



Task Force 6
Accelerating SDGs: Exploring New
Pathways to the 2030 Agenda



INDIA 2023



भारत 2023 INDIA

PRIVATE SECTOR PARTICIPATION AND COMMITMENT TO SDGs

May 2023

Pinaki Dasgupta, Professor, International Management Institute

Sampada Kumar Dash, Research Associate, International Management Institute

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Abstract




Amid war, climate change, and the risks of future pandemics, there is wide recognition of the need to strengthen private sector engagement, such as private sector financing, among the G20 member countries through partnership, collaboration, and dialogue. Private financing as a development measure requires a unified policy framework that can accelerate the progress of the UN Sustainable Development Goals to deliver shared


prosperity and resilience in member and partner countries. This Policy Brief recommends measures to shape global health, poverty, hunger, and climate change dimensions to strengthen the core priorities of the UN SDGs. The proposed policy framework provides an understanding of the magnitude of the involvement of private sectors and their possible impact on the global, national, and local 2030 Agenda driving international development, resilience, and prosperity across the G20 nations.



The Challenge



1




The COVID-19 pandemic, war, climate change, and risks of future pandemics are key barriers to achieving the UN Sustainable Development Goals (SDGs). Unemployment, inequality, and poor health are some of the challenges that have been heightened by the pandemic. The number of people living in poverty in 2022 was projected to be between 657 million and 676 million globally, and as many as 828 million people were affected by hunger in 2021 (Lakner et al. 2022). Limitations in managing health crises were seen during the COVID-19 pandemic (Bezruki and Moon, 2021).

The social and environmental intervention framework by companies and investors through market-based incentives can be driven by profits or societal motives (Freiberg, Rogers, and Serafeim 2020). The private sector as a key stakeholder can accelerate progress towards the SDGs, through unified frameworks to drive growth, resilience, and prosperity for G20 members and partners in low- and middle-income countries.

However, implementation is a challenging task for corporations (Junghoon et al. 2022). The call for

urgent action on the four priority areas of SDGs—global health, poverty, hunger, and climate change—needs to be addressed by G20 member countries by assessing the magnitude of the involvement of private sectors.

Private sectors contribute to approximately 90 percent of formal and informal jobs in developing nations (OCED/WTO 2015). Private entrepreneurs from multinational enterprises (MNEs), micro, small, and medium local enterprises, or informal sector enterprises play a critical role in providing goods and services that improve people's lives, generate domestic tax revenues, and stimulate economic growth. The private sectors in developing countries play a pivotal role in the export markets, and the foreign exchange generated is crucial for macroeconomic stability, economies of scale, and export competitiveness. Private sector involvement, investment approaches, and priorities for alleviating poverty and hunger for better health are required for meeting the SDGs. This is often viewed as a sustainable development solution by donor agencies. There is strong evidence that private sector-led productivity increase through private investment is a transformative force in development



(Lindahl 2006). The role of the private sector is to contribute to the global, regional, national, and local SDG 2030 agenda through policy interventions and dialogues. An evidence-based policy framework integrating private


sector good practices, such as newer partnership models, knowledge dissemination, and digital framework through various cooperation modalities policy imperatives, can enrich and diversify development efforts.



The G20's Role



2




The Addis Ababa Action Agenda (AAAA) that was adopted in 2015 to support the implementation of the 2030 Agenda has been adversely affected by the cascading consequences of the COVID-19 pandemic, geopolitical tensions, and the war in Ukraine. Examining how private sector participation and policy interventions impact the bottom of the pyramid (BoP) segment needs to be prioritised to understand more about the poor and vulnerable populations. Improving SDGs in the interconnected world through private sector finances by proactively increasing financial flows could impact the progress of low- and middle-income economies.

The 3Cs of private sector responsibilities—cooperation, collaboration, and cohesion—are key stakeholders in the 3Ds of global collectivism—dialogues, delegation, and diplomacy—and can address core issues such as poverty, hunger, health, and climate change through evidence-based solutions. It will further bring societal resilience and shared prosperity, which remains critical to the attainment of the SDGs.

