperation and sharing best practices. The financing of sustainable development has reached a point where either we plug the financing gaps through novel financing mechanisms or else the deadline will pass. India is proactively working towards these goals through effective policymaking and monitoring scheme progress against the targets. It is following a holistic approach to improving its ranking.53 Despite these initiatives, India stands at 120th rank among 192 countries.54 India is a developing and populated country that is doing its best to judiciously employ its regular resources and following innovative financing strategies towards these goals. For this, it has adopted several measures to motivate countries lacking in finances and facing similar financial constraints.