



FINANCING FOR DEVELOPMENT: WHAT TO KNOW NOW

TOO MUCH AND NOT ENOUGH

The world is full of money. Add up real estate, equities and other assets held by households, corporations, governments and financial institutions and the number falls in the trillions. So why has there been such a struggle to achieve the global Sustainable Development Goals. Answer: because too much money is flowing to the wrong places.

Acute inequality is one issue. According to an Oxfam report, since 2020, about \$42 trillion, two thirds of new wealth, went to the richest 1 per cent of people. This happened while poverty and hunger rates rose, and with about 1.7 billion workers living in countries where inflation outstrips wages.

Another issue: Our common future depends on all money eventually aligning with sustainable development that benefits people and the planet. Most current finance does not meet this bar. Shortfalls happen every time an investor funds a coal mine instead of a wind farm. Or when a government pays for education but neglects the quality of schooling in the poorest communities. Or when people overspend on too many disposable items like clothes and electronics.



MIXED PROGRESS ON REACHING GLOBAL TARGETS

In broad strokes, finance for sustainable development includes public and private resources, spent by governments, businesses and households, among others. It involves funds generated within countries, such as through taxation, as well as finance provided by one country to support another in reaching its development goals, such as through grants and low-cost loans.

At the United Nations, governments have set goals and targets for financing sustainable development. Progress has been mixed on these commitments, however. It falls far short of current challenges in poorer countries and even many nations at a middle-income level.





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Budgets to fund health care, education, economic development, environmental protection and so on were straining to keep up even before the pandemic. The situation has grown much worse since then due to record inflation, high interest rates, debt burdens, costly climate disasters and massive recovery needs.

For a deep dive into the details of international agreements on financing for development, learn more about the [Addis Ababa Action Agenda](#) and [Goal 17](#) of the 2030 Agenda for Sustainable Development.

SECURING A SURGE IN FINANCE FOR THE GLOBAL GOALS

While the world is off track in achieving many global Sustainable Development Goals, accelerating progress remains possible – but only with a rapid, immediate surge in finance. Countries can work together to find the money, having agreed to do so. We will all benefit in the end, because a world where large shares of people feel insecure and desperate is not safe or sustainable for anyone.

On the positive side, we know how to find more funds and even some of the choices that have to be made for the common good.

As a starting point, the UN Secretary-General has called for an urgent infusion of SDG financing delivered by the world's 20 largest economies. An [SDG Stimulus](#) package of \$500 billion a year would mean all countries could invest in renewable energy, universal social protection, quality education, decent jobs, health coverage for everyone, sustainable food systems, infrastructure and digital transformation.

FINDING THE FUNDS

If we are serious about sustainable development – and in a world of so many crises and risks we really have to be – where should more money come from? To start, wealthier countries can meet decades-old commitments to providing official development assistance. Only a few countries have kept these promises, and choices about distributing this finance have not been in line with sustainable development.

Total assistance reached a record high of \$206 billion in 2022, for example, but most of the increase went to refugees and aid for Ukraine. The \$34 billion sent to countries in Africa, still among the world's poorest, was a notable 7.4 per cent less than the year before.

Finding more finance also depends on resolving the debt crisis faced by dozens of developing countries, including more than half the poorest countries. This crisis took off as





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countries borrowed to meet pandemic demands and interest rates skyrocketed. Some countries now send more funds into loan repayments than essential services such as health care.

It's a complex problem that governments, the United Nations, international financial institutions such as the World Bank and private lenders are working to resolve. The bottom line: debt should not stop progress towards sustainable development. Some emerging innovations include forgiving debts based on agreements where savings go to essential public services or environmental protections.

As the largest share of funds for public services in many countries, taxation needs to be aligned with sustainable development. That means taxing people and businesses enough, and based on their ability to pay. Sufficient taxation also depends on having well-functioning economies where industries thrive, and educated, healthy people can find decent work. Coordinating and regulating taxation across countries helps stop tax evasion.

Finally, private companies can steer finance towards sustainable development by operating in line with its core principles. They

have a social responsibility and a business incentive to do so. Large corporations, such as the business giants worth \$16 trillion in the Global Investors for Sustainable Development Alliance, are central to driving the energy transition, new consumer purchasing habits and infrastructure construction to meet many development goals.

WHAT CAN YOU DO?

Financing sustainable development requires whole economies and societies to pull together for the greater good. Individuals can play a role by paying taxes and demanding high-quality services in return. If you live in a wealthy country, you can advocate for official development assistance and debt relief for developing nations.

Other ideas are to consume less to reduce your environmental footprint and avoid damages, such as from resource extraction, that often require public resources for clean-up and compensation. By purchasing fair trade items, you can help transfer funds to people and businesses in developing countries. And if you buy stocks, try to screen companies based on their support for social justice and a healthy planet.

Sustainable development will be a substantial investment. But it's the best one we can make. Our common future depends on it.