According to India's Prime Minister Narendra Modi, India's G20 presidency agenda will be inclusive, ambitious, action-oriented, and decisive in promoting a universal sense of oneness.^a The G20 nation's priorities can be shaped in consultation with not just G20 partner countries but also with other participants in the Global South whose voices are often unheard.

Between 2012 and 2020, US\$300 billion was mobilised by the private sector through the official development of finance interventions such as bank guarantees, syndicated loans, shares in collective investment vehicles (CIVs), direct investment in companies (DIC), special purpose vehicles (SPVs), credit lines, or simple co-financing by members of the Development Assistance Committee (OECD 2023). Despite the action through the AAAA for financing for the development and implementation of the Sustainable Development Goals (SDGs), there has been a 56-percent increase in the financing gap, estimated at US\$3.9 trillion in 2021 compared to pre-COVID times in 2020 (OECD 2022; Axele and Ivarsson 2020). The Glasgow Climate Pact called for engaging the

a "Golden Year for India," G20 Secretariat Newsletter, 2023, [g20.org/content/dam/gtwenty/gtwenty_new/document/G20_Newsletter%20English_Issue.pdf](https://www.g20.org/content/dam/gtwenty/gtwenty_new/document/G20_Newsletter%20English_Issue.pdf)



private sector to help achieve net-zero targets for resource mobilisation as sustainable development strategies, which was agreed upon by countries at the COP26 meeting.^b However, the goal of mobilising US\$100 billion to support climate action in developing countries was not met in 2021. The increased gap affected development cooperation budgets worldwide.


In priority SDG-related sectors, private sector investment is relatively low, and the participation of the private sector in investment is sector-specific. Greater private investment was seen in some sectors, such as power and renewable energy, transport and water, and sanitation, compared to others because of suitable approaches, market conditions, and appropriate safeguard mechanisms. Due to the difficulty in designing risk-return investment models in sectors like climate change adaptation, private entities are less likely to invest in the verticals. Sectors such as education and healthcare either require significantly higher amounts of private sector interest, likely because they

are core public sector responsibilities and highly sensitive to private sector involvement. This explains private sector disinterest to invest in sectors where public investment remains fundamental and pivotal. However, it is unrealistic to expect the public sector to meet all funding demands in many developing countries, which makes it crucial to nurture strategic partnerships and initiatives to increase private sector participation.^c

As part of its G20 presidency, India can advocate for the private sector to take advantage of opportunities in the low-carbon economy. Collaboration with the private sector will further help mobilise finances through green supply-side infrastructure. A study by the International Energy Agency (IEA) advocated that attaining net-zero carbon requires a steady focus from governments to engage the private sector through partnership and cooperation, which are braced by governmental policy decisions (IEA 2021). The mechanism will proactively increase financial flows to accelerate

b COP26 Climate pact, 2021, available at <https://ukcop26.org/the-glasgow-climate-pact/>

c The United Nations Conference on Trade and Development (UNCTAD) Investment Policy Framework for Sustainable Development, 2015



SDGs. India also supports further investments for low- and middle-income countries through innovative financing sources and instruments, including mobilising private investment.

Climate finance, through private sector organisations, will support climate change mitigation and adaptation actions. Enhanced cooperation through the private sector will be a means to improve women's access to opportunities to remove barriers to their participation in economic activities. Leveraging technology and promoting innovation through private sector investment will foster cooperation between the public and private sectors to confront the most pressing challenges, such as unemployment, poverty, hunger, and better health, to deliver value to the last mile in the digitised world.

This Policy Brief argues that strategic implementation of SDGs through cost-effective global, regional, and national net-zero frameworks for financing are a priority for G20 nations. The identification of community-oriented strategies through private-sector financing, institutionalisation, and engagement frameworks would create

opportunities to drive shared resilience and prosperity in the community.

Policy Approach

The possible policy imperatives are proposed and formulated through the following questions, which focus on investment-led collaboration, engagement, implementation, and accountability frameworks.

The emerging issues from the deliberation are as follows:

1. How would private financing impact and influence policy decisions across G20 nations?
2. How will the investment infrastructure induce innovation, improving efficiencies and outcomes in BoP?
3. What are the priority areas while implementing strategies for private-sector financing?
4. How will the youth be engaged suitably through private-sector financial interventions?
5. What are the barriers to the adoption of global, regional, and national policy?
6. What are the new partnership models to synergise public and private partnerships, addressing

gaps in the SDGs to mitigate existing and future challenges of the G20 member countries?

Based on these contexts, the consensus among multiple partners in

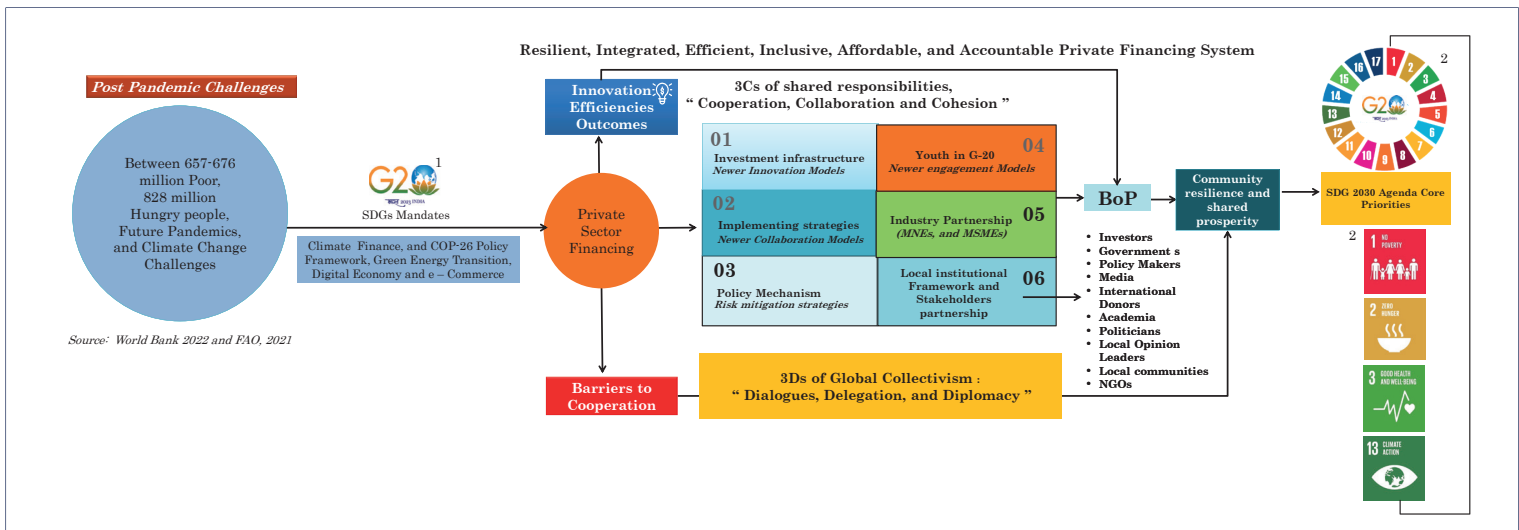
the G20 member nations is to drive an efficient, inclusive, resilient, affordable, accountable, and integrated system to contribute to the community in BoP segments.

Proposed Policy Framework

Accelerating SDGs through private-sector financing to address post-pandemic crises amid war, risks of future pandemics, and climate change in G20 member and partner countries—New Pathways to the 2030 agenda

Figure 1

The 3Cs and 3Ds of Private-Sector Financing Framework



Author: Pinaki Dasgupta and Sampada Kumar Dash

¹ G20 Image Source: <https://www.g20.org/en/g20-india-2023/logo-theme/>


² SDGs Indicator's Image Source: <https://sdgs.un.org/goals>



Recommendations to the G20

3





India's G20 Presidency can catalyse change and global transformation to address gaps in the 2030 Agenda. The preliminary findings entail collective actions among the G20 nations that would help achieve solutions that transcend shared prosperity. Policy measures would help propel economic growth by minimising poverty and hunger. Economic growth as well as the promotion of inclusion and sustainability will help bring a paradigm change to human development, infrastructure development, social protection, financial inclusion, and rural transformation to end hunger and poverty (World Bank 2020). This Policy Brief proposes the following recommendations on private-sector engagement and financing.

Fostering and strengthening engagement with private-sector institutions

Fostering interaction with private-sector financing institutions, addressing financial risks and mitigation strategies such as corruption and macroeconomic instability, and incentivising SDG mobilisation practices during investment decisions should be a priority for G20 members. Ensuring transparency and due diligence processes while partnering with MNEs and MSMEs, sensitising them on the policies and

programs, and gainfully involving them in the development agenda will help create a better understanding of their needs as well as the obstacles they face. Synchronised involvement of the government, policymakers, civil society, academia, communities, and private sector investment institutions is recommended to understand efforts and their possible impacts.

Mobilising the finances of private sector institutions for the development of SDG principles and priorities through SDG financing

Mobilising private finances for sustainable economic growth, poverty reduction, improved health outcomes, and climate action through transparency would help integrate stakeholders to reach BoP segments by addressing the SDGs.

Partnership models through private-sector finances

It is essential to understand how private sector grants and loans can leverage newer partnership community models by integrating the climate finance agenda to harness private sector resources for businesses that have development-oriented goals. This can be done through technical assistance, knowledge dissemination, and support for the realisation of the SDG 2030 post-



pandemic priority agenda. Promoting climate-smart infrastructure and green and clean energy will build climate-resilient economies by supporting SDG financing to meet the environmental SDG objectives. Private and trade financing and public-private partnerships in the digital connectivity and e-commerce areas will bridge the gap to reduce the cost of access to information and communication technologies (ICT) services and goods. Creating new mechanisms of multilateral coordination by involving multiple stakeholders will help strengthen partnership, competitiveness, and sustainability.

Engagement of informal traders

Small-scale local enterprises or informal farmers provide critical goods and services that improve people's lives and benefit the poor and vulnerable. Utilising private-sector finances in the informal sectors through effective policies and regulations, and integrating technical and entrepreneurial skills through technology and digitisation should be a priority for the poor and vulnerable in G20 member and partner countries

Building capacity and skills

Effective technical, managerial, and marketing skills can help propel development. Suitable investment policy and partnership agreement are advocated for capacity development to create accessible frameworks that


enhance access to finances, creating jobs, income, and food security in the G20 member countries.

Youth engagement

Free mobility and active engagement of the youth as volunteers as well as their integration in global issues such as climate change, green energy transition, digital transformation, and peacemaking will aid in attaining sustainable economic recovery responses to accomplish the SDGs. Youth entrepreneurship through private-sector financing will help resolve the global youth unemployment crisis. This will further help aspiring youths move forward in improving employment pathways within the global and interconnected labour market of G20 member nations and partner countries. Such a redesign of the socio-economic system will help address the issues of youth unemployment and engagement.

Understanding barriers to cooperation

A few barriers to cooperation include policy and political tensions and regional conflicts associated with private-sector investment in sectors such as health and education, where the public sector plays an important role. Balancing public and private investment and mitigating the risks involved with greater private-sector participation in sensitive sectors needs discussion among national governments. Political priorities also



need to be discussed among G20 members. Further discussion is also required on alleviating regulatory barriers and high-risk perceptions, overcoming skill gaps of investors, and facilitating sustainable development investment projects.

Case studies to understand the approaches and priorities of the private sector

Case studies with recommendations or themes by academic institutions on

private-sector financing can address the approaches and priorities of the private sector. Prioritising the understanding of the investment, promotion, and facilitation of development initiatives, skill and capacity building, and technology integration through regional cooperation among G20 member nations will help gain data-driven investment decisions and greater impact on the SDGs.

(The authors thank Prof. (Dr.) Amb. Amarendra Khatua, Former Secretary Ministry of External Affairs, GoI, and ACC Chair Professor in International Business and Finance, Distinguished Professor Arindam Banik at International Management Institute, New Delhi, India, for their scholarly inputs to develop this Policy Brief.)

Attribution: Pinaki Dasgupta and Sampada Kumar Dash, "Private Sector Participation and Commitment to SDGs," *T20 Policy Brief*, May 2023.

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